



**(An exploration-stage company)**

**Consolidated financial statements**

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
GFM Resources Limited

### *Opinion*

We have audited the accompanying consolidated financial statements of GFM Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that at December 31, 2024, the Company had a working capital deficiency of \$2,480,435, a deficit of \$6,938,815, and that the continued operations of the Company are dependent on the Company's ability to obtain public equity financing or to receive continued financial support from its controlling shareholder. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

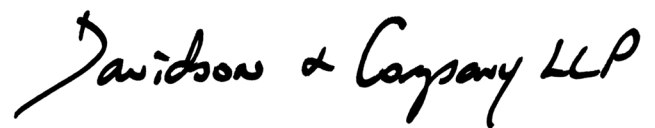
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 27, 2025

# GFM RESOURCES LIMITED

(an exploration-stage company)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at		December 31, 2024	December 31, 2023
	Note	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		5,344	30,640
Accounts receivable	4	1,245	1,228
Prepaid expenses and deposits		2,941	1,303
		<b>9,530</b>	<b>33,171</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5	30,685	53,678
Loans with related party	6, 8	2,459,280	1,886,099
		<b>2,489,965</b>	<b>1,939,777</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	7	3,484,022	3,484,022
Contributed surplus	7	874,982	870,442
Foreign currency reserve		99,376	14,902
Deficit		(6,938,815)	(6,275,972)
		<b>(2,480,435)</b>	<b>(1,906,606)</b>
		<b>9,530</b>	<b>33,171</b>
Nature of operations and going concern uncertainty	1		
Subsequent events	15		

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

Approved by the board of directors and authorized for issue on February 27, 2025

/s/ "James Robertson"

Director

/s/ "Esteban Rivero González"

Director

# GFM RESOURCES LIMITED

(an exploration-stage company)

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Note	Year ended December 31	
		2024	2023
		\$	\$
<b>EXPENSES</b>			
Administration and accounting	8	60,000	60,000
Audit and legal		44,450	72,352
Property examination costs	9	37,687	36,677
Filing and transfer agent fees		19,804	11,914
Directors' fees	8	24,000	24,000
Office and sundry		8,712	7,262
Share-based payments	7	4,540	-
Foreign exchange loss (gain)		279,117	(34,183)
<b>Loss before other expenses</b>		<b>(478,310)</b>	<b>(178,022)</b>
<b>Other (expenses)</b>			
Interest on loans	6	(156,009)	(147,914)
Part XIII taxes	6	(22,710)	-
Mexican value-added tax written off	4	(5,814)	(9,171)
<b>Loss for the year</b>		<b>(662,843)</b>	<b>(335,107)</b>
<b>Other comprehensive income (loss)</b>			
Exchange differences on translating foreign operations, net of tax		84,474	(68,215)
<b>Total comprehensive loss for the year</b>		<b>(578,369)</b>	<b>(403,322)</b>
<b>Loss per share (basic and diluted)</b>		<b>(0.03)</b>	<b>(0.02)</b>
<b>Weighted average number of shares outstanding (basic and diluted)</b>		<b>19,085,071</b>	<b>19,085,071</b>

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

# GFM RESOURCES LIMITED

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Year ended December 31	
	2024	2023
	\$	\$
<b>Operating activities</b>		
Loss for the year	(662,843)	(335,107)
Adjustments for items not involving cash:		
- Non-cash interest accrued on loans	156,009	147,914
- Non-cash impact of foreign exchange translation	270,714	(96,680)
- Share-based payments	4,540	-
Changes in non-cash working capital items:		
- Accounts receivable	(17)	93
- Prepaid expenses and deposits	(1,638)	335
- Accounts payable and accrued liabilities	(27,647)	36,718
- Amounts due to/from related parties	-	(7,395)
Cash used in operating activities	(260,882)	(254,122)
<b>Cash flows from financing activities</b>		
Loan advances received from related party	392,112	732,898
Loan principal repaid to related party	-	(383,708)
Interest repayment on loans from related party	(156,424)	(119,234)
Cash generated from financing activities	235,688	229,956
Effect of foreign exchange translation on cash	(102)	249
<b>Net change in cash</b>	(25,296)	(23,917)
Cash, beginning of the year	30,640	54,557
<b>Cash, end of the year</b>	5,344	30,640
<b>Supplementary information with respect to cash flows:</b>		
Income taxes paid in cash	-	-
Interest paid in cash including value-added tax	(161,078)	(127,580)

