



## **INFINITUM COPPER CORP.**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Infinitum Copper Corp. have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Infinitum Copper Corp.'s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed interim financial statements by an entity's auditor.

Matthew Hudson  
President and Chief Executive Officer

Michael Wood  
Chief Financial Officer

Vancouver, Canada  
August 29, 2023

# INFINITUM COPPER CORP.

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# INFINITUM COPPER CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars, unless otherwise stated)

	Note	June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		430,689	170,822
Restricted cash	5	28,750	28,750
Marketable Securities	6	117,500	-
GST receivable		5,561	7,285
Prepaid expenses		297,267	109,354
		879,767	316,211
<b>Non-current assets</b>			
Exploration and evaluation assets	7	2,740,508	3,236,062
VAT receivable		351,910	253,261
		3,092,418	3,489,323
<b>TOTAL ASSETS</b>		<b>3,972,185</b>	<b>3,805,534</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		65,431	377,460
Due to related parties	4, 9(b)	53,500	94,719
		118,931	472,179
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	12,194,841	10,685,291
Reserves	8	1,078,665	605,729
Deficit		(9,420,252)	(7,957,665)
		3,853,254	3,333,355
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,972,185</b>	<b>3,805,534</b>

*Nature of operations and continuance of operations (Note 1)*

**Approved by the Board of Directors:**

(Signed) *Mahendra Naik* Director

(Signed) *Garrick Mendham* Director

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

# INFINITUM COPPER CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS  
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Exploration expenses</b>	7	326,405	776,975	535,886	1,105,525
<b>Administrative expenses</b>					
Accounting and audit		21,873	27,234	40,406	48,592
Consulting		95,099	87,733	143,011	146,222
Foreign exchange loss		4,028	7,774	3,662	19,024
Investor relations and travel	9	89,581	151,003	115,597	213,524
Legal		28,048	16,047	35,818	226,424
Listing, filing and regulatory		15,999	46,432	34,377	121,029
Management fees	9	89,625	107,500	181,125	200,000
Office and general expense		54,041	24,104	74,624	31,443
RTO transaction costs	4	-	-	-	1,645,022
Share-based compensation	8(e), 8(f)	120,973	156,169	270,408	181,284
		519,267	623,996	899,028	2,832,564
<b>Other items</b>					
Unrealized (loss) on marketable securities	6	(35,000)	-	(95,000)	-
Gain on option agreement	7	-	-	66,946	-
Interest income	5	191	-	381	-
<b>Net loss for the period</b>		(880,481)	(1,400,971)	(1,462,587)	(3,938,089)
<b>Other comprehensive income</b>					
Exchange differences on translation to reporting currency		(6,605)	(13,186)	150,149	(7,535)
<b>Total comprehensive loss for the period</b>		(887,086)	(1,414,157)	(1,312,438)	(3,945,624)
<b>Loss per share, basic and diluted</b>		(0.01)	(0.03)	(0.02)	(0.11)
<b>Weighted average number of common shares outstanding</b>					
- basic and diluted		67,940,359	40,608,436	58,867,055	36,832,779

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

# INFINITUM COPPER CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars, unless otherwise stated)

	Note	Common Shares		Reserves			Total	Deficit	Total shareholders' equity
		Number of shares	Amount	Foreign exchange reserve	Finder's warrants	Share based compensation			
		#	\$	\$	\$	\$	\$	\$	
<b>Balance as at December 31, 2021</b>	<b>(Audited)</b>	28,339,181	4,244,906	7,276	49,676	-	56,952	(1,248,202)	3,053,656
Shares issued:									
Reverse takeover ("RTO")	8(b)	5,766,361	2,306,544	-	-	-	-	-	2,306,544
Exploration and evaluation assets	8(b)	6,730,438	2,645,300	-	-	-	-	-	2,645,300
Share-based compensation	8(e)(f)	-	-	-	-	181,284	181,284	-	181,284
Net loss for the period		-	-	(7,535)	-	-	(7,535)	(3,938,089)	(3,945,624)
<b>Balance as at June 30, 2022</b>	<b>(Unaudited)</b>	<b>40,835,980</b>	<b>9,196,750</b>	<b>(259)</b>	<b>49,676</b>	<b>181,284</b>	<b>230,701</b>	<b>(5,186,291)</b>	<b>4,241,160</b>
Shares issued:									
Exploration and evaluation assets	8(b)	598,077	35,885	-	-	-	-	-	35,885
Private placement	8(b)	6,897,082	1,295,548	-	-	-	-	-	1,295,548
Share issue costs	8(b)	-	(74,246)	-	18,690	-	18,690	-	(55,556)
Debt settlement	8(b)	1,156,770	231,354	-	-	-	-	-	231,354
Share-based compensation		-	-	-	-	321,554	321,554	-	321,554
Net loss for the period		-	-	34,784	-	-	34,784	(2,771,374)	(2,736,590)
<b>Balance as at December 31, 2022</b>	<b>(Audited)</b>	<b>49,487,909</b>	<b>10,685,291</b>	<b>34,525</b>	<b>68,366</b>	<b>502,838</b>	<b>605,729</b>	<b>(7,957,665)</b>	<b>3,333,355</b>
Shares issued:									
Private placement	8(b)	23,850,131	1,669,509	-	-	-	-	-	1,669,509
Share issue costs	8(b)	-	(159,959)	-	52,379	-	52,379	-	(107,580)
Share-based compensation	8(e)(f)	-	-	-	-	270,408	270,408	-	270,408
Net loss for the period		-	-	150,149	-	-	150,149	(1,462,587)	(1,312,438)
<b>Balance as at June 30, 2023</b>	<b>(Unaudited)</b>	<b>73,338,040</b>	<b>12,194,841</b>	<b>184,674</b>	<b>120,745</b>	<b>773,246</b>	<b>1,078,665</b>	<b>(9,420,252)</b>	<b>3,853,254</b>

