EDM RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of EDM Resources Inc. (the “Company") were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mark Haywood"
Chief Executive Officer

"Kevin Farrell"
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
EDM Resources Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of EDM Resources Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern
We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $2,351,037 during the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 for the year ended December 31, 2023. 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 Emphasis of Matter - *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of provision for decommissioning and restoration obligations

Description of the matter
As described in Note 10, the Company recognized a decommissioning liability in respect of future rehabilitation costs on its Scotia Mine facility.

In accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*, obligations to incur restoration, rehabilitation and environmental costs arise when environmental disturbance is caused by the exploration, development or ongoing production of mineral property interests. At the time the obligation arises, it is provided for by recognizing the present value of future estimated decommissioning and restoration costs as a liability.

The total provision for decommissioning and restoration obligations amounted to $14,161,857 as at December 31, 2023.

Why the matter is a key audit matter
This matter represented an area of significant risk of material misstatement given the magnitude of the decommissioning liability and the high degree of estimation uncertainty in determining the obligation. Management applied judgment in estimating future reclamation costs and appropriate discount and inflation rates for purposes of the December 31, 2023 decommission liability computation. This in turn, led to a high degree of auditor judgement and effort in performing procedures to evaluate management's assumptions.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- Assessed the design and implementation of controls over the decommissioning and restoration obligations estimation process;
- Reviewed reclamation cost estimate as prepared by management expert;
- Tested mathematical accuracy of the decommissioning and restoration obligation calculation;
- Reviewed reasonableness of the discount and inflation rates applied by management; including alignment with timelines for mine life/mineral leases and overall business plan;
- Reviewed correspondence with and submissions to Nova Scotia Department of Natural Resources & Renewables; and;
- Assessed the appropriateness and completeness of the related disclosures in the financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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.

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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 scepticism 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of 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 Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 19, 2024

EDM Resources Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(PRESENTED IN CANADIAN DOLLARS)

As at	December 31, 2023	December 31 2022
ASSETS		
Current		
Cash	**$ 8,665**	$ 332,935
Amounts receivable and prepaid expenses (Note 6)	**212,239**	452,444
Total current assets	**220,904**	785,379
Non-current		
Cash held for reclamation (Note 4)	**3,205,489**	3,169,417
Property, plant and equipment (Note 5)	**8,116,062**	7,950,608
Exploration and evaluation assets (Note 7)	**13,437,342**	11,877,939
Total non-current assets	**24,758,893**	22,997,964
Total assets	**$ 24,979,797**	$ 23,783,343
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	**$ 349,410**	$ 456,350
Amounts payable to related parties (Note 14)	**178,485**	174,050
Loan payable (Note 15)	**60,000**	-
Total current liabilities	**587,895**	630,400
Non-current		
Decommissioning liability (Note 10)	**14,161,857**	12,899,628
Loan payable (Note 15)	**-**	60,000
Total liabilities	**14,749,752**	13,590,028
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**89,092,181**	87,825,047
Warrants (Note 12(b))	**648,589**	-
Contributed surplus (Notes 12(a), 12(c))	**1,989,620**	1,517,576
Deficit	**(81,500,345)**	(79,149,308)
Total shareholders’ equity	**10,230,045**	10,193,315
Total liabilities and shareholders’ equity	**$ 24,979,797**	$ 23,783,343

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 20)

Approved on Behalf of the Board:

"Ashwath Mehra"	*"Mark Billings"*
Director	**Director**

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

EDM Resources Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(PRESENTED IN CANADIAN DOLLARS)

For the Years Ended December 31,	2023	2022
EXPENSES		
Salaries and benefits (Note 14)	**$ 629,202**	$ 542,754
Office and general	**213,298**	182,837
Legal and accounting fees	**191,173**	203,145
Investor relations	**32,305**	26,487
Amortization (Note 5)	**7,039**	20,827
Consulting (Note 14)	**444,531**	313,448
Stock-based payments (Note 12(a) and (c))	**472,044**	301,347
Regulatory fees	**31,275**	27,497
	(2,020,868)	(1,618,341)
OTHER GAINS AND LOSSES		
Interest income	**48,677**	35,665
Financing costs (Note 19)	**-**	(232,972)
Flow-through shares liability recovery (Note 9)	**25,000**	-
Other income (Note 19)	**17,972**	-
Accretion of decommissioning liability (Note 10)	**(421,818)**	(110,427)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (2,351,037)**	$ (1,926,075)
Basic and diluted loss per share (Note 13)	**$ (0.10)**	$ (0.10)
Weighted average number of common shares outstanding – basic and diluted	**22,711,893**	19,294,113

