



(Formerly Spitfyre Capital Inc.)

Consolidated Financial Statements

As at December 31, 2023 and 2022

Presented in Canadian dollars

Table of Contents

Independent Auditor's Report	2-5
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-27

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
1000 Germain Street
Val-d'Or, Quebec
J9P 5T6

T 819-825-6226

To the Shareholders of
NeoTerrex Minerals Inc. (Formerly Spitfyre Capital inc.)

Opinion

We have audited the consolidated financial statements of NeoTerrex Minerals Inc. (Formerly Spitfyre Capital inc.) (hereafter "the Corporation"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2023 and 2022, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alain Lemaire.

Raymond Chabot Grant Thornton LLP

1

Val-d'Or
April 17, 2024

¹ CPA auditor, public accountancy permit no. A109964

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Consolidated Statements of Financial Position
(In Canadian dollars)

	Note	As at December 31,	
		2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	6,274,252	3,310,980
Sales tax receivable		97,023	80,618
Tax credits and mining rights receivable		209,414	368,373
Prepaid expenses		38,264	8,778
Total assets		6,618,953	3,768,749
Liabilities			
Current liabilities			
Trade payables and accrued liabilities		384,684	64,121
Liability related to the premium on flow-through shares	6	384,512	-
Total liabilities		769,196	64,121
Equity			
Share capital	7	8,740,148	4,780,221
Warrants	7	395,400	171,069
Contributed surplus		55,922	-
Deficit		(3,341,713)	(1,246,662)
Total equity		5,849,757	3,704,628
Total liabilities and equity		6,618,953	3,768,749
Subsequent event	14		

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

(s) V.E. Dale Burstall

Director

(s) Mathieu Stephens

Director

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2023 and 2022

(In Canadian dollars, except for number of shares)

	Note	2023	2022
		\$	\$
Expenses			
Exploration and evaluation expenditures, net of tax credits and mining rights	8	500,785	910,072
Salaries	12	169,529	133,334
Professional and consulting fees	12	139,530	156,540
Regulatory and transfer agent fees	14	12,049	8,864
Conference and promotion		22,534	7,779
Insurances, taxes and permits		24,797	20,628
Listing expense	4-12	1,364,779	-
Other	14	15,009	11,351
Total expenses		2,249,012	1,248,568
Other items			
Flow-through shares premium	6	-	140,000
Finance income		153,961	80,084
Total other items		153,961	220,084
Net loss and comprehensive loss		(2,095,051)	(1,028,484)
Loss per share – Basic and diluted		(0.03)	(0.02)
Weighted average number of shares outstanding – Basic and diluted			
		60,213,074	59,444,000

The accompanying notes are an integral part of these consolidated financial statements.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Consolidated Statements of Changes in Equity
(In Canadian dollars)

		Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
	Note	Outstanding	\$	\$	\$	\$	\$
Balance – December 31, 2021		5,750,000	4,780,221	171,069	-	(218,178)	4,733,112
Net loss and comprehensive loss		-	-	-	-	(1,028,484)	(1,028,484)
Balance – December 31, 2022		5,750,000	4,780,221	171,069	-	(1,246,662)	3,704,628
Subscription receipts converted to common shares		600,000	-	-	-	-	-
Acquisition of mineral claims	8	-	68,000	-	-	-	68,000
Transactions as part of the reverse takeover:	4						
- Issuance of common shares		59,744,000	1,236,250	-	-	-	1,236,250
- Deemed issuance of agent warrants		-	-	11,250	-	-	11,250
- Subscription receipts converted to common shares upon the reverse takeover:							
Unit issuance		8,038,000	2,159,500	-	-	-	2,159,500
Less: Valuation of warrants		-	(302,330)	302,330	-	-	-
Flow-through share issuance		4,523,668	1,357,100	-	-	-	1,357,100
Allocation of value to flow-through shares premium		-	(384,512)	-	-	-	(384,512)
Broker warrants		-	-	81,820	-	-	81,820
Exercise of broker warrants	7	2,195,900	335,375	(115,147)	-	-	220,228
Expiry of broker warrants	7	-	-	(55,922)	55,922	-	-
Share and unit issue cost	4	-	(509,456)	-	-	-	(509,456)
Net loss and comprehensive loss		-	-	-	-	(2,095,051)	(2,095,051)
Balance – December 31, 2023		80,851,568	8,740,148	395,400	55,922	(3,341,713)	5,849,757