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

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## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,462,587)	(3,938,089)
Items not affecting cash:		
Disposal of exploration and evaluation assets	-	1
Foreign exchange loss	3,662	-
Interest income	(381)	-
Unrealized loss on marketable securities	95,000	-
(Gain) on option agreement	(66,946)	-
Share-based compensation	270,408	181,284
RTO transaction costs	-	1,645,022
Changes in items of working capital:		
Restricted cash	-	(28,750)
GST receivable	2,105	(5,020)
Prepaid expenses	(187,913)	15,559
Due to related parties	(41,219)	-
Accounts payable and accrued liabilities	(312,029)	384,692
<b>Net cash used in operating activities</b>	<b>(1,699,900)</b>	<b>(1,745,301)</b>
<b>Investing activities</b>		
Cash received from option agreement	350,000	-
Cash received on the acquisition of BSH	-	1,394
Cash paid in connection with the acquisition of BSH	-	(10,565)
Expenditures on exploration and evaluation assets	-	(356,544)
VAT receivable	(98,649)	(137,072)
<b>Net cash generated from (used in) investing activities</b>	<b>251,351</b>	<b>(502,787)</b>
<b>Financing activities</b>		
Net proceeds from issuance of common shares	1,561,929	-
<b>Net cash generated from financing activities</b>	<b>1,561,929</b>	<b>-</b>
<b>Effect of foreign exchange on cash</b>	<b>146,487</b>	<b>(6,631)</b>
<b>Net increase (decrease) in cash</b>	<b>259,867</b>	<b>(2,254,719)</b>
<b>Cash - beginning of the period</b>	<b>170,822</b>	<b>2,812,783</b>
<b>Cash - end of the period</b>	<b>430,689</b>	<b>558,064</b>
<b>Supplemental disclosure with respect to cash flows:</b>		
Fair value of finder's warrants issued	52,379	-
Common shares issued pursuant to the RTO transaction	-	1,485,748
Common shares issued pursuant to exploration and evaluation asset acquisitions	-	2,692,175

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

# INFINITUM COPPER CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

### 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Infinitum Copper Corp. (formerly Bayshore Petroleum Corp.) (the “Company” or “INFI”) was incorporated in Alberta, Canada under the Business Corporations Act on October 16, 2003 under the name of Bayshore Petroleum Corp. (“Bayshore” or “BSH”). The Company changed its name to Infinitum Copper Corp. on February 18, 2022 and continued into British Columbia on February 25, 2022. The Company’s registered office is located at 1700-1055 Hastings Street West, Vancouver, BC, V6E 2E9.

Infinitum Copper Mining Corp. (formerly Infinitum Copper Corp.) (“Infinitum Copper” or “ICC”) was incorporated on April 21, 2020 under the name of Arabian Shield Resources Inc. and changed its name to Infinitum Copper Corp. on March 18, 2021. The Company is domiciled in Canada under the Business Corporations Act (British Columbia). Its registered office is located at 1700-1055 Hastings Street West, Vancouver, BC, V6E 2E9.

On February 25, 2022, BSH completed the acquisition of ICC pursuant to an amalgamation agreement dated June 25, 2021 (and amended on August 27, 2021, October 25, 2021 and February 2, 2022) (the “Transaction”). For accounting purposes, the Transaction constitutes a reverse takeover (“RTO”) (Note 3).

The Company continues to be a reporting issuer in British Columbia and Alberta, and the Company’s common shares were re-listed on the TSX Venture Exchange (the “Exchange”) under the new symbol “INFI”, effective March 16, 2022. On May 31, 2022, the Company commenced trading on the OTCQB market under the ticker symbol “INUMF”.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to 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 for the foreseeable future.

A summary of the Company’s working capital and its accumulated deficit is as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Working capital (deficiency)	760,836	(155,968)
Deficit	(9,420,252)	(7,957,665)

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date, the Company has not generated revenues and is considered to be in the exploration stage. There are material uncertainties that cast significant doubt on the Company’s ability to continue as a going concern.



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS *(Continued)***

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material.

In February 2022, Russian military forces invaded Ukraine. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. The Company does not have operations within Russia or Ukraine and it is not expected that the conflict will directly impact the Company's operations. However, the long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and could adversely affect the Company's business, operation costs, and financial condition including our ability to access capital.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS as issued by the IASB.

#### **(b) Basis of preparation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed interim consolidated financial statements were approved by the board of directors to issue on August 29, 2023.

