AZARGA METALS

# CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended September 30, 2023**

(Expressed in Canadian dollars)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Azarga Metals Corp.

***Opinion***

We have audited the accompanying consolidated financial statements of Azarga Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

***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 Company 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital deficit of $877,273 as at September 30, 2023. As stated in Note 1, the Company needs to complete a financing in order to complete its strategic objectives and there is no assurance that it will be able to obtain adequate financing in the future. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

*Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $869,083 as of September 30, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreement and property payment obligations.
- Evaluating title to ensure mineral claims underlying the E&E Assets are in good standing.

***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, and for such internal control as management determines is necessary to enable the preparation of 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 year 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 Michael MacLaren.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

January 26, 2024

## AZARGA METALS CORP.
### Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | September 30, 2023 | September 30, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | 4 | $ 123,135 | $ 184,074 |
| Restricted cash | | - | 47,284 |
| Receivables | 5 | 2,723 | 56,827 |
| Prepaid expenses | 6 | 7,000 | 112,107 |
| | | 132,858 | 400,292 |
| **Exploration and evaluation assets** | 7 | 869,083 | 869,083 |
| | | $ 1,001,941 | $ 1,269,375 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 8 | $ 469,987 | $ 410,280 |
| Property payment obligation | 9 | 540,144 | 200,000 |
| Shareholder loans | 10 | - | 1,723,637 |
| | | 1,010,131 | 2,333,917 |
| **Property payment obligation** | 9 | - | 303,700 |
| | | 1,010,131 | 2,637,617 |
| **Shareholders' deficiency** | | | |
| Share capital | 12 | 145,048,633 | 143,044,165 |
| Share-based reserve | 12 | 17,515,616 | 17,430,897 |
| Deficit | | (162,572,439) | (161,843,304) |
| | | (8,190) | (1,368,242) |
| | | $ 1,001,941 | $ 1,269,375 |
| **Nature of operations and going concern** | 1 | | |
| **Subsequent events** | 19 | | |

These consolidated financial statements were approved for issue by the Board of Directors on January 26, 2024.

They are signed on the Company's behalf by:

| | |
|---|---|
| *"Gordon Tainton"* | *"Blake Steele"* |
| Gordon Tainton, Director | Blake Steele, Director |

**AZARGA METALS CORP.**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian dollars)

| | Note | | Year ended September 30, 2023 | | 2022 |
|---|---|---|---|---|---|
| **EXPENSES** | | | | | |
| Consulting fees | *13* | $ | 274,000 | $ | 357,956 |
| Exploration and evaluation expenditures | *7* | | 228,949 | | 477,892 |
| Investor relations | | | 129,140 | | 94,121 |
| Office expenses | | | 34,907 | | 40,415 |
| Professional fees | | | 70,352 | | 206,168 |
| Regulatory fees | | | 56,348 | | 62,759 |
| Share-based compensation | *12 & 13* | | 49,005 | | 210,827 |
| Travel | | | 5,759 | | 26,096 |
| | | | (848,460) | | (1,476,234) |
| **Accretion on property payment obligation** | *9* | | (36,444) | | (24,682) |
| **Foreign exchange gain** | | | 43,543 | | 202,530 |
| **Gain on sale of subsidiaries** | *7* | | 111,524 | | - |
| **Gain (loss) on settlement of trade and other payables** | *8* | | 62,812 | | (18,741) |
| **Gain on settlement of convertible loan interest** | *11* | | - | | 259,676 |
| **Interest expense on shareholder loans** | *10* | | (62,110) | | (119,376) |
| **Interest expense on convertible loan** | *11* | | - | | (400,919) |
| **Impairment of exploration and evaluation assets** | *7* | | - | | (8,012,117) |
| **LOSS AND COMPREHENSIVE LOSS FOR THE YEAR** | | $ | (729,135) | $ | (9,589,863) |
| **Basic and diluted loss per common share** | | $ | (0.03) | $ | (0.67) |
| **Weighted average number of common shares outstanding** | | | 22,453,083 | | 14,392,748 |

**AZARGA METALS CORP.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian dollars)

| | Year ended September 30, 2023 | 2022 |
|---|---|---|
| **CASH PROVIDED BY (USED FOR):** | | |
| **OPERATING ACTIVITIES:** | | |
| Loss for the year | $ (729,135) | $ (9,589,863) |
| Items not affecting cash: | | |
| Share-based compensation | 49,005 | 210,827 |
| Accretion on property payment obligation | 36,444 | 24,682 |
| Gain on sale of subsidiaries | (111,524) | - |
| (Gain) loss on settlement of trade and other payables | (62,812) | 18,741 |
| Gain on settlement of convertible loan interest | - | (259,676) |
| Accrued interest expense on shareholder loans | 62,110 | 119,376 |
| Accrued interest expense on convertible loan | - | 400,919 |
| Impairment of exploration and evaluation assets | - | 8,012,117 |
| Unrealized foreign exchange gain | (21,905) | (121,888) |
| Change in non-cash working capital items: | | |
| Receivables | 31,317 | 18,053 |
| Prepaid expenses | 105,107 | (80,748) |
| Trade and other payables | 336,206 | 323,967 |
| | (305,187) | (923,493) |
| **INVESTING ACTIVITIES** | | |
| Cash received on sale of subsidiaries | 102,075 | - |
| Restricted cash | 39,673 | (47,284) |
| | 141,748 | (47,284) |
| **FINANCING ACTIVITIES:** | | |
| Private placement | 106,000 | 293,750 |
| Share issuance costs | (3,500) | (1,750) |
| | 102,500 | 292,000 |
| **DECREASE IN CASH FOR THE YEAR** | (60,939) | (678,777) |
| **CASH, BEGINNING OF THE YEAR** | 184,074 | 862,851 |
| **CASH, END OF THE YEAR** | $ 123,135 | $ 184,074 |