The accompanying notes are an integral part of these consolidated financial statements.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Consolidated Statements of Cash Flows
(In Canadian dollars)

	Note	For the year ended December 31, 2023	For the year ended December 31, 2022
		\$	\$
Operating activities			
Net loss		(2,095,051)	(1,028,484)
Adjustment for:			
Common shares issued for mineral claims acquisition		68,000	-
Flow-through shares premium	6	-	(140,000)
Non-cash component of listing expense	4	893,457	-
Changes in working capital items	13	433,631	(421,196)
Net cash from operating activities		(699,963)	(1,589,680)
Investing activities			
Cash acquired through the acquisition of Spitfyre	4	354,043	-
Net cash from investing activities		354,043	-
Financing activities			
Proceeds of private placements	4	3,516,600	-
Proceeds from exercise of warrants	7	220,228	-
Share and unit issue cost paid in cash	4	(427,636)	(60,364)
Net cash from financing activities		3,309,192	(60,364)
Change in cash and cash equivalents		2,963,272	(1,650,044)
Cash and cash equivalents, beginning of year		3,310,980	4,961,024
Cash and cash equivalents, end of year		6,274,252	3,310,980

Supplemental cash flow information (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

1. NATURE OF OPERATIONS AND NATURE OF ACTIVITIES

NeoTerrex Minerals Inc. (the “Corporation” or “NeoTerrex”), formerly Spitfyre Capital Inc. (“Spitfyre”), continued under the *Canada Business Corporations Act* (“CBCA”) on December 21, 2023. The Corporation’s common shares are listed on the TSX Venture Exchange (the “Exchange”) under the symbol NTX. The address of its head office is 5390 West River Drive, Ottawa, Ontario, K4M 1G4.

Prior to December 21, 2023, the Corporation was a capital pool company (“CPC”) as defined in Policy 2.4 of the Exchange. On that date, the Corporation completed its qualifying transaction (the “Qualifying Transaction”) pursuant to the rules and policies of the Exchange by acquiring 100% of the issued and outstanding share capital of NeoTerrex Corporation (“NEO”) and evolved into a mineral exploration company with its exploration activity focused in Canada.

Accordingly, from an accounting standpoint, the transaction constitutes a reverse takeover. As NEO was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements (The “Financial Statements”) at their carrying value. Spitfyre’s results have been included from the date of the reverse takeover. The legal share capital continues to be that of Spitfyre, the legal parent.

NeoTerrex is engaged in the evaluation, acquisition and exploration of mineral properties for rare earth elements and lithium with its activities focused in prospective areas in Canada. The Corporation plans to ultimately develop the properties, bring them into production, option or lease the properties to third parties, or sell the properties outright. The Corporation has not determined whether these properties contain mineral reserves that are economically recoverable and the Corporation is considered to be in the exploration stage. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing since its inception, there can be no assurance it will be able to do so in the future.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE CORPORATION

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the *International Accounting Standards Board*. None of these standards or amendments to existing standards have been adopted early by the Corporation and no interpretations have been issued that are applicable and need to be taken into consideration by the Corporation at either reporting date.

Management of the Corporation anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation’s consolidated financial statements.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES

3.1 Statement of compliance with IFRS Accounting Standards and basis of preparation

The accompanying Financial Statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards"). The Financial Statements were approved and authorised for issue by the Board of Directors on April 17, 2024.

The Financial Statements have been prepared on an accrual basis and under the historical cost convention.

3.2 Basis of consolidation

The acquisition of NEO has been accounted for as a reverse takeover of the Corporation by NEO. Accordingly, the reported balances and transactions for periods prior to December 21, 2023 are those of NEO.

The consolidated financial statements include the accounts of the Corporation since December 21, 2023 and those of its wholly-owned subsidiary NEO since the incorporation of NEO in 2021. All intra-group transactions, balances, income and expenses are eliminated during consolidation. The financial statements of NEO are prepared for the same financial information presentation period as the Corporation and as per the same accounting policies.

The Corporation controls an entity when the group is exposed to, or has the right to variable returns from involvement with the entity and has the ability to affect these returns through its power over the entity.

3.3 Functional and presentation currency

The Financial Statements are presented in Canadian dollars, which is the Corporation and its subsidiary's functional currency.

3.4 Financial assets and liabilities

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs, if any.