In preparing these condensed interim consolidated financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The Company's accounting policies and significant judgements and estimates applied in these condensed interim consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2022.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

### 2. BASIS OF PREPARATION *(Continued)*

#### (c) Basis of consolidation

##### *Subsidiaries*

The condensed interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its “subsidiaries”). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

The Company’s subsidiaries are:

	% Of Ownership	Jurisdiction	Principle Activity
Exploraciones Margaritas, S.A.P.I de C.V.	100%	Mexico	Exploration
Infinitum Copper Mining Corp.	100%	Canada	Exploration
Infinitum Mining LLC.	100%	USA	Holding Company

##### *Inter-company balances and transactions*

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed interim consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company’s most recent annual financial statements for the year ended December 31, 2022.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2022. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the six-month period ended June 30, 2023 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2023.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 4. REVERSE TAKEOVER TRANSACTION

Effective February 25, 2022, BSH completed its acquisition of ICC and issued 28,339,181 common shares to acquire all of the issued and outstanding common shares of ICC.

For accounting purposes, the Transaction constitutes a reverse takeover, as the shareholders of ICC acquired control of the consolidated entity upon the completion of the Transaction. The reverse takeover does not constitute a business combination under IFRS 3 and is being accounted for as a capital transaction in accordance with IFRS 2, *Share-based payments*. ICC is treated as the accounting parent (legal subsidiary), and BSH is treated as the accounting subsidiary (legal parent) on closing of the Transaction, subject to a deemed issuance of shares and re-capitalization of the Company's equity.

As ICC was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. BSH's results of operations have been included from February 25, 2022, the date of completion of the Transaction.

Pursuant to the terms and conditions of the Transaction, BSH consolidated its common shares on the basis of 20:1 to have 5,918,536 common shares outstanding immediately prior to the closing of the Transaction; of which 152,175 common shares were subsequently cancelled. Thus effectively, ICC will have been deemed to have issued 5,766,361 common shares to acquire BSH.

The acquisition of BSH is accounted for as 5,766,361 common shares issued at the fair value of \$0.40 per share to acquire the net identifiable assets and liabilities of BSH. This \$2,306,544 equity consideration is allocated to BSH's net identifiable assets and liabilities with the residual accounted for as a listing expense on the consolidated statement of net loss and comprehensive loss.

Pursuant to the terms of the Transaction, ICC advanced \$100,000 to BSH to pay towards the expenses in connection with the closing of the RTO (Note 9(b)).

The total purchase price has been allocated as follows:

	\$
Fair value of consideration – 5,766,361 common shares	2,306,544
Amounts advanced to BSH by ICC	100,000
	<hr/> 2,406,544
Identifiable net liabilities of BSH acquired by ICC:	
Cash	1,394
GST receivable	4,737
Accounts payable and accrued liabilities	(65,405)
Total fair value of identifiable net liabilities acquired by ICC	<hr/> (59,274)
Listing expense	<hr/> 2,465,818

In addition, the Company incurred \$30,000 of filing fees and \$205,515 of legal fees in connection with the reverse takeover Transaction which have been recognized in the consolidated statements of net loss and comprehensive loss during the year ended December 31, 2022.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 5. RESTRICTED CASH

The Company has an Electronic Data Interchange (“EDI”) account with a major financial institution. As at June 30, 2023, the financial institution holds \$28,750 in a Guaranteed Investment Certificate (“GIC”) (December 31, 2022 - \$28,750) as a collateral on the EDI account. The Company has incurred an interest income of \$381 (2022 - \$Nil) from the GIC during the six months ended June 30, 2023.

### 6. MARKETABLE SECURITIES

On February 1, 2023, the Company received 500,000 shares of Prismo Metals Inc. (“Prismo”) valued at \$212,500 pursuant to an option agreement entered into on January 28, 2023 for the Hot Breccia Property (Note 7(b)). The shares are measured and presented at fair value using the observable market share price as at the dates of the statements of financial position. The gain or loss as a result of the re-measurement is recorded in profit and loss.

June 30, 2023	Number of Shares	Cost	Fair Value
Prismo Metals Inc.	500,000	\$ 212,500	\$ 117,500

	June 30, 2023
Net changes in fair value on marketable securities through profit and loss:	
Beginning of the period	\$ -
Shares received	212,500
Shares sold	-
Change in unrealized (loss)	(95,000)
Balance as at June 30, 2023	\$ 117,500

### 7. EXPLORATION AND EVALUATION ASSETS (“E&E”)

#### (a) La Adelita Property, Mexico

On February 22, 2021, the Company signed an option agreement (the “Option Agreement”) with Minaurum Gold Inc. (“MGG”) where the Company can option into 80% interest of the La Adelita Property.

Pursuant to the Option Agreement, the Company is required to:

- issue 200,000 common shares to the original owner of the La Adelita Property (issued; see Note 8(b));
- issue to MGG common shares totaling 16% of its post-initial public offering shares outstanding while raising a minimum of \$4,000,000. (6,105,438 common shares were issued to MGG at a deemed share price of \$0.40 per share on February 25, 2022);

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

### 7. EXPLORATION AND EVALUATION ASSETS (“E&E”) *(Continued)*

#### (a) La Adelita Property, Mexico *(Continued)*

c) make the following cash payments:

- i. \$50,000 upon signing the Option Agreement (paid);
- ii. \$43,333 reimbursement for the mining taxes (paid);
- iii. \$25,000 by August 22, 2021 (paid); and

d) incur \$3 million in work expenditures over five years (an aggregate total of \$2,891,281 were spent as of June 30, 2023).

Pursuant to the Option Agreement, the Company also made a cash payment of \$100,000 in February 2022 to MGG as the Company extended the timeframe of completing its RTO by six months.