**Supplementary cash flow information (Note 17)**

*The accompanying notes form an integral part of these consolidated financial statements*

**AZARGA METALS CORP.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
(Expressed in Canadian dollars)

| | Number of shares | | Share capital | | Share-based reserve | | Deficit | | Shareholders' deficiency |
|---|---|---|---|---|---|---|---|---|---|
| Balance, September 30, 2022 | 19,701,275 | $ | 143,044,165 | $ | 17,430,897 | $ | (161,843,304) | $ | (1,368,242) |
| Private placement | 706,667 | | 72,447 | | 33,553 | | - | | 106,000 |
| Share issuance costs | - | | (5,661) | | 2,161 | | - | | (3,500) |
| Issuance of shares for trade and other payables | 1,338,398 | | 173,840 | | - | | - | | 173,840 |
| Issuance of shares on conversion of shareholder loans | 11,758,944 | | 1,763,842 | | - | | - | | 1,763,842 |
| Consolidation adjustment | (11) | | - | | - | | - | | - |
| Share-based compensation | - | | - | | 49,005 | | - | | 49,005 |
| Comprehensive loss for the year | - | | - | | - | | (729,135) | | (729,135) |
| Balance, September 30, 2023 | 33,505,273 | $ | 145,048,633 | $ | 17,515,616 | $ | (162,572,439) | $ | (8,190) |

| | Number of shares | | Share capital | | Share-based reserve | | Deficit | | Shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|---|---|---|
| Balance, September 30, 2021 | 12,109,241 | $ | 137,752,269 | $ | 17,144,994 | $ | (152,253,441) | $ | 2,643,822 |
| Private placement | 1,958,333 | | 218,980 | | 74,770 | | - | | 293,750 |
| Share issuance costs | - | | (2,056) | | 306 | | - | | (1,750) |
| Issuance of shares for convertible loan interest | 374,376 | | 205,907 | | - | | - | | 205,907 |
| Issuance of shares for exploration and evaluation assets | 521,999 | | 313,199 | | - | | - | | 313,199 |
| Issuance of shares - finder's fee | 44,776 | | 26,866 | | - | | - | | 26,866 |
| Issuance of shares for settlement of convertible loan | 4,692,550 | | 4,529,000 | | - | | - | | 4,529,000 |
| Share-based compensation | - | | - | | 210,827 | | - | | 210,827 |
| Comprehensive loss for the year | - | | - | | - | | (9,589,863) | | (9,589,863) |
| Balance, September 30, 2022 | 19,701,275 | $ | 143,044,165 | $ | 17,430,897 | $ | (161,843,304) | $ | (1,368,242) |

*The accompanying notes form an integral part of these consolidated financial statements*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (the “Company”) is a publicly traded company incorporated under the laws of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol AZR. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., V4B 1E6.

The Company is engaged in the exploration and, if warranted, development of mineral resource projects in Canada. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

On June 27, 2023, the Company completed a 10 for 1 share consolidation. All share and per share amounts in these consolidated financial statements have been restated to reflect this share consolidation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at September 30, 2023, the Company had a working capital deficit of $877,273. The Company needs to complete a financing in order to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

## 2. BASIS OF PRESENTATION

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the parent company’s functional currency as well as the functional currency of the Company’s previously held subsidiaries.

## 2. BASIS OF PRESENTATION (continued)

### Use of accounting estimates, judgments, and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

Management has determined that acquisition costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, preliminary economic assessment, accessibility of facilities and existing permits. During the year ended September 30, 2022, the Company assessed that there was no future economic benefits to be received from its then held Unkur project located in Russia and accordingly impaired the project to $Nil (Note 7).

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

## 2. BASIS OF PRESENTATION (continued)

**Use of accounting estimates, judgments, and assumptions (continued)**

i) Critical accounting estimates (continued)

Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include the results from the exploration and development of its properties, forecasted capital deployment, and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note1).

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

The functional currency for each corporate entity is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company as well as the functional currency of the Company's previously held BVI, Cyprus, and Russian subsidiaries is the Canadian dollar.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

These consolidated financial statements include the accounts of Azarga Metals Corp. and its previously held subsidiaries, from the date control was acquired to the date control was relinquished. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

| Name of subsidiary | Place of incorporation | Ownership interest at September 30, 2023 (Note 7) | Ownership interest at September 30, 2022 (Note 7) | Principal activity |
|---|---|---|---|---|
| Azarga Metals Limited | BVI | 0% | 100% | Holding company |
| Shilka Metals Ltd. | Cyprus | 0% | 100% | Holding company |
| Tuva-Kobalt LLC | Russia | 0% | 100% | Mineral exploration company |

### Foreign currency translation

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

### Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method upon reaching production. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are changed to profit or loss. The Company has no restoration, rehabilitation or environmental obligations.