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- Amortized cost;
- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI").

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

In the periods presented, the Corporation does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both the Corporation's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the Consolidated Statements of Loss and Comprehensive Loss are presented within finance income or finance cost, if any.

Subsequent valuation of financial assets – financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following condition:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Cash and cash equivalents are included in this category of financial instrument.

Impairment of financial assets

Financial assets at amortized cost are subject to impairment. The impairment provisions use the expected credit loss model. The Corporation considers a broader range of information when assessing credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of future cash flows of the financial instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Classification and measurement of financial liabilities

The Corporation's financial liabilities include trade payables and accrued liabilities.

Financial liabilities are initially measured at fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

3.6 Tax credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act in Quebec (the “mining rights”). These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Corporation records these tax credits in the period when there is reasonable assurance with regard to collections and assessments and that the Corporation will comply with conditions associated with them.

3.7 Exploration and evaluation expenditures

The Corporation expenses all expenditures related to its exploration and evaluation properties until such time as the properties are put into commercial production. To date no commercial production has been carried out. Under this method, all amounts shown as exploration and evaluation expenditures represent costs incurred during the year less amounts reimbursed from exploration partners, if any.

3.8 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income taxes are calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their tax bases.

Deferred tax assets are recognized to the extent that is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Corporation’s forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are presented as noncurrent and generally recognized in full.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3.9 Loss per share

Loss per share is computed by dividing the loss attributable to common equity holders of the Corporation by the weighted-average number of shares outstanding during the period. Diluted loss per share is calculated using the weighted average number of shares outstanding during the period for the calculation of the dilutive effect of dilutive instruments such as warrants and stock options unless they have an anti-dilutive effect.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

3.10 Equity

Share capital represents the amount received on the issue of common shares. Warrants represent the allocation of the amount received from units issued as well as the charge recorded for the broker warrants relating to financing. If shares are issued when warrants are exercised, the share capital account also comprises the compensation costs previously recorded as warrants. In addition, if shares are issued as consideration for the acquisition of a mineral property, they are measured at their fair value on the day of the conclusion of the agreement and recorded in the Statement of Loss and Comprehensive Loss under exploration and evaluation expenditures.

Warrants include charges related to the issuance of warrants until such equity instruments are exercised or expired. On expiry, warrant values are transferred to Contributed Surplus.

Unit placements

Proceeds from unit placements are allocated between shares and warrants according to their respective fair value. The Corporation uses the Black-Scholes pricing model to determine the fair value of the warrants issued.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the Consolidated Statement of Financial Position. The proceeds received from flow-through shares are allocated between share capital and the liability using the residual method. Proceeds are first allocated to shares according to the estimated fair value of existing shares at the time of issuance and any residual in the proceeds is allocated to liability related to the premium on flow-through shares. When eligible expenses are incurred and the Corporation has the intention to renounce its right to tax deductions to the investors, the amount recognized in liability related to the premium on flow-through shares is reversed and is recognized in profit or loss under flow-through shares premium.

3.11 Share and unit issue cost

Share and unit issue cost are accounted for in the period in which they are incurred and are recorded as a deduction to share capital, net of any underlying income tax benefit from the share and unit issue cost, in the year in which the shares and units are issued.

3.12 Deficit

Deficit includes all current and prior period retained profits or losses.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

3.13 Provision

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Corporation's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Corporation's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at December 31, 2023 and 2022, there is no provision in the Consolidated Statements of Financial Position.

3.14 Segmented reporting

The Corporation is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and evaluation of mineral properties. All of the Corporation's activities are conducted in Canada.

3.15 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

In particular, the Corporation has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the Financial Statements.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (CONT'D)

Significant management judgments

The following are significant management judgments in applying the accounting policies of the Corporation and have the most significant effect on the Financial Statements.

a) *Identification of the acquirer in the reverse takeover transaction*

In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, as in Note 4, identifying the acquirer requires judgment. Management considered the following additional factors:

- the relative voting rights in the combined entity after the business combination;
- the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest;
- the composition of the governing body of the combined entity; and
- the composition of the senior management of the combined entity.

b) *Recognition of deferred income tax assets and measurement of income tax expense*

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

a) *Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of the Corporation's own shares based on the volatility of similar companies in the industry, the probable life of warrants granted and the time of exercise of those warrants. The model used by the Corporation is the Black-Scholes valuation model (see Note 7).

b) *Tax credits and mining rights*

The calculation of the Corporation's refundable tax credit on qualified exploration expenditure incurred and refundable credit on duties for losses involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable credit on duties for losses, exploration expenditures, and income tax expense in future periods (See Note 3.6).