MGG's 20% retained interest will be carried until the Company carries out a total of \$4.75 million in work expenditures, along with completing both a mineral resource calculation, in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects, and a preliminary economic assessment.

The original owner retains a 2% net smelter royalty on the La Adelita Property.

#### (b) Hot Breccia Project, USA

On April 19, 2022, the Company entered into an Assignment and Amending Agreement (the “Agreement”) whereby the Company assumed the rights and obligations of an option agreement to acquire a 100% interest in the Hot Breccia Project in exchange for a cash payment of \$256,544 (US \$203,153) (paid).

On November 29, 2022, the Company amended the Agreement. To exercise the option agreement, and acquire a 100% interest in the Hot Breccia Project, the Company is required to:

a) make cash payments in the aggregate of \$540,000:

- i. \$65,000 on or before June 6, 2023;
- ii. \$100,000 on or before December 6, 2023;
- iii. \$100,000 on or before December 6, 2024; and
- iv. \$275,000 on or before December 6, 2025.

b) issue and deliver an aggregate of 3,598,077 of the Company’s common shares as follows:

- i. 625,000 shares upon the TSX-V approval (issued on May 9, 2022);
- ii. 598,077 shares on December 6, 2022 (issued on December 6, 2022);
- iii. 250,000 shares on December 6, 2023;
- iv. 500,000 shares on December 6, 2024;
- v. 875,000 shares on December 6, 2025; and
- vi. 750,000 shares on December 6, 2026.

c) incur exploration expenditures in the aggregate of \$5,500,000 over the period of five years.

The vendor will retain a 2% net smelter return (“NSR”) on the Hot Breccia Project.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 7. EXPLORATION AND EVALUATION ASSETS (“E&E”) (Continued)

#### (b) Hot Breccia Project, USA (Continued)

On January 28, 2023, the Company signed a property option agreement with Prismo Metals Inc. granting Prismo the option to acquire up to a 75% interest in the Hot Breccia Project by assuming all the cash payments and work commitment obligations remaining under the Agreement. Upon entering this option agreement, Prismo would pay \$350,000 in cash (received on February 2, 2023) and issue 500,000 Prismo shares (received on February 1, 2023), with the share value of \$212,500, to the Company (Note 6). On the completion of the required work commitment and cash payments by Prismo, and share issuance by the Company, Prismo and the Company will form a 75:25 participating joint venture to hold a 100% interest in the Hot Breccia Project, subject to the 2% NSR.

During the six months ended June 30, 2023, the Company incurred gain on option agreement of \$66,946 due to the value received from Prismo exceeded the amount capitalized for the Hot Breccia Project.

#### (c) Saudi Arabia mining investment license, Saudi Arabia

On March 19, 2021, the Company signed an asset purchase agreement (the “Asset Purchase Agreement”) with Arabian Shield Resources Limited (“ASRL”) whereby the Company issued 10,000,000 common shares to the shareholders of ASRL in exchange for \$170,276 (US\$135,000) and a Saudi Arabia Mining Investment License (the “License”) valued at \$1. During the year ended December 31, 2022, the Company decided to not renew the License and \$1 of carrying value was written off.

#### (d) E&E expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statement of comprehensive loss.

	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
Exploration and evaluation assets				
Acquisition costs	\$	\$	\$	\$
Balance, as of January 1, 2022	198,333	-	1	198,334
Addition	2,542,175	495,554	-	3,037,729
Disposal	-	-	(1)	(1)
Balance, as of December 31, 2022	2,740,508	495,554	-	3,236,062
Option payment from Prismo	-	(495,554)	-	(495,554)
Balance, as of June 30, 2023	2,740,508	-	-	2,740,508

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 7. EXPLORATION AND EVALUATION ASSETS (“E&E”) (Continued)

#### (d) E&E expenditures (Continued)

A summary of exploration and evaluation expenditures expensed during the six months ended June 30, 2023 and 2022 is as follows:

Mineral exploration expenses for the six months ended June 30, 2023	La Adelita (Mexico)	Hot Breccia (USA)	Total
	\$	\$	\$
Assay and analyses	6,547	-	6,547
Drilling	250,879	-	250,879
Equipment rental	29,481	-	29,481
Geophysical	20,807	-	20,807
Mineral taxes	82,787	-	82,787
Geology and exploration	145,385	-	145,385
	535,886	-	535,886

Mineral exploration expenses for the six months ended June 30, 2022	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
	\$	\$	\$	\$
Assay and analyses	122,899	-	-	122,899
Consulting and reporting	14,053	-	-	14,053
Claim, land and license fees	-	8,619	20,729	29,348
Drilling	238,489	-	-	238,489
Equipment rental	25,093	-	-	25,093
Freight and transportation	15,056	-	-	15,056
Geophysical	165,054	-	-	165,054
Mineral taxes	75,229	-	-	75,229
Geology and exploration	385,575	34,729	-	420,304
	1,041,448	43,348	20,729	1,105,525

Cumulative mineral exploration expenses up to June 30, 2023	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
	\$	\$	\$	\$
Assay and analyses	240,259	-	-	240,259
Consulting and reporting	66,374	2,541	-	68,915
Claim and land fees	103,536	56,992	20,729	181,257
Drilling	767,600	-	-	767,600
Equipment rental	55,364	-	-	55,364
Freight and transportation	15,530	-	-	15,530
Geophysical	191,060	-	-	191,060
Mineral taxes	282,265	-	-	282,265
Geology and exploration	1,155,928	36,622	-	1,192,550
Other property related expenses	13,371	-	-	13,371
	2,891,287	96,155	20,729	3,008,171

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### **8. SHARE CAPITAL**

#### **(a) Authorized**

As of June 30, 2023 and December 31, 2022, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### **(b) Share issuances**

##### **For the six months ended June 30, 2023**

###### *Common shares issued pursuant to private placements*

On April 20, 2023, the Company closed the first tranche of the non-brokered private placement financing by issuing 21,052,417 units (“Units”) at a price of \$0.07 per Unit, for gross proceeds of \$1,473,669. Each Unit consists of one common share of the Company and common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a period of two years at a price of \$0.14 expiring on April 20, 2025.