### Impairment

The carrying amounts of the Company’s non-financial assets, other than deferred income tax assets, if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### Convertible loan

A convertible loan is considered to be a compound financial instrument which requires assessment to determine if it contains a liability and an equity component related to the conversion feature. When the conversion feature is for a variable number of shares, there is no equity component but rather is a potential embedded derivative.

The proceeds received for the issuance of a convertible loan are allocated to a liability component and equity component, if any, on the date of issuance. The fair value of the liability component is estimated using the market interest rate for a similar non-convertible loan. The initial carrying amount of the equity component is the residual amount after separating the liability component. The liability component is measured using amortized cost and the equity component is not remeasured.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable.

The host instrument is accounted for as a hybrid instrument with a debt component and a separate embedded derivative component classified as a liability. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative which is measured at fair value.

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in profit or loss.

Transaction costs that relate to the initial issuance of the convertible loan are allocated to the liability component and embedded derivative component in proportion to the allocation of the gross proceeds. Transaction costs relating to the embedded derivative liability component are expensed directly in profit or loss and transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortized over the expected life of the convertible loan using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

*Financial assets*

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and restricted cash are classified at amortized cost.

*Impairment*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to the estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables, property payment obligation, and shareholder loans are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

### Warrants

The Company accounts for warrants issued in unit offerings comprising a common share and warrant (or portion thereof) using the relative fair value method. Under this method, the fair value of common shares and warrants are measured at the issuance date and the proceeds raised are allocated to the common shares and warrants proportionately. The fair value of common shares is measured based on the quoted market price of the Company's stock and the warrant issued is measured at the issue date using the Black-Scholes option pricing model. The warrant is recorded as share capital if and when the warrants are exercised.

### Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of share options, share purchase warrants and convertible loan on loss per share would be anti-dilutive.

### Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and there is the intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is probable that the related tax benefit will be realized.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### New standards, interpretations, and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2023 and have not been applied in preparing these consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to IAS 1 Presentation of Financial Statements clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company has not early adopted this revised standard and its adoption is not expected to have a material impact on the Company’s consolidated financial statements.

(Expressed in Canadian dollars)

## 4. CASH

| | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Canadian dollar denominated deposits held in Canada | $ | 17,931 | $ | 163,037 |
| US dollar denominated deposits held in Canada | | 105,204 | | 18,781 |
| US dollar denominated deposits held in Cyprus | | - | | 2,256 |
| Total | $ | 123,135 | $ | 184,074 |

## 5. RECEIVABLES

| | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Amounts due from the Government of Canada pursuant to input tax credits | $ | 2,723 | $ | 12,862 |
| Amounts due from the Government of Russia pursuant to value added tax | | - | | 27,336 |
| Other receivables | | - | | 16,629 |
| Total | $ | 2,723 | $ | 56,827 |

## 6. PREPAID EXPENSES

| | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Prepaid insurance | $ | 7,000 | $ | 20,417 |
| Prepaid investor relations | | - | | 82,500 |
| Prepaid other | | - | | 5,800 |
| Expense advance to related party (Note 13) | | - | | 3,390 |
| Total | $ | 7,000 | $ | 112,107 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS

| | | Canada | | Russia | | |
|---|---|---|---|---|---|---|
| | | **Marg** | | **Unkur** | | **Total** |
| September 30, 2021 | $ | - | $ | 8,012,117 | $ | 8,012,117 |
| Additions | | 869,083 | | - | | 869,083 |
| Impairment | | - | | (8,012,117) | | (8,012,117) |
| September 30, 2022 | | 869,083 | | - | | 869,083 |
| Additions | | - | | - | | - |
| September 30, 2023 | $ | 869,083 | $ | - | $ | 869,083 |

*Marg Copper Project, Yukon, Canada*

In December 2021, the Company completed the acquisition of the Marg copper project, located in the Yukon Territory of Canada.

As consideration, the Company paid a non-refundable deposit of $50,000 and issued 521,999 common shares valued at $313,199. The Company also paid a finder's fee to a third-party through the issuance of 44,776 common shares valued at $26,866 (Note 12).

The Company was also obligated to pay $200,000 on the first anniversary of closing and $350,000 on the second anniversary of closing. The second anniversary payment of $350,000 was discounted at a rate of 12% over a period of two years for an initial present value of $279,018. These amounts have also been accrued as part of the consideration payable for the Marg project (Note 9).

| | | |
|---|---|---|
| Cash | $ | 50,000 |
| Shares issued | | 313,199 |
| Shares issued for finder's fee | | 26,866 |
| Property payment obligation - first anniversary | | 200,000 |
| Property payment obligation - second anniversary | | 279,018 |
| Total | $ | 869,083 |

Upon a final decision to mine (the "Milestone") by the Company, an additional payment of $300,000 is due in cash or shares at the vendor's discretion.