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

4. REVERSE TAKEOVER AND RELATED TRANSACTIONS

On December 21, 2023, in connection with an amalgamation agreement (the "Amalgamation") dated October 4, 2023, between the Corporation, NEO and 15363497 Canada Inc., a wholly-owned subsidiary of the Corporation, the Corporation acquired of all the issued and outstanding share capital of NEO through a three-cornered amalgamation as follows:

- a) Prior to the completion of the amalgamation, Spitfyre (i) completed a continuance from a corporation under the *Business Corporations Act (Ontario)* to a corporation continued under the *Canada Business Corporations Act*; and (ii) changed its name from Spitfyre Capital Inc. to NeoTerrex Minerals Inc.;
- b) Spitfyre and NEO completed a concurrent brokered private placement for aggregate proceeds of \$3,516,600 through the issuance of 8,038,000 units of NEO at a price of \$0.25 per unit, 600,000 units of Spitfyre at a price of \$0.25 per unit and 4,523,668 common shares of NEO issued on a flow-through basis at a price of \$0.30 per flow-through share. Each unit consists of one common share and one-half common share purchase warrant, with each such whole warrant entitling the holder to subscribe for one additional common share at a price of \$0.40 per share until December 21, 2025;
- c) In connection with the private placement, the Corporation paid to the agents cash commission of \$229,995, fees of \$81,059, and issued 512,850 broker warrants at a price of \$0.25 per share and 339,275 broker warrants at a price of \$0.30 per share. Each agent warrant entitles the holder to purchase one common share until December 21, 2025. Issue costs are recorded as a deduction to share capital;
- d) The shareholders of NEO received one common share of the Corporation for each issued and outstanding common share of NEO (the "Exchange Ratio"). In total, the Corporation issued 72,305,668 common shares from treasury to NEO's shareholders. In addition, the Corporation issued 4,019,000 warrants to all holders of NEO warrants and 4,103,425 broker warrants in accordance with the Exchange Ratio. The replacement warrants and broker warrants issued by the Corporation have identical terms as the NEO warrants and broker warrants that were surrendered;
- e) NEO and 15363497 Canada Inc. amalgamated, became a wholly-owned subsidiary of the Corporation and continued under the name "NeoTerrex Corporation" from December 21 to December 31, 2023. On January 1, 2024, the Corporation and its wholly-owned subsidiary amalgamated and continued under the name NeoTerrex Minerals Inc.

Accounting of the reverse takeover

Although the Amalgamation resulted in NEO becoming a wholly-owned subsidiary of the Corporation, it constitutes a reverse takeover for accounting purposes as the former NEO shareholders own a substantial majority of the common shares of the Corporation and all members of the Board of Directors and management of the Corporation will be designees of NEO. Following the Amalgamation, the business of the Corporation is the continuation of the business of NEO.

Considering that Spitfyre does not meet the definition of a business combination under IFRS 3 *Business Combination*, the purchase of Spitfyre's net assets is considered an equity-settled share-based payment under IFRS 2 *Share-based Payment*. That is, the transaction is equivalent to the issuance of shares and warrants by NEO for the net monetary assets of Spitfyre and for obtaining a listing status, accompanied by a recapitalization of Spitfyre.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

4. REVERSE TAKEOVER AND RELATED TRANSACTIONS (CONT'D)

Prior to the Amalgamation, the Corporation had 5,750,000 issued and outstanding common shares and 125,000 broker warrants to acquire common shares of the Corporation at an exercise price of \$0.20 per common share expiring on June 17, 2025.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of NEO are included in the Consolidated Statement of Financial Position at their carrying values; and
- ii) The net assets of Spitfyre are included at their fair value which is equal to the carrying value of the net assets given the current nature of the net assets. The difference between the estimated fair value of the NEO deemed consideration transferred to Spitfyre shareholders less the fair value of the net assets of Spitfyre acquired is recorded as a listing expense. The carrying amount of Spitfyre's equity is eliminated.