On April 27, 2023, the Company closed the second and final tranche of the non-brokered private placement financing by issuing 2,797,714 units (“Units”) at a price of \$0.07 per Unit, for gross proceeds of \$195,840. Each Unit consists of one common share of the Company and common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a period of two years at a price of \$0.14 expiring on April 27, 2025.

The Company incurred cash finder's fee of \$84,482 and issued a total of 1,206,883 non-transferable share purchase warrants (“finder’s warrants”), which each finder’s warrant entitles the holder to purchase one common share at an exercise price of \$0.14. 1,046,043 of these finder’s warrants expire on April 20, 2025 has a value determined to be \$44,980, while the remaining 160,840 finder’s warrants expire on April 27, 2025 has a value determined to be \$7,399. The value of the finder’s warrants was calculated using the Black-Scholes option pricing model. The Company incurred additional share issue costs of \$23,098 in connection with this financing.

##### **For the year ended December 31, 2022**

###### *Common shares issued pursuant to private placements*

On July 19, 2022 and August 5, 2022, the Company closed its non-brokered private placement financing by issuing 5,698,953 units at a price of \$0.20 per unit for gross proceeds of \$1,139,791. Each unit consisted of one common share of the Company and one transferable common share purchase warrant. Each Warrant entitles the holder to purchase one additional common share for a period of two years from closing at a price of \$0.45.

In connection with this financing, the Company paid finders’ fee consisting of cash fee of \$37,100 and 185,500 finder’s warrants. Each finder’s warrant entitles the holder to purchase of one common share at a price of \$0.20 until July 19, 2024. The value of the finder’s warrants was determined to be \$18,550 and was calculated using the Black-Scholes option pricing model. The Company incurred additional share issue costs of \$12,886 in connection with this financing.



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### 8. SHARE CAPITAL *(Continued)*

#### (b) Share issuances *(Continued)*

#### **For the year ended December 31, 2022** *(Continued)*

##### *Common shares issued pursuant to private placements (Continued)*

On December 12, 2022, the Company closed its first tranche of a non-brokered private placement financing by issuing 1,198,129 units at a price of \$0.13 for gross proceeds of \$155,757. Each unit consisted of one common share of the Company and one-half of a transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of \$0.22 until December 12, 2024.

In connection with this financing, the Company paid finder's fee consisting of cash fee of \$1,820 and 14,000 non-transferable share purchase warrants ("finder's warrants"). Each finder's warrant entitles the holder to purchase of one common share at a price of \$0.13 until December 12, 2024. The value of the finder's warrants was determined to be \$140 and was calculated using the Black-Scholes option pricing model. In addition to the additional share issue costs of \$3,750 in connection with this financing incurred during the year ended December 31, 2022, the Company incurred additional share issue costs of \$1,351 during the six months ended June 30, 2023 in connection with this financing.

##### *Common shares issued for debt settlement*

In August 2022, the Company entered into a share for debt settlement agreement with an arm's length contractor, pursuant to which the Company issued 1,156,770 common shares at a deemed value of \$0.20 per share in full satisfaction of drilling expenses of \$231,354 (US \$180,000).

##### *Common shares issued in connection with RTO*

Pursuant to the terms and conditions of the Transaction, BSH consolidated its common shares on a basis of 20:1, so as to have 5,918,536 common shares outstanding immediately prior to closing of the Transaction, of which 152,175 common shares were subsequently cancelled. Thus effectively, ICC was deemed to have issued 5,766,361 common shares at \$0.40 per share to acquire net identifiable liabilities of BSH.

##### *Common shares issued pursuant to exploration and evaluation assets*

On February 25, 2022, pursuant to the Option Agreement (Note 6(a)), ICC issued 6,105,438 shares to MGG (equating to 16% of the outstanding shares of ICC on closing of the RTO) at a deemed market value of \$0.40 per share for a total of \$2,442,175. Such shares are subject to resale restrictions expiring as to 20% on closing and an additional 20% every three months thereafter over 12 months.

On May 9, 2022, pursuant to the option agreement to acquire a 100% interest in the Hot Breccia project (Note 6(b)), the Company issued 625,000 shares to the Optionors at a deemed market value of \$0.325 per share for a total of \$203,125. On December 6, 2022, the Company issued another 598,077 shares at a deemed market value of \$0.06 per share for a total of \$35,885.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### 8. SHARE CAPITAL *(Continued)*

#### (c) Escrow shares

8,792,602 common shares are subject to surplus escrow (of which 2,109,266 common shares have not been deposited into escrow), to be released as to 5% on March 16, 2022, 5% after six months, an additional 10% after 12 and 18 months, an additional 15% after 24 and 30 months, and the remaining 40% after 36 months. As of June 30, 2023, 5,346,669 shares remained in escrow with the transfer agent.