Finder's fees between 5% and 7.5% are payable to a third-party upon payment of any future amounts.

The Marg project is subject to a 1% net smelter return ("NSR") royalty which the Company has the option to buy back for cash consideration of $1,500,000.

Subsequent to September 30, 2023, the Company entered into a side letter agreement (Note 19) to restructure the terms of the Marg property acquisition so that the accrued property payment obligations are cancelled and replaced with the option maintenance payments. The parties agreed to amend the Marg project acquisition agreement to an option to purchase agreement whereby if the Company does not complete the option maintenance payments and exercise the option to purchase the Marg project, the option to purchase will expire and title to the Marg project will revert to the vendor.

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

*Unkur Copper-Silver Project, Russia*

The Company's previously held Unkur copper-silver project was located in eastern Russia.

In early 2022, countries around the world imposed a number of sanctions on Russia in response to its invasion of Ukraine. These sanctions adversely affected the Company's ability to fund its operations in Russia and its ability to maintain the Unkur license in good standing.

During the year ended September 30, 2022, the Company determined that these events cast significant uncertainty over the Company's Russian operations and accordingly, the Company recorded an impairment of exploration and evaluation assets of $8,012,117 on the Unkur project.

In June 2022, the Company granted Baker Steel Resources Trust Ltd. ("BSRT") the option to acquire the Unkur project for US$1.00 (the "Unkur Option") until December 31, 2023 in exchange for BSRT agreeing to convert its outstanding convertible loan into common shares (Note 11). BSRT is considered to be a related party by virtue of a former director of the Company being the Managing Partner of BSRT. In addition, BSRT owned approximately 30% of the Company's common shares as at September 30, 2022.

In February 2023, the Company entered into a share purchase agreement with a non-sanctioned third-party buyer to sell its wholly owned subsidiaries, Azarga Metals Limited, Shilka Metals Ltd., and Tuva-Kobalt LLC, the owner of the Unkur project. As consideration, the buyer paid the Company $1 (US$1) for the Unkur project and $102,074 (US$74,999) for the assignment and assumption of the intercompany debt, as well as contingent consideration equal to half of the net proceeds paid to the buyer from any subsequent sale of the Unkur project ("Contingent Consideration"). The Contingent Consideration has not been recorded as management has determined that it is not likely to be received. Further, BSRT waived its right to acquire the Unkur project under the Unkur Option, however, pursuant to the Unkur Option, the Contingent Consideration, if received, will be split as follows: 90% to BSRT and 10% to the Company for any amount up to US$3.5 million and 80% to BSRT and 20% to the Company for any amount above US$3.5 million.

| **Consideration received** | | |
|---|---|---|
| Cash | $ | 102,075 |
| Total | $ | 102,075 |

| **Net assets (liabilities) sold** | | |
|---|---|---|
| Cash | $ | 7,611 |
| Receivables | | 22,787 |
| Trade and other payables | | (39,847) |
| Total | $ | (9,449) |
| | | |
| **Gain on sale of subsidiaries** | $ | 111,524 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

The Company recorded the following exploration and evaluation expenditures on its Marg and Unkur projects during the years ended September 30, 2023 and 2022.

| | Year ended September 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Marg Project** | | |
| IP Survey | $ 150,512 | $ 184,170 |
| Camp and other | 29,960 | 8,268 |
| | 180,472 | 192,438 |
| **Unkur Project** | | |
| Licenses and permits | - | 9,645 |
| Personnel, administration, and travel | 48,477 | 229,539 |
| Studies and evaluations | - | 46,270 |
| | 48,477 | 285,454 |
| | $ 228,949 | $ 477,892 |

## 8. TRADE AND OTHER PAYABLES

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Trade and other payables in Canada | $ 171,709 | $ 255,500 |
| Trade and other payables in Cyprus | - | 166 |
| Trade and other payables in Russia | - | 76,685 |
| Due to related parties (Note 13) | 298,278 | 77,929 |
| Total | $ 469,987 | $ 410,280 |

During the year ended September 30, 2023, the Company completed the following:

- In January 2023, the Company issued 400,000 common shares valued at $80,000 (Note 12) to settle trade and other payables of $95,892 and accordingly recorded a gain on settlement of trade and other payables of $15,892.
- In July 2023, the Company issued 400,000 common shares valued at $40,000 (Note 12) to Golden Oak (Note 13) to settle trade and other payables of $60,000 and accordingly recorded a gain on settlement of trade and other payables of $20,000.
- In July 2023, the Company issued 538,398 common shares valued at $53,840 (Note 12) to settle trade and other payables of $80,760 and accordingly recorded a gain on settlement of trade and other payables of $26,920.

During the year ended September 30, 2022, the Company issued 374,376 common shares valued at $205,907 (Note 12) to settle interest payable of $187,166 (Note 11) and accordingly recorded a loss on settlement of trade and other payables of $18,741.

(Expressed in Canadian dollars)

## 9. PROPERTY PAYMENT OBLIGATIONS

| | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Opening balance | $ | 503,700 | $ | - |
| Additions | | - | | 479,018 |
| Accretion | | 36,444 | | 24,682 |
| Closing balance | $ | 540,144 | $ | 503,700 |
| Current | | 540,144 | | 200,000 |
| Non-current | | - | | 303,700 |
| Closing balance | $ | 540,144 | $ | 503,700 |

As part of the consideration payable for the acquisition of the Marg project (Note 7), the Company was obligated to pay $200,000 on the first anniversary of closing, being December 6, 2022.