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

# GFM RESOURCES LIMITED

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## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian Dollars)

	Note	Share capital		Contributed surplus	Foreign currency reserve	Deficit	Total
		Amount	Value				
		#	\$	\$	\$	\$	\$
Balance, December 31, 2022		19,085,071	3,484,022	870,442	83,117	(5,940,865)	(1,503,284)
Comprehensive loss for the year		-	-	-	(68,215)	(335,107)	(403,322)
Balance, December 31, 2023		19,085,071	3,484,022	870,442	14,902	(6,275,972)	(1,906,606)
Vesting of stock options	7	-	-	4,540	-	-	4,540
Comprehensive loss for the year		-	-	-	84,474	(662,843)	(578,369)
<b>Balance, December 31, 2024</b>		<b>19,085,071</b>	<b>3,484,022</b>	<b>874,982</b>	<b>99,376</b>	<b>(6,938,815)</b>	<b>(2,480,435)</b>

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



# GFM RESOURCES LIMITED

(An exploration-stage company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

### 1. Nature of operations and going concern uncertainty

GFM Resources Limited (the "Company") was incorporated under the laws of British Columbia, Canada, on September 3, 1987. During the year ended December 31, 2000, the Company continued its operation in the Yukon Territory under the Business Corporation Act of Yukon and registered as an extra-provincial company in British Columbia under the laws of British Columbia. The addresses of the Company's offices are:

- Administration: Suite 1100 – 1111 Melville Street, Vancouver, BC V6E 3V6, Canada.
- Registered records: Suite 1500 – 1055 West Georgia St., Vancouver, BC, V6E 4N7, Canada.

The Company is in the business of acquisition, exploration and development of mineral properties, and is in one operating segment, namely mineral exploration in Mexico.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant losses since inception, and has a working capital deficiency, as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Deficit	<b>(6,938,815)</b>	(6,275,972)
Working capital deficiency:	<b>(2,480,435)</b>	(1,906,606)

The Company's majority shareholder is Compañía Minera Autlán, S.A.B. de C.V. ("Autlan"), a company from Mexico that is controlled by a director of the Company. Continued operations of the Company are dependent on the Company's ability to obtain public equity financing or to receive continued financial support from its controlling shareholder, Autlan. There can be no assurance the Company will be successful in achieving these goals and, accordingly, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

## **GFM RESOURCES LIMITED**

(An exploration-stage company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

#### **2. Basis of preparation**

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

These annual consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors for issue on February 27, 2025.

##### **(b) Bases of measurement**

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

##### **(c) Functional and presentation currency**

In management's judgement the functional currency of the Company is the Canadian dollar, and the functional currency of the Mexican wholly owned subsidiary is the Mexican peso. The presentation currency used in preparing the consolidated financial statements of the Company is the Canadian dollar.

##### **(d) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

The main judgments and estimates made by management in applying accounting policies primarily relate to the following:

##### *Value added tax recoverable*

The Company is subject to value added tax recoverable in Mexico. There are transactions and calculations for which the ultimate tax recoverable for these is a form of judgment. The Company reviews the collectability of the value added tax on an ongoing basis and makes judgment as to its ability to recover this tax. Where there is uncertainty around the recoverability of this tax, a judgment is made and the value added tax will be written off in the Statement of loss and comprehensive loss.

## GFM RESOURCES LIMITED

(An exploration-stage company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

#### 3. Material accounting policy information

These consolidated financial statements have been prepared within the framework of the material accounting policies provided as follows:

##### (a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Mexican subsidiary GFM Resources de Mexico, S.A. de C.V. (the "Group"). Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The Company's subsidiary is:

Name of subsidiary	Jurisdiction of incorporation	Percent ownership	Principal activity
GFM Resources de México, S.A. de C.V.	Mexico	100%	Mineral exploration

##### (b) Foreign currencies

###### Determination of functional currency

In determining the functional currency of the Company, the following was considered:

- the currency that mainly influences the cost of labour, materials, service and other costs of exploration and evaluation activities; and
- the currency used to maintain the amounts charged by operating activities.