Another 7,150,000 common shares are subject to value escrow, to be released as to 10% on March 16, 2022 and an additional 15% every six months thereafter over 36 months. As of June 30, 2023, 4,290,000 shares remained in escrow.

#### (d) New equity incentive plan

On March 14, 2022, the Board of Directors of ICC approved the adoption of a new equity incentive plan (the "New Plan") based on the new share-based compensation policy adopted by the TSXV. The New Plan is a 10% rolling plan for purposes of TSXV rules and contemplates the award of additional share-based compensation beyond stock options, including Deferred Share Units, Restricted Share Units, Performance Share Units, Share Appreciation Rights and Stock Purchase Rights. The New Plan was approved by the Company's shareholders and the TSXV in October 2022.

#### (e) Deferred share units ("DSUs") and restricted share units ("RSUs")

During the six months ended June 30, 2023, no DSUs or RSUs were granted. During the year ended December 31, 2022, the Company granted an aggregate of 975,000 DSUs to the Company's directors and 600,000 RSUs to certain officers and advisors of the Company in accordance with the New Plan. The DSUs vest 24 months and RSUs vest 36 months plus one day from the grant date. Upon vesting, the DSUs and RSUs will be payable in common shares, or the cash equivalent, or any combination of common shares and cash, as determined by the Company.

The compensation expense was calculated using the fair value method based on the trading price of the Company's shares on the grant date. As such, these DSUs and RSUs were valued at \$0.40 per units, and during the six months ended June 30, 2023, the Company recorded the share-based compensation of \$96,566 (2022 - \$56,553) in connection with DSUs and \$39,605 (2022 - \$21,224) in connection with RSUs.

#### (f) Stock options

During the six months ended June 30, 2023, the Company granted an aggregate of 1,416,667 stock options to purchase common shares in the Company to a certain officer and a consultant in accordance with the Company's New Plan. 1,000,000 of these stock options are exercisable at a price of \$0.08 per common share for a term of five years, vesting over 24 months with 1/4 every 6 months. The remaining 416,667 stock options are exercisable at a price of \$0.06 per common share for a term of five years, vesting over 36 months with 1/3 every 12 months. During the year ended December 31, 2022, the Company granted an aggregate of 2,075,000 stock options to purchase common shares in the Company to certain directors, officers, employees, consultants, and advisors of the Company in accordance with the Company's New Plan. The stock options are exercisable at a price of \$0.40 per common share for a term of five years, vesting over 36 months with 1/3 every 12 months. As of June 30, 2023, there were 691,667 options exercisable.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 8. SHARE CAPITAL (Continued)

#### (f) Stock options (Continued)

For the six months ended June 30, 2023, the Company recorded \$134,237 (2022 - \$103,507) of the share-based compensation in connection with stock options using the Black-Scholes pricing model. The continuity of options for the six months ended June 30, 2023 is as follows:

Expiry date	Exercise price	December 31,		Expired /		June 30, 2023		
		2022	Granted	Exercised	Cancelled			
March 16, 2027	\$ 0.40	1,975,000	-	-	-	1,975,000		
May 9, 2027	\$ 0.40	100,000	-	-	-	100,000		
April 24, 2028	\$ 0.08	-	1,000,000	-	-	1,000,000		
June 15, 2028	\$ 0.06	-	416,667	-	-	416,667		
Options outstanding		2,075,000	1,416,667	-	-	3,491,667		
Options exercisable		-	-	-	-	691,667		
Weighted average exercise price	\$	0.40	\$	0.07	\$	-	\$	0.27

As at June 30, 2023, the weighted average contractual remaining life of options is 4.18 years (December 31, 2022 – 4.22 years).

The continuity of options for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31,		Expired /		December 31, 2022		
		2021	Granted	Exercised	Cancelled			
March 16, 2027	\$ 0.40	-	1,975,000	-	-	1,975,000		
May 9, 2027	\$ 0.40	-	100,000	-	-	100,000		
Options outstanding		-	2,075,000	-	-	2,075,000		
Options exercisable		-	-	-	-	-		
Weighted average exercise price	\$	-	\$	0.40	\$	-	\$	0.40

#### (g) Warrants

The continuity of warrants for the six months ended June 30, 2023 is as follows:

Expiry date	Exercise price	December 31,		Issued	Exercised	Expired	June 30, 2023	
		2022						
September 20, 2023	\$ 0.60	543,750	-	-	-	-	543,750	
September 24, 2023	\$ 0.60	1,243,750	-	-	-	-	1,243,750	
October 7, 2023	\$ 0.60	1,036,250	-	-	-	-	1,036,250	
October 25, 2023	\$ 0.60	162,506	-	-	-	-	162,506	
July 19, 2024	\$ 0.45	5,180,175	-	-	-	-	5,180,175	
August 5, 2024	\$ 0.45	518,778	-	-	-	-	518,778	
December 12, 2024	\$ 0.22	599,063	-	-	-	-	599,063	
April 20, 2025	\$ 0.14	-	21,052,417	-	-	-	21,052,417	
April 27, 2025	\$ 0.14	-	2,797,714	-	-	-	2,797,714	
Warrants outstanding		9,284,272	23,850,131	-	-	-	33,134,403	
Weighted average exercise price	\$	0.48	\$	0.14	\$	-	\$	0.24

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

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### 8. SHARE CAPITAL (Continued)

#### (g) Warrants (Continued)

As at June 30, 2023, the weighted average contractual remaining life of warrants is 1.53 years (December 31, 2022 – 1.32 years).