In addition, the Company was also obligated to pay the vendor $350,000 on the second anniversary of closing, being December 6, 2023. This payment was discounted at a rate of 12% over a period of two years for an initial present value of $279,018. During the year ended September 30, 2023, the Company recorded accretion of $36,444 (2022 - $24,682) on this property payment obligation.

Subsequent to September 30, 2023, the Company entered into a side letter agreement (Note 19) to restructure the terms of the Marg project acquisition (Note 7) so that the property payment obligations are cancelled and replaced with the option maintenance payments.

## 10. SHAREHOLDER LOANS

| | | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|---|
| Shareholders | Relationship | | | | |
| Alexander Molyneux | Former Director | $ | - | $ | 333,619 |
| Eugene McCarthy | | | - | | 334,168 |
| Blake Steele | Director | | - | | 74,198 |
| Vladimir Pakhomov | Former Director | | - | | 75,483 |
| Denis Tsesarenko | | | - | | 75,483 |
| Serhii Stefanovych | | | - | | 157,977 |
| | | | - | | 1,050,928 |
| Interest payable | | | - | | 672,709 |
| Total | | $ | - | $ | 1,723,637 |

The shareholder loans were unsecured, bore interest at the rate of 12% per annum, and were payable by May 31, 2023.

On May 31, 2023, all of the shareholder loan holders individually delivered to the Company notices to convert each of their shareholder loans and accrued interest to March 31, 2023 into common shares of the Company. No further interest accrued after March 31, 2023. On March 31, 2023, the amounts due included principal of $1,037,588 (US$766,709) and interest of $726,254 (US$536,254).

(Expressed in Canadian dollars)

## 10. SHAREHOLDER LOAN (continued)

In July 2023, the Company issued 8,019,895 common shares valued at $1,202,985 (Note 12) in full and final settlement of all but one of the shareholder loans.

In September 2023, the Company issued 3,739,049 common shares valued at $560,857 (Note 12) in full and final settlement of the remaining shareholder loan.

During the year ended September 30, 2023, the Company accrued interest on the shareholder loans of $62,110 (2022 - $119,376).

## 11. CONVERTIBLE LOAN

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Opening balance | $ - | $ 4,641,767 |
| Amortization of financing costs | - | 128,442 |
| Foreign exchange and other | - | (241,209) |
| Settlement | - | (4,529,000) |
| Closing balance | $ - | $ - |

In April 2019, the Company and BSRT completed a secured convertible loan facility (the “Convertible Loan”) pursuant to which BSRT loaned the Company US$3,000,000.

In April 2020, the Convertible Loan was increased to US$3,500,000, the principal amount was fixed at $4,692,550 for the purposes of conversion, and the conversion price was set at $0.10.

The Convertible Loan bore interest at 8% per annum, payable semi-annually, and was to mature on December 31, 2022.

In June 2022, the Company granted BSRT the option to acquire the Unkur project (Note 7) in exchange for BSRT agreeing to settle the Convertible Loan. As a result, the Company issued BSRT 4,692,550 common shares in full and final settlement of the Convertible Loan of $4,529,000 (Note 12).

In addition, BSRT agreed to waive accrued interest totalling $259,676, which the Company recorded a gain on settlement of convertible loan interest during the year ended September 30, 2022.

In October 2021, the Company issued BSRT 374,376 common shares valued at $205,907 (Note 12) to settle the interest payable of $187,166 and accordingly recorded a loss on settlement of $18,741 during the year ended September 30, 2022.

During the year ended September 30, 2022, the Company recorded interest expense of $400,919, being $272,477 of interest expense on the Convertible Loan and amortization of financing costs of $128,442.

## 12. SHARE CAPITAL

### a) Authorized

The Company has an unlimited number of common shares without par value authorized for issuance.

### b) Issued and outstanding

On June 27, 2023, the Company completed a 10 for 1 share consolidation. All share and per share amounts in these consolidated financial statements have been restated to reflect this share consolidation.

During the year ended September 30, 2023, the Company completed the following:

- In November 2022, the Company completed the second and final tranche of a non-brokered private placement through the issuance of 706,667 units at a price of $0.15 per unit for gross proceeds of $106,000. Each unit consisted of one common share and one share purchase warrant exercisable into one common share at a price of $0.50 per share until November 7, 2025. The share purchase warrants were valued at $33,553 using the relative fair value approach.

  The Company recorded cash finder's fees of $3,500 and issued 23,333 finder's warrants valued at $2,161 on the same terms as the share purchase warrants. The fair value of the share purchase warrants and the finder's warrants were determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.87%; an expected volatility of 102%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

- In January 2023, the Company issued 400,000 common shares valued at $80,000 to settle trade and other payables of $95,892 and accordingly recorded a gain on settlement of trade and other payables of $15,892.