The fair value of the net assets acquired is summarized as follows:

	Amount
Assets acquired	\$
Cash	504,043
Sales tax receivable	13,663
Prepaid expenses	11,300
Liabilities assumed	
Accounts payable and accrued liabilities	(141,273)
Subscription receipts	(150,000)
Total net assets acquired	<u>237,733</u>
Consideration:	
Fair value of 5,750,000 common shares of Spitfyre	1,236,250
125,000 broker warrants of Spitfyre	11,250
Transaction costs paid in cash	355,012
	<u>1,602,512</u>
Listing expense	<u>1,364,779</u>

The fair value of the Spitfyre common shares was based on the value of the concurrent private placement with an allocation of \$0.215 per common share, after a pro-rata allocation of the fair value of the units' component.

The 125,000 broker's warrants of Spitfyre were assigned a fair value of \$11,250 estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.94%, expected volatility of 79%, dividend yield of 0% and expected life of 18 months.

Concurrent private placement

The 4,319,000 warrants issued in connection with the unit financing were assigned a fair value of \$302,330, after a pro-rata allocation of the fair value of the units' components, estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.94%, expected volatility of 89%, dividend yield of 0% and expected life of two years. As a result, the balance of \$1,857,170 was allocated to share capital.

In connection with the issuance of the 4,523,668 flow-through shares, a flow-through premium liability of \$384,512 is recorded. The flow-through shares premium was calculated using the residual method.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

4. REVERSE TAKEOVER AND RELATED TRANSACTIONS (CONT'D)

The 512,850 broker warrants at an exercise price of \$0.25 per share and the 339,275 broker warrants at an exercise price of \$0.30 per share were assigned a fair value of \$51,285 and \$30,535 respectively, estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.94%, expected volatility of 89%, dividend yield of 0% and expected life of two years.

The underlying expected volatility used in the Black-Scholes option pricing model was determined by reference to historical data of similar companies' shares over the expected average life of the warrants.

5. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2023	2022
	\$	\$
Cash	770,889	208,024
Guaranteed investment certificate ("GIC") bearing interest at 5.0% per annum, redeemable at any time and maturing on August 15, 2024	2,499,336	-
GIC bearing interest at 4.90% per annum, redeemable at any time and maturing on December 21, 2024	3,004,027	-
GIC bearing interest at 4.35% per annum, redeemable at any time and maturing on December 22, 2023	-	3,102,956
	6,274,252	3,310,980

The balance on flow-through financing not spent according to the terms of the financings, completed on December 21, 2023 by the Corporation, represents \$1,357,100 as at December 31, 2023, and is included in cash and cash equivalents. The Corporation must dedicate these funds to Canadian mining properties exploration activities by December 31, 2024.

6. LIABILITY RELATED TO THE PREMIUM ON FLOW-THROUGH SHARES AND COMMITMENTS

	2023	2022
	\$	\$
Beginning balance	-	140,000
Liability incurred on flow-through shares issued (Note 4)	384,512	-
Reduction related to qualifying exploration expenditures	-	(140,000)
Ending Balance	384,512	-

Flow-through expenditure commitment

The Corporation is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Corporation is engaged in realizing mining exploration work.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

6. LIABILITY RELATED TO THE PREMIUM ON FLOW-THROUGH SHARES AND COMMITMENTS (CONT'D)

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Corporation has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Corporation's exploration expenses will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Flow-through commitment obligations

On December 22, 2021, the Corporation raised \$700,000 through flow-through placements. The Corporation has incurred the entire commitment within the stipulated deadline of December 31, 2022.

On December 21, 2023, the Corporation raised \$1,357,100 through flow-through placements. The Corporation is required to fulfill its commitment within the stipulated deadline of December 31, 2024. As of December 31, 2023, the Corporation has not incurred any of this commitment.

The Corporation will indemnify the subscribers flow-through share offerings against certain tax related amounts that may become payable by the shareholder as a result of the Corporation not meeting its expenditure commitments.

7. EQUITY

a) Share capital

Authorized

The authorized capital of the Corporation consists of an unlimited number of common shares having no par value.

b) Warrants

Compensation warrants could be exercised for an equivalent number of common shares. A summary of changes is presented below:

	2023		2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	3,296,300	\$ 0.10	3,296,300	\$ 0.10
Exercised	(2,195,900)	0.10	-	-
Expired	(1,100,400)	0.11	-	-
Broker warrants deemed issued upon the reverse takeover (Note 4)	125,000	0.20	-	-
Issued (Note 4)	5,171,125	0.38	-	-
Outstanding, end	5,296,125	0.37	3,296,300	0.10

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

7. EQUITY (CONT'D)

On December 20, 2023, the Corporation issued 2,195,900 shares as 2,170,400 warrants were exercised at \$0.10 per warrant and 25,500 warrants at \$0.125 for gross proceeds of \$220,228. The fair value of the warrants was \$115,147 which has been reclassified from warrants to share capital as a result of the exercise.