The continuity of warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022
September 20, 2023	\$ 0.60	543,750	-	-	-	543,750
September 24, 2023	\$ 0.60	1,243,750	-	-	-	1,243,750
October 7, 2023	\$ 0.60	1,036,250	-	-	-	1,036,250
October 25, 2023	\$ 0.60	162,506	-	-	-	162,506
July 19, 2024	\$ 0.45	-	5,180,175	-	-	5,180,175
August 5, 2024	\$ 0.45	-	518,778	-	-	518,778
December 12, 2024	\$ 0.22	-	599,063	-	-	599,063
Warrants outstanding		2,986,256	6,298,016	-	-	9,284,272
Weighted average exercise price		\$ 0.60	\$ 0.43	\$ -	\$ -	\$ 0.48

#### (h) Finder's warrants

The continuity of finder's warrants for the six months ended June 30, 2023 is as follows:

Expiry date	Exercise price	December 31, 2022	Issued	Exercised	Expired	June 30, 2023
September 20, 2023	\$ 0.60	16,625	-	-	-	16,625
September 24, 2023	\$ 0.60	174,125	-	-	-	174,125
October 7, 2023	\$ 0.60	93,975	-	-	-	93,975
October 25, 2023	\$ 0.60	14,525	-	-	-	14,525
July 19, 2024	\$ 0.20	185,500	-	-	-	185,500
December 12, 2024	\$ 0.13	14,000	-	-	-	14,000
April 20, 2025	\$ 0.14	-	1,046,043	-	-	1,046,043
April 27, 2025	\$ 0.14	-	160,840	-	-	160,840
Finder's warrants outstanding		498,750	1,206,883	-	-	1,705,633
Weighted average exercise price		\$ 0.44	\$ 0.14	\$ -	\$ -	\$ 0.23

As at June 30, 2023, the weighted average contractual remaining life of finder's warrants is 1.45 years (December 31, 2022 – 1.08 years).

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 8. SHARE CAPITAL (Continued)

#### (h) Finder's warrants (Continued)

The continuity of finder's warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022
September 20, 2023	\$ 0.60	16,625	-	-	-	16,625
September 24, 2023	\$ 0.60	174,125	-	-	-	174,125
October 7, 2023	\$ 0.60	93,975	-	-	-	93,975
October 25, 2023	\$ 0.60	14,525	-	-	-	14,525
July 19, 2024	\$ 0.20	-	185,500	-	-	185,500
December 12, 2024	\$ 0.13	-	14,000	-	-	14,000
Finders warrants outstanding		299,250	199,500	-	-	498,750
Weighted average exercise price		\$ 0.60	\$ -	\$ -	\$ -	\$ 0.44

#### (i) Fair value assumptions

The fair value of each option and warrants granted was estimated on the date of grant using the Black-Scholes pricing model. The Company estimated the volatility of the underlying common shares by analyzing the Company's volatility as well as the volatility of peer group public companies with similar corporate structure, E&E assets and size. The weighted average assumptions used to estimate the fair value of options and finder's warrants granted during the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Options		Finder's Warrants	
	2023	2022	2023	2022
Risk-free interest rate	3.08% - 3.64%	2.02% - 2.76%	3.80% - 3.86%	3.25% - 3.29%
Expected	5.0	5.0	2.0	2.0
Annualized volatility	101.27% - 102.78%	92.38% - 92.99%	148.04% - 148.56%	86.06% - 87.29%
Share price (\$)	\$0.06 - \$0.07	\$0.325 - \$0.40	\$0.07 - \$0.075	\$0.19 - \$0.20
Exercise price (\$)	\$0.06 - \$0.08	\$0.40	\$0.14	\$0.13 - \$0.20
Fair value of options/warrants :	\$0.046 - \$0.053	\$0.22 - \$0.29	\$0.043 - \$0.046	\$0.05 - \$0.10

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 9. RELATED PARTY TRANSACTIONS

#### (a) Key management compensation

Key management includes the Company's directors and senior management. During the six months ended June 30, 2023 and 2022, the following compensation and benefit were paid to or accrued for the key management personnel and entities over which they have control or significant influence:

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Cash payments or accrued compensation	Share Based Compensation <sup>(6)</sup>	Total	Cash payments or accrued compensation	Share Based Compensation <sup>(6)</sup>	Total
Steve Robertson <sup>(1)</sup> Chairman, Director, former Chief Executive Officer	\$ 33,625	\$ 35,580	\$ 69,205	\$ 145,000	\$ 43,777	\$ 188,777
Melinda Hsu <sup>(2)</sup> Former Chief Financial Officer	\$ 12,500	\$ 6,598	\$ 19,098	\$ 25,000	\$ 3,812	\$ 28,812
Matthew Hudson <sup>(3)</sup> President, Chief Executive Officer	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Michael Wood <sup>(4)</sup> Chief Financial Officer, Corporate Secretary, Director	\$ 35,000	\$ 11,119	\$ 46,119	\$ 30,000	\$ 13,680	\$ 43,680
Directors <sup>(5)</sup>	\$ 6,133	\$ 40,027	\$ 46,160	\$ 34,344	\$ 49,249	\$ 83,593
Total	\$ 187,258	\$ 93,324	\$ 280,582	\$ 234,344	\$ 110,518	\$ 344,862