- In July 2023, the Company issued 400,000 common shares valued at $40,000 to Golden Oak (Note 13) to settle trade and other payables of $60,000 and accordingly recorded a gain on settlement of trade and other payables of $20,000.

- In July 2023, the Company issued 538,398 common shares valued at $53,840 to settle trade and other payables of $80,760 and accordingly recorded a gain on settlement of trade and other payables of $26,920.

- In July 2023, the Company issued 8,019,895 common shares valued at $1,202,985 in full and final settlement of all but one of the shareholder loans (Note 10).

- In September 2023, the Company issued 3,739,049 common shares valued at $560,857 in full and final settlement of the remaining shareholder loan (Note 10).

(Expressed in Canadian dollars)

## 12. SHARE CAPITAL (continued)

### b) Issued and outstanding (continued)

During the year ended September 30, 2022, the Company completed the following:

- In October 2021, the Company issued BSRT 374,376 common shares valued at $205,907 to settle interest payable of $187,166 (Note 11) and accordingly recorded a loss on settlement of $18,741.

- In December 2021, the Company issued 521,999 common shares valued at $313,199 for the Marg project. In addition, the Company issued 44,776 common shares valued at $26,866 for a finder's fee (Note 7).

- In June 2022, the Company issued BSRT 4,692,550 common shares in full and final settlement of the Convertible Loan of $4,529,000 (Note 11).

- In September 2022, the Company completed the first tranche of a non-brokered private placement through the issuance of 1,958,333 units at a price of $0.15 per unit for gross proceeds of $293,750. Each unit consisted of one common share and one share purchase warrant exercisable into one common share at a price of $0.50 per share until September 15, 2025. The share purchase warrants were valued at $74,770 using the relative fair value approach.

  The Company paid cash finder's fees of $1,750 and issued 11,667 finder's warrants valued at $306 on the same terms as the share purchase warrants. The fair value of the share purchase warrants and the finder's warrants were determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.73%; an expected volatility of 92%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

### c) Warrants

The continuity of share purchase warrants for the year ended September 30, 2023 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2022 | Granted | Exercised | Expired | Balance, September 30, 2023 |
|---|---|---|---|---|---|---|
| December 31, 2022 | $ 1.00 | 2,044,091 | - | - | (2,044,091) | - |
| March 25, 2023 | $ 1.20 | 1,160,646 | - | - | (1,160,646) | - |
| September 15, 2025 | $ 0.50 | 1,970,000 | - | - | - | 1,970,000 |
| November 7, 2025 | $ 0.50 | - | 730,000 | - | - | 730,000 |
| | | 5,174,737 | 730,000 | - | (3,204,737) | 2,700,000 |
| Weighted average exercise price | | $ 0.85 | $ 0.50 | $ - | $ 1.07 | $ 0.50 |

As at September 30, 2023, the weighted average remaining contractual life of the share purchase warrants outstanding was 2.00 years.

(Expressed in Canadian dollars)

## 12. SHARE CAPITAL (continued)

### c) Warrants (continued)

The continuity of share purchase warrants for the year ended September 30, 2022 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2021 | Granted | Exercised | Expired | Balance, September 30, 2022 |
|---|---|---|---|---|---|---|
| December 31, 2022 | $ 1.00 | 2,044,091 | - | - | - | 2,044,091 |
| March 25, 2023 | $ 1.20 | 1,160,646 | - | - | - | 1,160,646 |
| September 15, 2025 | $ 0.50 | - | 1,970,000 | - | - | 1,970,000 |
| | | 3,204,737 | 1,970,000 | - | - | 5,174,737 |
| Weighted average exercise price | | $ 1.07 | $ 0.50 | $ - | $ - | $ 0.85 |

### d) Share-based compensation

In July 2022, the Company's shareholders approved a new replacement stock option plan (the "New Option Plan"). The New Option Plan is a 10% "rolling" stock option plan which governs the granting of stock options to directors, officers, employees and consultants of the Company for the purchase of up to 10% of the issued and outstanding common shares of the Company from time to time and supersedes the current stock option plan (the "Superseded Option Plan"). Any stock options currently outstanding under the Superseded Option Plan will remain outstanding, however new stock option grants will be subject to the New Option Plan. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors.

In addition, the shareholders approved a new equity incentive plan (the "Equity Plan") which governs the granting of any restricted share units, performance share units, or deferred share units granted under the Equity Plan, to directors, officers, employees and consultants of the Company. The Company has reserved for issuance up to 1,305,029 common shares, being 10% of the issued and outstanding common shares of the Company at that time, pursuant to the Equity Plan.

The continuity of stock options for the year ended September 30, 2023 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2022 | Granted | Exercised | Expired/ Cancelled | Balance, September 30, 2023 |
|---|---|---|---|---|---|---|
| January 5, 2023 | $ 1.50 | 127,500 | - | - | (127,500) | - |
| May 24, 2024 | $ 0.90 | 270,000 | - | - | (90,000) | 180,000 |
| April 23, 2026 | $ 1.30 | 300,000 | - | - | (300,000) | - |
| April 21, 2027 | $ 0.50 | 450,000 | - | - | (450,000) | - |
| | | 1,147,500 | - | - | (967,500) | 180,000 |
| Weighted average exercise price | | $ 0.91 | $ - | $ - | $ 0.92 | $ 0.90 |

As at September 30, 2023, all stock options outstanding were exercisable.