###### Foreign currency translation

In preparing the financial statements of each individual entity within the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

## **GFM RESOURCES LIMITED**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

#### **3. Material accounting policy information (cont'd...)**

##### **(c) Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

##### **(d) Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Any tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for taxable temporary differences except investments in subsidiaries and joint ventures where the Company is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### **(e) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options (including any estimated forfeitures). The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded-vesting basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

#### **3. Material accounting policy information (cont'd...)**

##### **(e) Share-based payments (cont'd...)**

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

##### **(f) Mineral properties**

The exploration and evaluation phase of a mineral project is assumed to commence at the time the Company obtains the legal right to explore a property. 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. Costs related to activities occurring before the exploration and evaluation of a project are expensed in the period in which they occur. Costs incurred during the exploration and evaluation phase are initially capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to the statement of loss. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property or cost recoveries when the payments are made or received.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

#### 3. Material accounting policy information (cont'd...)

##### (g) Financial instruments

###### Financial assets

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 determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

**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 (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets:

Financial asset	Classification
Cash and cash equivalents	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans with related party	Amortized cost

##### (h) New, amended and future accounting pronouncements

On April 9, 2024, the IASB issued a new standard – IFRS 18, "Presentation and Disclosure in Financial Statements" with a focus on updates to the statement of profit and loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit and loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(Expressed in Canadian dollars except where indicated)

### 3. Material accounting policy information (cont'd...)

#### (h) New, amended and future accounting pronouncements (cont'd...)

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its "operating profit or loss".

### 4. Accounts receivable

	December 31, 2024	December 31, 2023
	\$	\$
Canadian GST receivable (i)	1,245	1,228

The Company files its Goods and Services Tax (GST) returns with the Canada Revenue Agency on a quarterly schedule.

During the year ended December 31, 2024, the Company wrote off an amount of \$3,040 (2023 - \$11,981) of value-added-tax in Mexico ("Impuesto al Valor Agregado" – "IVA"). In Mexico IVA is charged at a rate of 16% and can be credited to any amounts of IVA payable or claimed back from the tax authorities, but only when the invoices that gave rise to it have been effectively paid by the Company. While most of the IVA receivable or creditable corresponds to IVA on the interest portion of the Subsidiary Agreement (Note 6) invoiced by Autlan to the Company, it was decided to write down the amount to zero due to the uncertainty about the timing in which this amount could be recovered or applied to any IVA payable.

There was a change of \$2,774 (2023 - \$(2,810)) in the amount of Mexican income tax recoverable (Impuesto Sobre la Renta "ISR"). ISR is expected to be eventually recovered as the Company posts annual losses. The Company has generated losses during its years of operation with the exception of 2017 when Autlan forgave the Company's debt up to June 30, 2017. While the cumulative losses of prior and later years have resulted in no income taxes payable, that year's net income, together with certain invoicing transactions between the Company's Mexican subsidiary (the "Subsidiary") and Metallorum Prospección, SAPI de CV ("Prospección") pursuant to a Mandate (Note 8) triggered the requirement of a cash prepayment of interim income taxes in Mexico for the Subsidiary based on a coefficient determined by the net income of 2017, even though the Mandate transaction has not generated income for the Subsidiary. The Subsidiary is expected to be able to claim this prepayment back at the time of filing its 2024 income tax return and that of subsequent years, but there is uncertainty as to the timing and amounts that can be recovered or accredited towards other taxes payable. The Company has terminated the Mandate to avoid these interim tax prepayments in cash in the future.

### 5. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities are as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Trade payables	-	28,456
Accrued liabilities	30,685	25,222
Total	30,685	53,678

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### 6. Loans with related party

On November 17, 2017, the Company entered into a loan agreement (the "Loan Agreement") with Autlan, with effect from August 1, 2017. Under the terms of the Loan Agreement, Autlan would make available to the Company a line of credit of up to USD \$2,000,000 per year. Advances made under the Loan Agreement bear annual simple interest calculated on the Secured Overnight Financing Rate ("SOFR", which replaced the London Interbank Offered Rate - LIBOR) plus 2%, calculated daily on the outstanding balance. The principal outstanding, together with any accrued but unpaid interest will become due and payable on demand, but such demand shall not to be made unless the Company has sufficient funds to repay the loan. There are no convertibility features on this Loan Agreement. During the year ended December 31, 2024, the weighted-average interest rate was 7.25% (2023 – 7.14%).