#### Due to related parties (see Note 9(b))

		As at June 30, 2023	As at December 31, 2022
	Services for:		
Western Blue Sky Management Corp. <sup>(1)</sup>	Management fee	\$ -	\$ 11,875
AMICA Resource Inc. <sup>(2)</sup>	Consulting fee	-	5,250
Cassiar Gold Corp. <sup>(Note 9c)</sup>	Office shared	-	13,315
Former CEO / Former CFO <sup>(1)(2)</sup>	Expenses	-	463
Emerging Markets Capital <sup>(5)</sup>	Consulting fee	-	10,316
Total		\$ -	\$ 41,219

(1) Steve Robertson ceased to be the Chief Executive Officer of the Company on February 1, 2023, and was appointed as the Chairman and remained as a Director of the Company. Mr. Robertson's management fees were paid to Western Blue Sky Management Corp., a private company controlled by Mr. Robertson. As part of the termination agreement with Mr. Robertson for ceased being the Chief Executive Officer, the Company was to issue 500,000 common shares to Mr. Robertson. On April 27, 2023, the Company issued 500,000 units of the Company to Mr. Robertson's company as part of its private placement (Note 8(b)).

(2) Melinda Hsu ceased to be the Chief Financial Officer of the Company on January 31, 2023. Ms. Hsu's consulting fees were paid to AMICA Resource Inc., a private company controlled by Ms. Hsu.

(3) Matthew Hudson was appointed as the President and the Chief Executive Officer effective February 1, 2023. Mr. Hudson's management fees were paid to Kimon Pty Ltd., a private company controlled by Mr. Hudson.

(4) Michael Wood was appointed as the Chief Financial Officer and the Corporate Secretary effective February 1, 2023. Mr. Wood's management fees were paid to Athena Jade Ltd., a private company controlled by Mr. Wood.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 9. RELATED PARTY TRANSACTIONS (Continued)

#### (a) Key management compensation (Continued)

- (5) During the six months ended June 30, 2023, there were \$6,133 of investor relation related fees (2022 – \$30,000 of consulting fees and rent) paid to Emerging Markets Capital, a private company related to certain directors. During the six months ended June 30, 2022, there were \$4,344 of consulting fees paid to a director.
- (6) Fair value assigned to granted options, DSUs and RSUs during the six months ended June 30, 2023 and 2022.

All related party transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### (b) Due to related parties

Pursuant to the Amalgamation Agreement (Notes 1 and 4), certain shareholders of BSH were permitted to retain loans of \$53,500 under certain terms and conditions. As of June 30, 2023, there was \$Nil (December 31, 2022 - \$41,219) due to the senior management for the remuneration and expense reimbursements.

#### (c) Vancouver Office

The Company, Cassiar Gold Corp. (“Cassiar”) and Reyna Silver Corp. have certain directors in common. These companies have shared office space and certain office expenditures since June 1, 2022. During the six months ended June 30, 2023, the Company shared \$19,695 (2022 - \$3,282) of rent and \$277 (2022 - \$4,899) of office furniture, internet and other expenses.

### 10. SEGMENTED FINANCIAL INFORMATION

The Company operates in two industry segments, being the acquisition and exploration of mineral properties (Note 7). Geographic information is as follows:

Balance as at	June 30, 2023	December 31, 2022
	\$	\$
Non-current assets		
Mexico	3,092,418	2,993,769
USA	-	495,554
	<u>3,092,418</u>	<u>3,489,323</u>

Mineral exploration expenses	Six months ended June 30, 2023	2022
	\$	\$
Mexico	535,886	1,041,448
USA	-	43,348
Saudi Arabia	-	20,729
	<u>535,886</u>	<u>1,105,525</u>

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

#### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada and Mexico; accordingly, the Company believes it is not exposed to significant credit risk.

#### **(b) Interest rate risk**

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Company is not be able to meet its financial obligations as they come due. As of June 30, 2023, the Company had a cash balance of \$430,689 (December 31, 2022 - \$170,822), current liabilities of \$118,931 (December 31, 2022 - \$472,179) and working capital of \$760,836 (December 31, 2022 – working capital deficit of \$155,968). The Company is not exposed to liquidity risk as of June 30, 2023.

#### **(d) Currency risk**

The Company's property interest in Mexico and USA makes it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and the Mexican pesos as well as US dollar. The Company does not invest in foreign currency contracts to mitigate the risks. As of June 30, 2023, the Company has net monetary assets of approximately 2,510,000 in Mexican pesos and net monetary liabilities of \$4,000 in US dollar. A 1% change in the absolute rate of exchange in Mexican pesos and US dollar respectively would affect its net loss by approximately \$1,900.

#### **(e) Fair value measurement**

IFRS 7 establishes financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

#### (e) Fair value measurement *(Continued)*

The following table sets forth the Company's financial assets measured at amortized cost by level within the fair value hierarchy.

As at June 30, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 430,689	\$ -	\$ -	430,689
Restricted cash	28,750	-	-	28,750

  

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 170,822	\$ -	\$ -	170,822
Restricted cash	28,750	-	-	28,750

### 12. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.