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

EDM Resources Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(PRESENTED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2021	17,932,068	$86,313,034	$ 813,265	$ 929,882	$(77,223,233)	$10,832,948
Exercise of warrants	1,970,191	1,437,013	(451,918)	-	-	985,095
Expiry of warrants	-	-	(361,347)	361,347	-	-
Stock-based compensation	-	-	-	301,347	-	301,347
Issued on exercise of restricted share units	124,484	75,000	-	(75,000)	-	-
Loss for the year	-	-	-	-	(1,926,075)	(1,926,075)
Balance, December 31, 2022	**20,026,743**	**87,825,047**	**-**	**1,517,576**	**(79,149,308)**	**10,193,315**
Issued on private placement, net of costs	4,022,200	1,292,134	648,589	-	-	1,940,723
Flow-through share premium	-	(25,000)	-	-	-	(25,000)
Stock-based compensation	-	-	-	472,044	-	472,044
Loss for the year	-	-	-	-	(2,351,037)	(2,351,037)
Balance, December 31, 2023	**24,048,943**	**$89,092,181**	**$ 648,589**	**$1,989,620**	**$(81,500,345)**	**$10,230,045**

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

EDM Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(PRESENTED IN CANADIAN DOLLARS)

For the Years Ended December 31,	2023	2022
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the year:	$ (2,351,037)	$ (1,926,075)
Amortization	7,039	20,827
Share-based payments	472,044	301,347
Accrued interest income	(36,071)	(35,664)
Accrued financing costs	-	232,972
Accretion of decommissioning liability	421,818	110,427
Flow-through shares liability recovery	(25,000)	-
	(1,511,207)	(1,296,166)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	25,205	(327,312)
Accounts payable and accrued liabilities	108,060	113,910
Amounts payable to related parties	4,435	110,414
Net cash flow used in operations	(1,373,507)	(1,399,154)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(718,992)	(278,294)
Acquisition of property, plant and equipment	(172,494)	(109,628)
Net cash flow used in investing activities	(891,486)	(387,922)
FINANCING ACTIVITIES		
Share capital issued for cash	1,940,723	-
Share capital issued on exercise of warrants	-	985,094
Net cash flow from financing activities	1,940,723	985,094
CHANGE IN CASH	(324,270)	(801,982)
CASH, BEGINNING OF YEAR	332,935	1,134,917
CASH, END OF YEAR	$ 8,665	$ 332,935

SUPPLEMENTARY CASH FLOW INFORMATION:	2023	2022
Change in estimated decommissioning liability	$ 840,411	$ 4,094,131
Transfer of contributed surplus on vesting of RSUs	$ -	$ 75,000
Transfer of warrants on exercise and expiry	$ -	$ 813,265

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

1. NATURE OF OPERATIONS AND GOING CONCERN

EDM Resources Inc. (the "Company" or "EDM"), and its wholly owned subsidiary Scotia Mine Limited (collectively the "Group"), is engaged in base metals mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization and development. The Company is a public company, which is listed on the TSX Venture Exchange (Ticker: EDM), incorporated on March 9, 2004 and domiciled in Canada. The address of its registered office is Purdy's Wharf, 1959 Upper Water Street, Suite 1301, Nova Scotia, B3J 3N2.

On January 12, 2022, the Company changed its name to EDM Resources Inc. On March 25, 2022, the Company changed the name of its wholly owned subsidiary to Scotia Mine Limited.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation through the fiscal year and into the foreseeable future and will be able to realize assets and discharge its liabilities and commitments in the normal course of operations at the amounts stated in the consolidated financial statements.