As at September 30, 2023, the weighted average remaining contractual life of the stock options outstanding was 0.65 years.

(Expressed in Canadian dollars)

## 12. SHARE CAPITAL (continued)

### d) Share-based compensation (continued)

The continuity of stock options for the year ended September 30, 2022 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2021 | Granted | Exercised | Expired/ Cancelled | Balance, September 30, 2022 |
|---|---|---|---|---|---|---|
| October 5, 2021 | $ 3.20 | 22,500 | - | - | (22,500) | - |
| January 5, 2023 | $ 1.50 | 184,500 | - | - | (57,000) | 127,500 |
| May 24, 2024 | $ 0.90 | 335,700 | - | - | (65,700) | 270,000 |
| April 23, 2026 | $ 1.30 | 300,000 | - | - | - | 300,000 |
| April 21, 2027 | $ 0.50 | - | 450,000 | - | - | 450,000 |
| | | 842,700 | 450,000 | - | (145,200) | 1,147,500 |
| Weighted average exercise price | | $ 1.23 | $ 0.50 | $ - | $ 1.49 | $ 0.91 |

During the year ended September 30, 2023, the Company recorded share-based compensation of $49,005 (2022 - $210,827) for options that vested during the year.

On April 23, 2021, the Company granted 300,000 stock options to the Chief Executive Officer of the Company at a fair value of $236,760 or $0.08 per option, of which $49,005 (2022 - $101,078) was recorded as share-based compensation for the year ended September 30, 2023. The stock options vested 50,000 every six months. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.76%; an expected volatility of 93%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero. On June 2, 2023, the Chief Executive Officer agreed with the Company to cancel these stock options.

On April 21, 2022, the Company granted 450,000 stock options to directors and officers of the Company at a fair value of $109,749 or $0.02 per option, which was recorded as share-based compensation for the year ended September 30, 2022. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 2.78%; an expected volatility of 79%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero. On June 2, 2023, the directors and officers agreed with the Company to cancel these stock options.

(Expressed in Canadian dollars)

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

Except as disclosed elsewhere in these consolidated financial statements, the Company incurred the following related party transactions:

*Compensation of key management personnel*

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the year ended September 30, 2023 and 2022 were as follows:

| | Year ended September 30, 2023 | Year ended September 30, 2022 |
|---|---|---|
| Consulting fees | | |
| Chief Executive Officer | $ 174,000 | $ 174,000 |
| Golden Oak * | 100,000 | 100,000 |
| Former VP Exploration | - | 83,956 |
| | 274,000 | 357,956 |
| Share-based compensation | 49,005 | 191,755 |
| | $ 323,005 | $ 549,711 |

* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

*Prepaid expenses*

In September 2022, the Company advanced the Chief Executive Officer $8,500 towards future expenses. As at September 30, 2022, $5,110 of expenses had been applied against this advance leaving an amount in prepaid expenses of $3,390. The remaining advance was applied against expenses during the year ended September 30, 2023.

*Due to related parties*

| | | September 30, 2023 | September 30, 2022 |
|---|---|---|---|
| Chief Executive Officer | Consulting fees | $ 222,000 | $ 48,000 |
| Chief Executive Officer | Expenses | 255 | - |
| Golden Oak | Consulting fees | 66,250 | 26,250 |
| Golden Oak | Expenses | 9,773 | 3,679 |
| | | $ 298,278 | $ 77,929 |

(Expressed in Canadian dollars)

## 14. SEGMENTED INFORMATION

The Company operates in one business and geographical segment being the exploration of mineral properties in Canada. The Company previously operated in Russia until the Unkur project was sold in February 2023. The total assets attributable to the geographical location relate primarily to exploration and evaluation assets and have been disclosed in Note 7.

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Financial Instruments*

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

| Financial Instruments | Category | September 30, 2023 | September 30, 2022 |
|---|---|---|---|
| Cash | Amortized cost | $ 123,135 | $ 184,074 |
| Restricted cash | Amortized cost | - | 47,284 |
| Receivables | Amortized cost | 2,723 | 56,827 |
| Trade and other payables | Amortized cost | 469,987 | 410,280 |
| Property payment obligation | Amortized cost | 540,144 | 503,700 |
| Shareholder loans | Amortized cost | - | 1,723,637 |

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values for cash, restricted cash, receivables and trade and other payables approximate their fair value due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying values of the property payment obligation and shareholder loans are measured at amortized cost.

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*Risk Management*

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk on its cash by only investing its cash with high credit quality financial institutions in business and savings accounts. The Company's receivables primarily include balances receivable from government agencies. The Company is exposed to some risk on amounts due from these government agencies; however, to date the Company has been successful on collecting on its receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company is exposed to liquidity risk (Note 1).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant.

(b) Foreign Currency Risk: The Company was subject to fluctuations in the exchange rates between the Canadian dollar and the US dollar and Russian Ruble prior to the Company's subsidiaries being sold in February 2023. As at September 30, 2023, the Company holds 85% of its cash in US dollars (Note 4). The effect of a 10% change in the foreign exchange rate on cash held in US dollars at September 30, 2023 would be approximately $10,000.