Also on November 17, 2017, Autlan entered into a separate loan agreement with the Company's subsidiary in Mexico (the "Subsidiary Agreement"), with effect from August 1, 2017. Under the terms of the Subsidiary Agreement, Autlan would make available to the Subsidiary a line of credit of up to MXN \$40,000,000 (approximately USD \$2,000,000) per year. Advances made under the Subsidiary Agreement bear annual simple interest calculated on the Bank of Mexico's inter-bank loan rate (TIE for its acronym in Spanish – *Tasa de Interés Interbancaria de Equilibrio*) plus 2%, calculated daily on the outstanding balance. The full principal amount of this loan, together with interests outstanding to June 30, 2023, were repaid during the year ended December 31, 2023. The remaining interest outstanding up to December 31, 2023, was repaid in January 2024, and thus there are no amounts outstanding pursuant to this Subsidiary Agreement.

The following is a summary of the loans with Autlan:

	Principal	Interest			Mexican IVA value-added tax (net)	Total
		accrued	repaid	net		
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	1,482,519	221,131	(171,533)	49,598	3,500	1,535,617
Loan Agreement	732,898	91,622	(67,072)	24,550	-	757,448
Subsidiary Agreement	(383,708)	56,292	(52,162)	4,130	828	(378,750)
Foreign exchange adjustment	(29,831)	6,632	(5,346)	1,286	329	(28,216)
Balance, December 31, 2023	1,801,878	375,677	(296,113)	79,564	4,657	1,886,099
Loan Agreement	392,112	156,009	(127,347)	28,662	-	420,774
Subsidiary Agreement	-	-	(29,077)	(29,077)	(4,654)	(33,731)
Foreign exchange adjustment	181,232	(1,845,417)	1,850,326	4,909	(3)	186,138
Balance, December 31, 2024	2,375,222	(1,313,731)	1,397,789	84,058	-	2,459,280

Interest is invoiced to the Company by Autlan on a bi-annual basis. During the year ended December 31, 2024, the Company repaid \$127,347 of interest pursuant to the Loan Agreement, of which \$51,448 was due on December 31, 2023, and \$75,899 at June 30, 2024. The Company also repaid \$29,077 of interest due pursuant to the Subsidiary Agreement that was due on December 31, 2023, effectively extinguishing the Subsidiary Agreement loan.



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#### **6. Loans with related party (cont'd...)**

During the year ended December 31, 2024, the Company was informed by its tax advisors of the requirement to withhold taxes on interest paid in cash to Autlan pursuant to the Loan Agreement, as required by Part XIII of the Income Tax Act. The Company should have withheld 10% of the interest repaid to Autlan, and remit that to the Canada Revenue Agency. Autlan could in turn use the amount withheld in their own Mexican income tax returns. However, as the Mexican fiscal system is strictly tied to cash movements, withholding amounts corresponding to periods paid in the past will have to be absorbed by the Company as a Part XIII one-time tax in the amount of \$22,710, which includes the withholding requirement inclusive of late filing interest and other penalties. On a going-forward basis, the Company will withhold 10% of any interest payment and remit it to the Canada Revenue Agency. Included in Prepaid expenses and deposits is \$1,639 overpayment to the CRA, which will be used against future Part XIII income tax withholdings.

#### **7. Share capital**

- a) Authorized: the Company is authorized to issue an unlimited number of common shares without par value. There are no restrictions on transfers.

- b) Issued and outstanding:

There were 19,085,071 common shares issued and outstanding as of December 31, 2024, and December 31, 2023. No common shares were issued during the year ended December 31, 2024, or during 2023.

- c) Warrants

There were no warrants outstanding as of December 31, 2024 (2023 – Nil).

- d) Stock options

On May 24, 2023, the Board of Directors approved the adoption of a new incentive stock option plan (the "Plan") replacing the one that had originally been approved on May 23, 2006. The new incentive stock option plan meets the current requirements of the TSX Venture Exchange and was ratified by the shareholders of the Company at its latest annual general meeting held on May 14, 2024.

The Plan allows the board of directors to grant up to 10% of the outstanding common shares of the Corporation from time to time on a rolling basis. The Plan is intended to enable the Corporation to attract and retain qualified personnel in a competitive marketplace and to encourage equity participation among persons who are directors, officers, employees and consultants of the Corporation, or its affiliates, or who are providing services to the Corporation or its affiliates.

On May 14, 2024, the Company granted an aggregate of 880,000 stock options to its directors and officers. Each stock option entitles its holder to purchase one common share of the Company at an exercise price of \$0.10 per share for a period of five years. The options will vest as follows: 33% six months after the date of granting, an additional 33% one year after the date of granting, and the remaining 34% two years after the date of granting.

The total fair value of the aforementioned stock options was calculated at \$6,987 using the *Black-Scholes* Option Pricing Model, with the following parameters: risk-free interest rate of 3.64%, expected volatility of 71.55% and expected life of five years. Given the vesting restrictions, the calculated graded vested amount for the year ended December 31, 2024, was \$4,540.