The Company has not generated revenue from operations. The Company has incurred a loss of $2,351,037 for the year ended December 31, 2023 (2022 – $1,926,075) and as of that date has an accumulated deficit of $81,500,345 (2022 – $79,149,308). As at December 31, 2023, cash amounted to $8,665 (2022 – $332,935) and the Company had working capital deficit of $ (366,991) (2022 – working capital of $154,979). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

At December 31, 2023, Management has forecasted the Company will have sufficient cashflow to meet all planned exploration, development, general expenses and property payments for the next twelve months due to planned capital financing arrangements. The Company plans to raise additional capital to further develop and explore its project, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 18, 2024.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian Dollars, which is the functional and presentation currency of the Company and its subsidiary.

Use of Estimates, Judgments and Assumptions

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported expenses incurred during the year. 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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following:

- going concern assessment (Note 1)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following:

<u>Carrying Value and Recoverability of Non-Financial Assets</u>

The carrying amount of the Company’s exploration and evaluation assets do not necessarily represent present or future values, and the Company’s exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves.

<u>The Recoverability of Property, Plant and Equipment</u>

The Scotia Mine is considered as one Cash Generating Unit (“CGU”) and is tested for impairment when potential indicators of impairment are present. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount. The estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

2. BASIS OF PRESENTATION (Continued)

Share-based Payments

Share-based payments expense is measured by reference to the fair value of the stock options, warrants, restricted stock units (RSUs) at the date at which they are granted. Estimating fair value for granted stock options, warrants and RSUs requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the equity instrument, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payments expense for the years ended December 31, 2023 and 2022 are disclosed in Note 12.

Exploration and Evaluation Assets

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors.

Environmental Rehabilitation Obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss.

In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Provisions and contingencies

The recognition and measurement of provisions and contingencies including an application brought by the Province of Nova Scotia over environmental contamination (see Note 4); and key assumptions about the likelihood and magnitude of an outflow of resources.

3. ACCOUNTING POLICIES

The significant accounting policies of the Company include the following and have been applied consistently to all periods presented.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its active subsidiary. All significant intercompany transactions are eliminated on consolidation.

(i) Business Combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of comprehensive income (loss). Acquisition-related costs are expensed during the period in which they are incurred. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

(ii) Subsidiary

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Foreign Currency Transactions

Transactions in foreign currency are translated to the respective functional currencies of Company entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rate in effect at the date of the statements of financial position. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

(i) Non-Derivative Financial Assets

The Company initially recognizes loans and receivables on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets on initial recognition. Measurement and classification of its financial assets is dependent on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management or investment strategy. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. At December 31, 2023 and 2022, the Company had no financial instruments classified as FVTPL.

Financial Assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. At December 31, 2023 and 2022, the Company had no financial instruments classified as FVTOCI.

Financial Assets at Amortized Cost

Financial assets at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. They are classified as current assets or non-current assets based on their maturity date. Financial assets at amortized cost are comprised of cash, amounts receivable, and cash held for reclamation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

(ii) Non-Derivative Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

The Company's amortized cost financial liabilities comprise amounts payable to related parties, loan payable and accounts payable and accrued liabilities.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued on their market value of the shares as of the date of issuance.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and they were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Flow-through Shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the Company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium," are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a flow-through shares liability recovery .

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets

The cost of acquiring mineral properties and related exploration and evaluation expenditures are capitalized until the properties are placed into production, sold or abandoned. These capitalized costs are transferred to property, plant and equipment and amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse or abandoned. Costs incurred prior to obtaining the right to explore are expensed as incurred.

Cost includes any cash consideration and advance royalties paid and the fair market value of shares issued on the acquisition of property interests. Costs also include, but are not exclusive to, acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching and sampling as well as depreciation related to exploration field equipment and employee compensation costs attributed to exploration activities. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of a mineral property interest may exceed its recoverable amount. An impairment review is undertaken when indicators of impairment arise but normally when one of the following conditions applies:

- the right to explore in the specific area has expired or will expire in the near future;
- substantive expenditure on further exploration and evaluation activities in the specific areas are neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment. The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long-term contracts for the product, and the ability of obtaining the relevant operating permits.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share 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 adjusted for own shares held. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment 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. Fair value is measured at grant date, and each tranche is recognized using the graded vesting method 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 actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The Company also operates a Restricted Stock Unit ("RSU") Plan, where RSUs are granted to directors, employees and consultants from time to time. RSUs are measured at the fair value of the date of grant, based on the closing price of the Company's common shares on the date of grant. The fair value of stock-based compensation on RSUs is recognized as an expense with a corresponding increase in the reserve for RSUs over the vesting period.