Compensation warrants outstanding as at December 31, 2023 are as follows:

Number of Warrants	Carrying Value	Exercise price	Expiry date
	\$	\$	
125,000	11,250	0.20	June 17, 2025
512,850	51,285	0.25	December 21, 2025
339,275	30,535	0.30	December 21, 2025
4,319,000	302,330	0.40	December 21, 2025
5,296,125	395,400		

c) Share-based payments (Note 14)

Effective October 26, 2021, the Corporation adopted a stock option plan (the "Plan") to grant stock options to its directors, officers, employees and consultants. In accordance with the policies of the Exchange, the aggregate number of securities reserved for issuance under the Plan, at any point in time, will be 10% of the number of common shares of the Corporation issued and outstanding at the time the option is granted on a non-diluted basis, less any common share reserved for issuance under share options granted under share compensation arrangements other than the Plan. The exercise price of option grants will be determined by the Board of Directors but cannot be less than the closing market price of the common shares on the Exchange at the time of grant, less any applicable discount under the Exchange policies only for the consultants. All options granted under the Plan will expire no later than ten years from the date of grant.

Options expire not later than 90 days after the optionee ceases to be a director or officer of the Corporation and not later than 30 days for the employees and consultants of the Corporation, subject to the expiry date of the option.

All share-based payments will be settled in equity. The Corporation has no legal or constructive obligation to repurchase or settle the options in cash. As of December 31, 2023, the Corporation has not granted any Options.

d) Escrowed shares

29,008,000 common shares and 2,867,000 warrants of the Corporation held by principals of the Corporation are subject to a surplus security escrow agreement, (the "Surplus Escrowed Shares") in accordance with the Exchange policies, whereby a 36-month escrow period applies, with 5% to be released upon issuance of the final Qualifying Transaction Exchange Bulletin ("the Bulletin") (issued on January 5, 2024), 5% being releasable on the date that is 6 months from the date of the Bulletin, 10% being releasable on the dates that are 12 months and 18 months from the date of the Bulletin, 15% being releasable on the dates that are 24 months and 30 months from the date of the Bulletin and 40% being releasable on the date that is 36 months from the date of the Bulletin.

A further 4,781,000 common shares are held under a CPC escrow agreement (the "CPC Escrowed Shares"), with 25% to be released on the date of the Bulletin, and a further 25% being releasable every six months thereafter. As at December 31, 2023, 4,781,000 common shares are subject to this escrow.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

7. EQUITY (CONT'D)

In addition to the Surplus Escrowed Shares and the CPC Escrowed Shares certain non-principals are subject to Value Security Escrow in accordance with the Exchange policies for an aggregate of 2,900,000 of the Corporation with 10% to be released on the date of the Bulleting, and a further 15% being releasable every six months thereafter. As at December 31, 2023, 2,900,000 common shares are subject to this escrow.

8. EXPLORATION AND EVALUATION EXPENDITURES

	2023	2022
	\$	\$
Mineral acquisition and maintenance costs	89,964	41,810
Exploration and evaluation expenses, net of tax credits and mining rights	410,821	868,262
	500,785	910,072

Mineral acquisition and maintenance costs	Interest	2023	2022
		\$	\$
Quebec			
Mount Discovery	100%	1,792	9,910
Decelles	100%	-	24,200
Riel	100%	825	2,475
Lindsay	100%	-	2,475
Beauchene	100%	2,088	-
Roman	100%	85,259	-
Other	100%	-	2,750
		89,964	41,810

Exploration and evaluation expenses, net of tax credits and mining rights	2023	2022
	\$	\$
Quebec		
Mount Discovery	511,625	486,438
Decelles	6,736	632,166
Riel	4,224	46,064
Lindsay	80,692	44,430
Beauchene	8,143	-
Roman	3,803	-
GreenWinds	5,080	21,610
Other	-	5,927
Sub-total	620,303	1,236,635
Less: tax credits and mining rights	(209,482)	(368,373)
	410,821	868,262

Mount Discovery

The Corporation owns the Mount Discovery property and some claims are subject to a 2.5% net smelter royalty ("NSR"). The Corporation has a right to purchase one-half (1.25%) of the NSR for \$1,000,000. 1% of the NSR is held by the President, CEO and a director of the Corporation and 0.5% of the NSR is held by a company which is a shareholder of the Corporation and a director of the Corporation is an officer of this company. In addition, the Corporation acquired claims through map staking for an amount of \$1,792 in 2023 (\$9,910 in 2022).