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets is related to the price of copper and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect to its operational activities.

    Historically, the price of copper has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to copper.

## 16. MANAGEMENT OF CAPITAL

The Company's capital structure consists of its common shares, stock options, and warrants. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk. The Company is not subject to any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. In order to maximize ongoing exploration expenditures, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on deposit in interest bearing Canadian chartered bank accounts. Management estimates that its working capital will not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. The Company needs to complete a financing in order to complete its strategic objectives and continue as a going concern (Note 1).

There have been no changes to the Company's approach to capital management for the years presented.

## 17. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2023, the Company:

- issued 706,667 share purchase warrants valued at $33,553 as part of a private placement (Note 12);
- issued 23,333 finder's warrants valued at $2,161 related to a private placement (Note 12);
- issued 1,338,398 common shares valued at $173,840 to settle trade and other payables (Note 8);
- issued 11,758,944 common shares valued at $1,763,842 to settle shareholder loans (Note 10).

During the year ended September 30, 2022, the Company:

- issued 521,999 common shares valued at $313,199 for the Marg project (Note 7);
- issued 44,776 common shares valued at $26,866 as a finder's fee related to the acquisition of the Marg project (Note 7);
- issued 4,692,550 common shares in full and final settlement of the Convertible Loan of $4,529,000 (Note 11);
- issued 374,376 common shares valued at $205,907 to settle interest payable on the Convertible Loan (Note 11);
- issued 1,958,333 share purchase warrants valued at $74,770 as part of a private placement (Note 12);
- accrued exploration and evaluation assets of $479,018 related to the acquisition of the Marg project (Note 7); and
- issued 11,667 finder's warrants valued at $306 related to a private placement (Note 12).

During the year ended September 30, 2023, the Company paid interest of $Nil (2022 - $Nil) in cash.

During the year ended September 30, 2023, the Company paid income tax of $Nil (2022 - $Nil) in cash.

(Expressed in Canadian dollars)

## 18. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | Year ended September 30, 2023 | 2022 |
|---|---|---|
| Loss for the year | $ (729,135) | $ (9,589,863) |
| Expected income tax recovery | $ (197,000) | $ (2,589,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (386,000) | 293,000 |
| Permanent differences | 368,000 | (348,000) |
| Sale of subsidiaries | (723,000) | - |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | (110,000) | - |
| Change in unrecognized deductible temporary differences | 1,048,000 | 2,644,000 |
| Total | $ - | $ - |

The significant components of the Company's unrecorded deferred tax assets are as follows:

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Deferred tax assets | | |
| Exploration and evaluation assets | $ 2,459,000 | $ 3,586,000 |
| Equipment | 57,000 | 57,000 |
| Share issue costs | 9,000 | 12,000 |
| Allowable capital losses | 11,901,000 | 10,128,000 |
| Non-capital losses available for future periods | 9,068,000 | 8,663,000 |
| Total unrecognized deferred tax assets | $ 23,494,000 | $ 22,446,000 |

Deferred tax assets have not been recognized in these consolidated financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

| | September 30, 2023 | Expiry date range |
|---|---|---|
| **Temporary differences** | | |
| Exploration and evaluation assets | $ 9,107,000 | no expiry date |
| Equipment | 212,000 | no expiry date |
| Share issue costs | 32,000 | 2024 to 2027 |
| Allowable capital losses | 44,077,000 | no expiry date |
| Non-capital losses available for future periods in Canada | 33,586,000 | 2026 to 2043 |

Tax attributes are subject to review and potential adjustment by tax authorities.

## 19. SUBSEQUENT EVENTS

Subsequent to September 30, 2023, the Company completed the following:

- In January 2024, the Company entered into a side letter agreement to restructure the terms of the Marg project acquisition (Note 7) so that the property payment obligations (Note 8) are cancelled and replaced with the option maintenance payments. The parties agreed to amend the Marg project acquisition agreement to an option to purchase agreement whereby if the Company does not complete the option maintenance payments and exercise the option to purchase the Marg project, the option to purchase will expire and title to the Marg project will revert to the vendor.

  In consideration for the vendor agreeing to enter into the side letter agreement, the Company increased the NSR royalty on the Marg project from 1% to 2%, with 1% continuing to be subject to the option to buy back for cash consideration of $1,500,000.

  Pursuant to the terms of the side letter agreement, the Company agreed to make the following option payments:

  - issue 2,866,666 common shares (issued in January 2024).
  - pay $33,500 in cash or shares at the option of the Company on or before December 1, 2024.
  - pay $33,500 in cash or shares at the option of the Company on or before December 1, 2025, if the Company has not exercised the option before December 2, 2024.
  - pay $335,000 in cash on or before December 1, 2025 to exercise the option.

  The Milestone payment remains unchanged.

- In January 2024, the Company granted 1,200,000 restricted share units (“RSUs”) to the three directors of the Company. The RSUs vest on the first anniversary of the grant date.

- In January 2024, the Company granted 800,000 stock options to certain officers of the Company exercisable at a price of $0.07 per share for a period of 5 years.