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 purposes. 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 liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

(i) Recognition and Measurement

On initial recognition, property, plant and equipment are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing maintenance of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a unit-of-production basis or declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land typically has an unlimited useful life and is not depreciated.

Assets under construction are depreciated when they are capable of being put into production in their intended use. Expenditures related to PPE under construction are capitalized as work in progress until the asset is available for use. The cost of work in progress includes its purchase price and any costs directly attributable to bringing it into working condition for its intended use. On completion, the cost of construction is transferred to the appropriate category of PPE, and depreciation will commence when the asset is available for its intended use.

The estimated useful lives for the current and comparative periods are as follows:

	Useful life	**Method**
Buildings	Life of mine	Unit of production
Plant and equipment	Life of mine	Unit of production
Motor vehicles	5 years	Declining balance
Office equipment	5 years	Declining balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as a finance cost.

Decommissioning Liability

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of mineral property interests. A liability is recognized in the period in which it is incurred and when a reliable estimate of the fair value of the liability can be made. The costs are amortized to profit or loss over the life of the related asset. The initial fair value of the liability is adjusted each period for the unwinding of the discount cost.

Impairment

(i) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset or cash-generating unit is the greater of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. 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 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.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist. The maximum amount of the reversal is the lower of the amount necessary to bring the carrying amount of the asset to its recoverable amount; and the amount necessary to restore the assets of the cash generating unit to their carrying amount prior to impairment. For the year ended December 31, 2023 there is no impairment charge $nil (2022 – $nil) recorded in the Company's non-financial assets. (Note 7)

(ii) Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial assets has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the twelve-month expected credit loss. For trade receivables, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Given the nature and balances of the Company's financial assets at amortized cost, the Company has no material credit loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Finance Income and Finance Costs

Finance income comprises interest on cash, cash equivalents and deposits. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

Accounting Pronouncements Adopted During the Year

There are no upcoming accounting pronouncements which are expected to have an effect on the financial statements of the Company. No new policies were adopted during the year ended December 31, 2023.

4. CASH HELD FOR RECLAMATION

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the Scotia Mine facility to an agreed status at the end of the mining operations at the site; as a result, the Company is required to make reclamation deposits in respect of this obligation. As at December 31, 2023 a $3,007,611 (2022 – $2,973,712) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for $197,878 (2022 – $195,705), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. ("NSBI") holds a reclamation bond in the amount of $100,000 (2022 – $100,000), in relation to the land which the Company leased from the organization in Sheet Harbour. The Company terminated its lease during the year ended December 31, 2020. NSBI has withheld the bond, pending determination of additional remediation costs which may be assessed to the Company, if any. The Company has disputed withholding the bond and the parties have commenced formal litigation procedures to resolve the matter. It is the Company's position that it has met, if not exceeded, its obligation, and accordingly no associated provision has been recognized in the company's financial statements for the years ended December 31, 2023 or 2022.

(PRESENTED IN CANADIAN DOLLARS)

5. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equipment	Motor vehicles	Office equipment	Assets under construction	Total
Cost						
Balance, December 31, 2021	$ 1 ,578,840	$ 4 ,490,791	$ 108,019	$ 152,596	$ 3,747,066	$10,077,312
Additions	-	-	53,101	2,379	54,149	109,629
Balance, December 31, 2022	**$ 1 ,578,840**	**$ 4,490,791**	**$ 161,120**	**$ 154,975**	**$ 3,801,215**	**$10,186,941**
				-	-	
Additions	-	-	-	97	187,827	187,924
Balance, December 31, 2023	**$ 1 ,578,840**	**$ 4,490,791**	**$ 145,690**	**$ 155,072**	**$ 3,989,042**	**$ 10,359,435**
Accumulated Amortization						
Balance, December 31, 2021	**$ 1,013,604**	**$ 965,524**	**$ 89,755**	**$ 146,623**	**$ -**	**$ 2,215,506**
Amortization	704	-	19,401	723	-	20,827
Balance, December 31, 2022	**$ 1,014,308**	**$ 965,524**	**$ 109,156**	**$ 147,346**	**$ -**	**$ 2,236,333**
Disposal	-	-	15,430	-	-	15,430
Amortization	-	-	15,686	6,784	-	22,470
Balance, December 31, 2023	**$ 1,014,308**	**$ 965,524**	**$ 109,412**	**$ 154,129**	**$ -**	**$ 2,243,373**
Net Book Value, December 31, 2022	**$ 564,532**	**$ 3,525,267**	**$ 51,964**	**$ 7,629**	**$ 3,801,215**	**$ 7,950,608**
Net Book Value, December 31, 2023	**$ 564,532**	**$ 3,525,267**	**$ 36,278**	**$ 944**	**$ 3,989,042**	**$ 8 ,116,062**