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

8. EXPLORATION AND EVALUATION EXPENDITURES (CONT'D)

Roman

On June 2, 2023, the Corporation entered into an agreement to acquire twenty-five (25) mineral claims located in the Province of Quebec in exchange for a cash payment of \$10,000, 300,000 common shares of the Corporation (valued at \$68,000, being the fair value) and a 2.0% NSR to be retained by the vendor. The Corporation has a right to purchase one-half (1%) of the NSR for \$500,000. The vendor is the President, Chief Executive Officer ("CEO") and a director of the Corporation. In addition, the Corporation acquired claims through map staking for an amount of \$7,259 in 2023.

Decelles, Lac Riel, Lindsay and Beauchene

The Corporation acquired claims through map staking in 2023 and 2022.

GreenWinds

On December 15, 2022, the Corporation gave notice to the Optionors its decision to withdraw from the option agreement effective January 15, 2023.

9. INCOME TAXES

(a) Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the Consolidated Statement of Loss and Comprehensive Loss can be reconciled as follows:

	2023	2022
	\$	\$
Expected tax recovery calculated using the combined federal and provincial tax rate of 26.5% (26.5% in 2022)	(555,188)	(272,548)
Adjustment to expected income tax benefit		
Tax effect of flow-through renunciation	-	108,450
Reversal of liabilities related to flow-through shares	-	(37,100)
Exploration and evaluation expenditures	18,020	-
Non-deductible expenses and other	258,552	(8,106)
Temporary differences not recognized	278,616	209,304
Income tax expense	-	-

(b) Major components of tax expenses (income)

The major components of tax expenses (income) are outlined below:

	2023	2022
	\$	\$
Origination of temporary differences	(278,616)	(280,654)
Tax effect of flow-through shares renunciation	-	108,450
Reversal of liabilities related to flow-through shares	-	(37,100)
Change in temporary differences not recognized	278,616	209,304
Income tax expense	-	-

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

9. INCOME TAXES (CONT'D)

(c) *Deferred income taxes*

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2023		2022	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Net operating losses carried-forward	1,382,464	1,382,464	460,897	460,897
Share and unit issue cost	620,668	620,668	328,831	328,831
Exploration and evaluation expenditures	741,792	1,521,703	273,211	1,238,930
	2,744,924	3,524,835	1,062,939	2,028,658

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can use the benefits.

The Corporation has available \$1,379,464 non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses will expire in 2041 for an amount of \$141,304, 2042 for an amount of \$411,981 and 2043 for an amount of \$829,180.

10. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of equity comprised of share capital, warrants and deficit. The Corporation manages its capital structure and adjusts it, based on the funds available to the Corporation, in order to support the acquisition, exploration and development of mineral properties.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares through equity offerings or return capital to shareholders. The Corporation does not use long term debt since it does not generate operating revenues. There is no dividend policy. The Corporation does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject unless the Corporation closes a flow-through financing in which case the funds are reserved in use for exploration expenses in Canada (and the Corporation was in compliance during this year).

The properties in which the Corporation has or is earning an interest are in the exploration stage; as such the Corporation has relied on the equity markets to fund its activities. Subject to availability of funding, the Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

The Corporation's capital management objectives, policies and processes have remained unchanged during this year.

NeoTerrex Minerals Inc.
(Formerly Spitfyre Capital Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

11. FINANCIAL INSTRUMENTS

Financial Risk Factors

The Corporation has exposure to credit risk and liquidity risk. The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation's policies on an ongoing basis to ensure that these risks, which are summarized below, are appropriately managed.

The Corporation does not actively engage in the trading of financial instruments for speculative purposes.

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Corporation's financial assets exposed to credit risk are primarily composed of cash and cash equivalents. The carrying amount of cash and cash equivalents represents the Corporation maximum credit exposure.