There were no stock options outstanding prior to 2024.

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### 7. Share capital (cont'd...)

The following table summarizes the stock option activity:

	Year ended		Year ended	
	December 31, 2024		December 31, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of year	-	-	-	-
Granted	880,000	0.10	-	-
Outstanding, end of year	880,000	0.10	-	-
* Exercisable, end of year	293,331	0.10	-	-

### 8. Related party transactions

The Company entered into the following transactions with related parties and incurred payments to key management personnel, which were in the normal course of operations, as follows:

Year ended December 31:	2024	2023
	\$	\$
Management fees paid to a company controlled by the Chief Financial Officer of the Company:	60,000	60,000
Director's fees:	24,000	24,000
Advances pursuant to Loan Agreement: <sup>(i)</sup>	392,112	732,898
Principal repayment of Subsidiary Agreement: <sup>(ii)</sup>	-	(383,708)
Interest accrued on advances: <sup>(i,ii)</sup>	156,009	147,914
Interest repaid on Loan Agreement and Subsidiary Agreement (including Mexican value added tax):	(161,078)	(127,580)

<sup>(i)</sup> Pursuant to the Loan Agreement with Autlan (Note 6).

<sup>(ii)</sup> Pursuant to the Subsidiary Agreement with Autlan (Note 6).

The amounts due to related parties are as follows:

As at:	December 31, 2024	December 31, 2023
	\$	\$
Amounts owed to Autlan pursuant to Loan Agreement (Note 6):	2,459,280	1,852,342
Amounts owed to Autlan by Subsidiary pursuant to Subsidiary Agreement (Note 6):	-	33,757
	2,459,280	1,886,099

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### 9. Property examination costs

#### *La Casita, Durango, Mexico*

The Company holds title to three mineral concessions in the state of Durango, Mexico ("La Casita" group of concessions), for which it is paying the semi-annual concession maintenance fees.

#### *Dany II, Guanajuato, Mexico*

During the year ended December 31, 2019, the Company issued a bid to the Mexican mining authorities for the potential acquisition of the Dany II concession in the state of Guanajuato, Mexico. The Company's majority shareholder, Autlan, owns other concessions in this area. While the bid was successful, the Mexican Ministry of Mines in Mexico has not issued the concession title. Furthermore, there is no assurance that the Mexican Ministry of Mines will extend or issue new concession titles, in which case the Company would attempt to request a refund. If the title is issued, the Company will add this concession to its portfolio of properties for potential exploration.

The summary of property examination costs for La Casita is as follows:

Expensed	
Year ended December 31	
2024	2023
\$	\$
37,687	36,677

### 10. Financial instruments

Pursuant to IFRS 9, the Company classifies cash and cash equivalents, accounts payable and accrued liabilities, due to related parties, and loans with related party at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

#### *Currency Risk*

As at December 31, 2024, all of the Company's cash and cash equivalents were held either in Canadian dollars, US dollars or Mexican pesos. The Company incurs expenditures in Canada and Mexico, and as such is exposed to currency risk associated with these costs.

A change in the value of the Mexican peso by 10% relative to the Canadian dollar would affect the Company's working capital by approximately \$4,000 (December 31, 2023 - \$1,000), and its net loss for the year by approximately \$5,000 (2023 - \$12,000).

A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately \$246,000 (December 31, 2023 - \$183,000), and its net loss for the year by approximately \$63,000 (2023 - \$18,000). These amounts are related to the Loan Agreement, which is denominated in US dollars.

#### *Interest rate and credit risk*

The Company has cash balances and significant debt owed to a majority shareholder. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company is exposed to interest rate risk on its Loan Agreement as detailed in Note 6. A 1% change in interest rate would affect the interest by approximately \$11,600 based on the principal outstanding as at December 31, 2024 (2023 - \$9,200).

#### *Liquidity risk*

The Company will depend on the advances provided by Autlan through the Loan Agreement (Note 6). The liquidity risk relates to the low cash position and the dependence on these advances. Also see Note 1 for further discussion regarding liquidity risks.

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### 11. Capital disclosures

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company's main source of funds is from the funds received from Autlan as a part of the Loan Agreement (Notes 1 and 6).

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

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash and cash equivalents to include amounts held in banks. The Company places its cash with institutions of high credit worthiness. On December 31, 2024, the Company had cash and cash equivalents of \$5,344 (December 31, 2023 – \$30,640).