(PRESENTED IN CANADIAN DOLLARS)

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

		2023		2022
Refundable GST/HST	$	**47,890**	$	182,221
Prepaid expenses		**164,349**		270,223
	$	**212,239**	$	452,444

7. EXPLORATION AND EVALUATION ASSETS

EDM's Projects, Nova Scotia

As part of the acquisition of ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Scotia Mine and several other mineral resource prospects in Halifax, Nova Scotia. The properties are comprised of exploration licences that provides for zinc and lead exploration and development.

The following is a continuity of the Company's Projects:

Balance, December 31, 2021	$	**7,500,714**
Additions		278,294
Change in Decommissioning Liability estimate (Note 10)		4,098,931
Balance, December 31, 2022		**11,877,939**
Additions		718,992
Change in Decommissioning Liability estimate (Note 10)		840,411
Balance, December 31, 2023	**$**	**13,437,342**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2023		2022
Trade payables	$	**106,197**	$	283,506
Accrued expenses		**243,213**		172,844
	$	**349,410**	$	456,350

(PRESENTED IN CANADIAN DOLLARS)

9. FLOW-THROUGH SHARE LIABILITY

Flow-through share liability includes the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability of the flow-through shares issuance:

Balance, December 31, 2022	**$ -**
Liability incurred on flow-through shares issued	25,000
Settlement of flow-through share liability on incurring expenditure	(25,000)
Balance, December 31, 2023	**$ -**

The flow-through common shares issued in the private placement completed on May 2, 2023 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be $25,000 and will be derecognized through operations as the eligible expenditures are incurred. For the period to December 31, 2023, the Company incurred eligible expenditures of $150,000 satisfying $25,000 of such premium, and accordingly the flow-through premium is $ nil as at December 31, 2023.

10. DECOMMISSIONING LIABILITY

The Company has estimated the present value of future rehabilitation costs required to remediate the Scotia Mine facility based on its current state.

Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Current significant closure and rehabilitation activities include dismantling and removing facilities, equipment removal and remediation of the mine site.

The total amount of estimated undiscounted cash flow required to settle the Company's estimated obligation as at December 31, 2023 was $14,806,219 (2022 – $13,692,006). The calculation of present value of estimated future cash flows assumed a discount rate of 3.17% (2022 – 3.27%) and an inflation rate of 2.9% (2022 – 2.4%) which resulted in a net present value of $14,161,857. Rehabilitation costs are estimated to be settled at various dates between 2029 and 2032.

A continuity of the Company's decommissioning liability is as follows:

Balance, December 31, 2021	**$ 8,695,070**
Accretion	110,427
Change in estimate	4,094,131
Balance, December 31, 2022	**$ 12,899,628**
Accretion	421,818
Change in estimate	840,411
Balance, December 31, 2023	**$ 14,161,857**

(PRESENTED IN CANADIAN DOLLARS)

11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares without par value
Unlimited number of Class A preferred shares with no par value
Unlimited number of Class B preferred shares with a par value of $10 per share

(b) ISSUED - COMMON SHARES

	Shares	Amount
Balance, December 31, 2021	17,932,068	**$** 86,313,034
Exercise of warrants (i)	1,970,191	1,437,013
Issued on exercise of restricted share units (ii)	124,484	75,000
Balance, December 31, 2022	20,026,743	87,825,047
Private placement, net of costs (iii)	3,772,2000	1,790,723
Private placement of flow-through share (iii)	250,000	150,000
Flow-through share premium	-	(25,000)
Balance, December 31, 2023	**24,048,943**	**$ 89,092,181**

i) During the year ended December 31, 2022, 1,970,191 warrants were exercised for gross proceeds to the Company of $985,096.

ii) During the year ended December 31, 2022, 124,484 shares were issued on vesting of RSUs. (Note 12(c))

iii) On May 2, 2023, the Company closed a private placement issuing 3,772,200 units at $0.50 per unit by way of a non-brokered private placement for gross proceeds of $1,886,100, each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of $0.75 per share until May 2, 2026. The Company also issued 250,000 flow-through shares at $0.60 per unit for gross proceeds of $150,000. Cash costs of issue were $95,377.