The credit risk for cash and cash equivalent is considered negligible, since the counterparty is a reputable Canadian bank with high quality external credit ratings.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Corporation has financing source for a sufficient amount.

Since its incorporation, the Corporation has financed its exploration and evaluation programs, its working capital requirements and acquisition of mineral properties through private financings and the issuance of equity. As at December 31, 2023, the Corporation has a working capital of \$5,849,757 (\$3,704,628 as at December 31, 2022) including cash and cash equivalents of \$6,274,252 (\$3,310,980 as at December 31, 2022). Management believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due.

The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

As at December 31, 2023, the contractual maturity of the Corporation's trade payables and accrued liabilities of \$384,684 (\$64,121 as at December 31, 2022) are normally paid within 30 days and are subject to normal trade terms.

Fair value

The carrying value of cash and cash equivalents, and trade payables and accrued liabilities are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

Compensation to Key management

The Corporation's key management personnel includes the President & Chief Executive Officer, the Vice-President & Corporate Secretary as well as members of the board of directors. Key management remuneration is as follows:

	2023	2022
	\$	\$
Short-term benefits		
Salaries including benefits	169,529	133,334
Professional and consulting fees	62,388	86,228
Listing expense	388,434	-
Total compensation	620,351	219,562

The Corporation has an employment agreement with the President and CEO and a consulting agreement with a wholly-owned company of the Vice-President and Corporate Secretary, which, among other things, provided that in the event of termination without cause or a change of control, a compensation will be paid for a total of \$475,000.

Related party transactions in the normal course of operations

In addition to the amounts listed above in the compensation to key management and elsewhere in the Financial Statements, the following represents the detail of professional and consulting fees with key management.

Vatche Tchakmakian, who serves as Vice-President & Corporate Secretary provided the Corporation with management consulting services through his wholly owned company. During 2023, Mr. Tchakmakian indirectly charged professional fees of \$106,560 (\$60,138 in 2022) debited to professional and consulting fees (\$42,615 in 2023 and \$60,138 in 2022) and listing expenses (\$63,945 in 2023 and Nil in 2022). In addition, his company charged \$36,638 (\$26,685 in 2022) for the support staff in respect of bookkeeping and administrative support. As at December 31, 2023, there was an outstanding payable of \$5,500 (\$5,105 as at December 31, 2022) to Mr. Tchakmakian's company.

A law firm in which Dale Burstall, a Director of the Corporation, is a partner provided the Corporation with legal services. During 2023, the firm invoiced fees of \$344,262 (\$26,090 in 2022) debited to professional and consulting fees (\$19,773 in 2023 and \$26,090 in 2022) and listing expenses (\$324,489 in 2023 and Nil in 2022). The amount billed is based on normal market rates. As at December 31, 2023, there was a payable of \$238,393 (\$2,660 as at December 31, 2022) owing to his firm.

13.SUPPLEMENTAL CASH FLOW INFORMATION

	2023	2022
	\$	\$
Changes in non-cash operating working capital:		
Sales tax receivable	(16,405)	(48,803)
Tax credits and mining rights receivable	158,959	(353,230)
Prepaid expenses	(29,486)	(7,738)
Trade payables and accrued liabilities	320,563	(11,425)
	433,631	(421,196)

During 2023, the Corporation issued 300,000 common shares having a fair value of \$68,000 to acquire mineral claims.

As at December 31, 2023, compensation warrants of \$81,820 are included in share and unit issue cost.

NeoTerrex Minerals Inc.

(Formerly Spitfyre Capital Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In Canadian dollars)

14.SUBSEQUENT EVENT

On January 30, 2024, the Corporation granted stock options to purchase an aggregate of 4,000,000 common shares of the Corporation to its directors and officers, in accordance with its stock option plan. The stock options vest immediately, are exercisable at \$0.25 per option and have a term of five years.

The stock options have a fair value of \$760,000 and will be expensed in the Consolidated Statement of Loss and Comprehensive Loss and credited to Contributed Surplus. The average fair value of the granted options of \$0.20 was determined using the Black-Scholes option pricing model using the following assumptions: share price of \$0.25, an exercise price of \$0.25, risk-free interest rate of 3.43%, expected life of options of 5 years, expected volatility rate of 101% and an expected dividend rate of 0%.

The underlying expected volatility used in the Black-Scholes option pricing model was determined by reference to historical data of similar companies' shares over the expected average life of the options.