During the year ended December 31, 2024, the Company repaid all interest outstanding on its Loan Agreement of \$127,347 and on its Subsidiary Agreement of \$29,077 plus \$4,654 of IVA (2023 - \$67,072, \$52,162 and \$8,346, respectively).

During the year ended December 31, 2024, the Company repaid \$ nil of the total principal amount due on its Subsidiary Agreement (2023 - \$383,708).

During the year ended December 31, 2024, the Company repaid the remaining interest and IVA outstanding pursuant to its Subsidiary Agreement indicated in the above paragraph. With these payments, the Subsidiary Agreement is now extinguished.

The Company is not subject to any externally imposed capital requirements.

### 12. Supplementary information with respect to cash flows

The following table provides a reconciliation of cash and non-cash related to the loans with a related party generated from financing activities:

	Balance	Cash	Cash	Non-cash	Cash	Non-cash	Balance
	December 31, 2022	Principal advances	Principal repayment	Interest accrued	Interest repayed	Foreign exchange	December 31, 2023
	\$	\$	\$	\$	\$	\$	\$
Loans with related party	1,535,617	732,898	(383,708)	147,914	(118,406)	(28,216)	1,886,099
	December 31, 2023	Principal advances	Principal repayment	Interest accrued	Interest repayed	Foreign exchange	December 31, 2024
	\$	\$	\$	\$	\$	\$	\$
Loans with related party	1,886,099	392,112	-	156,009	(161,078)	186,138	2,459,280

### 13. Segmented information

The Company is in one segment, namely mineral exploration in Mexico, with administration in two geographical regions, namely Canada and Mexico.

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**14. Income taxes**

The reconciliation of income tax attributable to operations computed at the statutory tax rate to income tax expense (recovery), using a 27% (2023 – 27%) statutory tax rate, at December 31<sup>st</sup> is as follows:

		<b>2024</b>		<b>2023</b>
Loss for the year	\$	(662,843)	\$	(335,107)
Expected income tax (recovery)	\$	(183,000)	\$	(90,000)
Change in statutory, foreign tax, foreign exchange rates and other		(2,000)		(3,000)
Permanent differences		1,000		7,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(16,000)		11,000
Change in unrecognized deductible temporary differences		200,000		75,000
<b>Total income tax expense (recovery)</b>		<b>-</b>		<b>-</b>

As at December 31, 2024, the Company has Canadian federal net operating loss carry forwards of approximately \$3,110,000 expiring between 2030 and 2044.

Future income tax benefits which may arise as a result of non-capital losses and unclaimed foreign exploration and development expenditures have not been recognized in these financial statements as their realization is uncertain.

The significant components of the Company's future income tax assets are as follows:

		<b>2024</b>		<b>2023</b>
Deferred tax assets (liabilities)				
Exploration and evaluation assets	\$	90,000	\$	98,000
Non-capital losses available for future period		1,020,000		812,000
		1,110,000		910,000
Unrecognized deferred tax assets		(1,110,000)		(910,000)
<b>Net deferred tax assets</b>		<b>-</b>		<b>-</b>

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**14. Income taxes (cont'd...)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statement of financial position are as follows:

	2024	Expiry Date Range	2023	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 333,000	No expiry date	\$ 365,000	No expiry date
Investment tax credit	-	2019 to 2038		2018 to 2037
Property and equipment	-	No expiry date	-	No expiry date
Share issue costs	-	2039 to 2041	-	2038 to 2041
Marketable securities	-	No expiry date	-	No expiry date
Asset retirement obligation	-	No expiry date	-	No expiry date
Debt with accretion	-	No expiry date	-	No expiry date
Intangible assets	-	No expiry date	-	No expiry date
Allowable capital losses	-	No expiry date	-	No expiry date
Non-capital losses available for future periods	3,709,000	2030 to 2044	2,945,000	2030 to 2043
<b>Canada</b>	3,110,000	2030 to 2044	2,391,000	2030 to 2043
<b>Mexico</b>	599,000	2028 to 2034	554,000	2028 to 2033

**15. Subsequent events**

Subsequent to December 31, 2024, the Company:

- Received \$139,383 (USD \$97,000) in loan advances pursuant to its Loan Agreement; and
- Funded its Mexican subsidiary with \$18,049 (MXN \$261,956) for the payment of the first semester of concession fees related to the La Casita concessions (note 9).

\* \* \* \* \*