In connection with the May 2, 2023 private placement, 269,774 broker warrants of the Company were issued. Each broker warrant is exercisable to acquire one common share at an exercise price of $0.50-$0.60 until May 2, 2026.

(PRESENTED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS

a) Stock Option Plan

A stock option plan (the "Plan") was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Each year, shareholders of the Company approve the Plan at the Annual General Meeting. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, grant directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares. The Plan provides for a floating maximum limit of 10% of the outstanding common shares of the common shares as permitted by the policies of the TSX-V. Options under the Plan have terms and vesting as determined by the Board. The expiry date shall not be more than 10 years from the date of grant.

Share option activity for the years ended December 31, 2023 and 2022 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price ($)
Balance - December 31, 2021	1,287,000	0.61
Expired/Cancelled	(202,000)	(0.61)
Balance - December 31, 2022	**1,085,000**	**0.61**
Granted (i), (ii)	1,230,000	0.50
Expired/Cancelled	(710,000)	(0.52)
Balance - December 31, 2023	**1,605,000**	**0.53**

i) On February 20, 2023, the Company granted 20,000 options to purchase common shares of the Company to an employee of the Company. Each option is exercisable at a price of $0.60 for a ten-year term. A fair value of $8,394 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.42 expected volatility 212% a risk-free rate of return 3.29%, forfeiture rate of 0%, and expected life of 10 years. These options are subject to vesting at a rate of 25% every six months.

ii) On May 9, 2023, the Company granted 1,210,000 options to purchase common shares of the Company to the Company's CEO, directors, consultants and employees of the Company. Each option is exercisable at a price of $0.50 for a five-year term. A fair value of $372,857 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.45 expected volatility 88.33% a risk-free rate of return 3.08%, forfeiture rate of 0%, and expected life of 5 years. These options vest immediately.

(PRESENTED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS (Continued)

a. **Stock Option Plan (Continued)**

The following table summarizes information about stock options outstanding as at December 31, 2023:

Number of Options Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
135,000	04-Jul-24	0.45	0.76	135,000
90,000	12-Aug-24	0.45	0.87	90,000
50,000	20-Aug-24	0.75	0.89	50,000
50,000	20-Aug-24	0.60	0.89	50,000
770,000	09-May-24	0.50	4.61	770,000
110,000	18-Jun-30	0.45	6.72	110,000
380,000	29-Oct-31	0.60	8.08	380,000
20,000	20-Feb-33	0.60	9.40	8,603
1,605,000		**0.53**	**4.62**	**1,593,603**

During the year ended December 31, 2023, the Company recognized $426,211 (2022 – $212,698) related to vesting of stock options.

b. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2023 and 2022:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2021	3,545,531	$ 0.50
Exercised	(1,970,191)	$ (0.50)
Expired	(1,575,340)	$ (0.50)
Balance, December 31, 2022	-	$ -
Issued (i)	4,041,974	$ 0.75
Balance - December 31, 2023	**4,041,974**	**$ 0.75**

i) On May 2, 2023, the Company granted 4,041,974 warrants to purchase common shares of the Company to the participants in the private placement of the Company. A fair value of $648,589 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.43 expected volatility 75.71% a risk-free rate of return 3.48%, forfeiture rate of 0%, and expected life of 3 years. The warrants are exercisable as at the date of issue.

12. SHARE BASED PAYMENTS (Continued)

c. Restricted Share Units

On August 15, 2022, the Company issued a total of 87,719 RSUs to an officer of the Company, with a fair value of $50,000. These RSU's vest on August 15, 2023.

On August 29, 2022, 87,719 RSUs with a fair value of $50,000 were exercised and converted to common shares of the Company by an officer of the Company.

On November 5, 2022, 36,765 RSUs with a fair value of $25,000 were exercised and converted to common shares of the Company by an officer of the Company.

On November 7, 2022, the Company issued a total of 51,020 RSUs to an officer of the Company, with a fair value of $25,000. These RSU's vest on November 7, 2023.

On February 23, 2023, the Company issued a total of 26,786 RSUs to an officer of the Company, with a fair value of $15,000. These RSU's vest on February 23, 2024.

During the year ended December 31, 2023, the Company recognized $45,833 (2022 – $88,649) in stock-based compensation expense on the vesting of RSUs.

As at December 31, 2023, there were 114,505 (2022 – 138,739) restricted stock units issued and outstanding.

(PRESENTED IN CANADIAN DOLLARS)

13. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The effect of potential issuances of shares under options, warrants and RSUs would be anti-dilutive for the year ended December 31, 2023 and 2022 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

14. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel include those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Consulting fees and wages	**$ 381,577**	$ 612,946
Share-based compensation	**325,983**	265,693
	$ 707,560	$ 878,639

During the year ended December 31, 2023, the Company incurred $80,583 in services from Mr. Kevin Farrell, to act as Chief Financial Officer ("CFO") of the Company.

As at December 31, 2023, amounts due to related parties totaled $178,486 (2022 – $174,050) pertaining to amounts payable for key management remuneration, director's fees, and reimbursement of expenses paid on behalf of the Company. During the year ended December 31, 2023, the directors and officers subscribed for 325,000 shares in the Company (see Note 11).

15. LOAN PAYABLE

In May 2020, the Company benefitted from a $40,000 Government of Canada Covid-19 "Canada Emergency Business Account" loan, administered by the Royal Bank of Canada. In January 2021, this loan was increased by $20,000, or $60,000 in aggregate. The proceeds of the loan are interest free until January 18, 2024, with a 33.33% balance forgiveness if repaid by that date. After January 18, 2024, any outstanding balance will accrue interest at 5% per annum and convert to a three-year term loan. The Company repaid the loan on January 17, 2024.

(PRESENTED IN CANADIAN DOLLARS)

13. INCOME TAXES

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

	2023	2022
Loss before income taxes	**$ (2,351,037)**	$ (1,926,075)
Combined federal and provincial rates at expected rates	**29.50%**	29.50%
Expected income tax expense (recovery) based on statutory rates	**$ (693,556)**	$ (568,192)
Increase (decrease) to the income tax expense resulting from:		
Permanent and temporary differences	**244,975**	108,107
Change in rates and other	**(141,844)**	1,646,864
Share issue cost	**-**	-
Change in deferred income tax asset not recognized	**590,425**	(1,186,779)
Deferred income tax expense (recovery)	**$ -**	$ -

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

	2023	2022
Capital and non-capital losses available for future periods	**$ 16,963,443**	$ 16,511,597
Exploration and evaluation assets	**3,293,159**	3,147,067
Share issue costs	**4,869**	12,382
Decommissioning liability and other	**754,000**	754,000
	$ 21,015,471	$ 20,425,046
Less: deferred tax assets not recognized	**(21,015,471)**	(20,425,046)
Deferred tax assets	**$ -**	$ -

At December 31, 2023, the Group has accumulated non-capital losses of approximately $58 million. The non-capital losses can be carried forward to reduce taxable income derived in future years. The Group has approximately $1.1 million of capital losses not subject to expiry and $1.9 million in investment tax credits that expire between 2026 and 2035.

(PRESENTED IN CANADIAN DOLLARS)

16. INCOME TAXES (Continued)

The non-capital tax losses will expire as follows:

Year of Expiry	Amount
2026	$ 4,127,363
2027	6,613,353
2028	3,122,183
2029	744,714
2030	10,586,402
2031	4,624,571
2032	11,233,033
2033	4,159,612
2034	2,030,682
2035	1,626,449
2036	802,770
2037	1,003,019
2038	1,396,017
2039	1,246,185
2040	965,230
2041	970,607
2042	1,525,660
2043	1,475,526
	$ 58,253,376

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

a. Market risk
b. Credit risk
c. Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and while retaining ultimate responsibility for them, it has delegated the authority for designing policies and systems that ensure the effective execution of the objectives and policies to the Company's finance function.

(a) **Market Risk**

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market prices are comprised of three types of risk for the Company: currency risk, interest rate risk, and commodity price risk.

Currency Risk

Currency risk is the risk that fluctuation in exchange rates between the Canadian dollar or other foreign

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

currencies will affect the Company's financial results. The Company's operations and financing activities are conducted primarily in Canadian dollars and as a result, it is not exposed to significant foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest risk arising primarily from its cash held mainly in short-term interest-bearing accounts with Canadian chartered banks. The impact of a change in interest rates is not significant.

Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of zinc, lead and gypsum and the outlook for these; however, the Company does not currently have an operating mine and does not have any derivative commodity contracts or other commodity based risks in respect of operations.

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. To minimize credit risk, cash is deposited in a Canadian chartered bank and may be redeemed on demand and cash held for reclamation is held by government authorities where credit risk is minimal. Amounts receivable primarily consists of GST/HST refunds amounting to $34,890 (2022 – $86,476) from the Canadian government. The Company monitors the collectability of its amounts receivable and has not had difficulty collecting amounts receivable. Consequently, management considers credit risk to be minimal.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company reviews its expenditure budgets against actual expenditures weekly to ensure there is sufficient working capital to discharge all financial obligations (see Note 1).

The following are the remaining contractual maturities (representing undiscounted contractual cashflows) of financial liabilities, including interest payments:

December 31, 2023	Up to 3 Months	Between 3 and 12 Months	Between 1 and 5 Years	Total
Accounts payables and accrued liabilities, and amounts payable to related parties	$ 527,895	$ -	$ -	$ 527,895
Loan payable	60,000	-	-	60,000

December 31, 2022	Up to 3 Months	Between 3 and 12 Months	Between 1 and 5 Years	Total
Accounts payables and accrued liabilities, and amounts payable to related parties	$ 630,400	$ -	$ -	$ 630,400
Loan payable	-	-	60,000	60,000

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3 inputs are unobservable and supported by little to no market data.

The fair value of cash, amounts receivable, cash held for reclamation, accounts payable, accrued liabilities and loan payable, and amounts due to related parties approximate their carrying values due to the short-term nature of these instruments, or in the case of reclamation deposits, the rate of interest being applied on the funds deposited.

When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

There have been no transfers between fair value levels during the reporting period.

18. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

a. to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

b. to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, warrants and deficit, which at December 31, 2023 totaled $10,230,045 (2022 – $10,193,315). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2023. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

19. IXM CREDIT AGREEMENT

On December 31, 2023, the IXM Credit Agreement with Scotia Mine Limited expired and nothing was drawn down against the IXM Credit Agreement. The IXM Credit Agreement had conditions precedent that have not been fulfilled by the parties, consequently there are no unused line fees payable at December 31, 2023 and the amount accrued since September 13th, 2022 has been reversed. The Company is negotiating a credit agreement to replace the expired IXM Credit Agreement.

20. SUBSEQUENT EVENTS

The Company announced a non-brokered private placement financing for aggregate gross proceeds of up to $1,400,000 (the "Offering") on December 22, 2023. The initial Offering consisted of 14,000,000 units ("Units") of the Company, at a price of $0.10 per Unit for gross proceeds of up to $1,400,000, each Unit consisting of one common share of the Company (each an "Share") and one share purchase warrant (a "Warrant") entitling the holder to purchase one common share of the Company (each an "Warrant Share") at a price of $0.14 for each Warrant Share, exercisable for a period of three years from closing. The Offering was amended on January 11, 2024 so that the sale of up to 12,727,272 units ("Units") of the Company at a price of $0.11 per Unit for gross proceeds of up to $1,400,000, each Unit consisting of one common share of the Company (each an "Share") and one share purchase warrant (a "Warrant") entitling the holder to purchase one common share of the Company (each an "Warrant Share") at a price of $0.14. The Offering was successfully completed in January with the Company receiving gross proceeds of $1,400,000 before incurring cash costs of $21,044.

The Company intends to use the net proceeds from the Offering to advance environmental work at its wholly owned Scotia Mine, located 60 km north of Halifax, and for general working capital purposes.

In April, 2024, 114,505 RSUs with a fair value of $65,000 were exercised and converted to common shares of the Company by officers of the Company.

21. COMPARATIVE FIGURES

Certain balances have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously reported net loss or deficit.