

ARCHON MINERALS LIMITED

Financial Statements
Year Ended May 31, 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Archon Minerals Limited.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Archon Minerals Limited (the "Company"), which comprise the statements of financial position as at May 31, 2023 and 2022, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has negative working capital and losses since inception. As stated in Note 1, the Company's ability to continue as a going concern is dependent upon its ability to continue receiving financing from related parties or, alternatively, secure new sources of financing. These matters, 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 comprises the information included in "Management's Discussion and Analysis" but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Chartered Professional Accountants

Vancouver, BC, Canada
September 28, 2023

ARCHON MINERALS LIMITED

Statements of Financial Position

As at May 31,

(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Assets		
Current assets		
Cash	16	38
Prepaid expense and deposits	-	8,400
Amounts receivable	16,011	14,783
	16,027	23,221
Reclamation bond	31,000	31,000
Buffer Zone royalty interest (note 4)	65,311,944	65,311,944
Exploration and evaluation assets (note 3)	3	3
	65,358,974	65,366,168
Liabilities and Equity (Deficiency)		
Current Liabilities		
Accounts payable and accrued liabilities	48,840	48,266
Interest payable (note 7)	4,095,482	3,559,374
Convertible debenture (note 7)	8,000,000	8,000,000
	12,144,322	11,607,640
Due to related parties (note 6)	54,710,516	54,687,960
	66,854,838	66,295,600
Equity (Deficiency)		
Share capital (note 5(a))	19,960,114	19,960,114
Share-based payment reserve (note 5 (b))	2,965,073	2,965,073
Equity component of convertible debt (note 7)	2,190,345	2,190,345
Deficit	(26,611,396)	(26,044,964)
	(1,495,864)	(929,432)
	65,358,974	65,366,168

See accompanying notes to the financial statements

Nature and continuance of operations (note 1)

Approved by the Board of Directors and authorized for issue on September 28, 2023.

"Stewart Blusson"

Stewart Blusson, Director

"Melody Yiu"

Melody Yiu, Director

ARCHON MINERALS LIMITED

Statements of Comprehensive Loss
For the Years Ended May 31,
(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Royalty income (note 4)	-	-
Operating costs and expenses		
Accounting and legal (note 6)	19,946	15,600
Bank charges and interest	72	77
Interest on convertible debenture	536,108	536,108
Office and administration	-	2,245
Travel and accommodation	159	223
Trust and filing fees	10,147	12,022
	(566,432)	(566,275)
Comprehensive income (loss) for the year	(566,432)	(566,275)
Weighted average number of common shares outstanding	54,416,758	54,416,758
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

See accompanying notes to the financial statements

ARCHON MINERALS LIMITED

Statements of Cash Flows
For the Years Ended May 31,
(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Cash provided by (used for):		
Operating activities		
Net income (loss) for the year	(566,432)	(566,275)
Item not involving the use of cash:		
Interest on convertible debenture	536,108	536,108
	(30,324)	(30,167)
Changes in non-cash operating capital:		
Amounts receivable	(1,228)	(1,254)
Prepaid expenses and deposits	8,400	(8,400)
Accounts payable and accrued liabilities	574	(3,085)
Due to related parties	22,556	42,848
	(22)	(58)
Net cash used during the year	(22)	(58)
Cash, beginning of the year	38	96
Cash, end of the year	16	38

See accompanying notes to the financial statements

ARCHON MINERALS LIMITED

Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payment reserve	Equity component of convertible debenture	Deficit	Total equity (deficiency)
May 31, 2021	54,416,758	\$ 19,960,114	\$ 2,965,073	\$ 2,190,345	\$ (25,478,689)	\$ (363,157)
Net loss for the year	-	-	-	-	(566,275)	(566,275)
May 31, 2022	54,416,758	19,960,114	2,965,073	2,190,345	(26,044,964)	(929,432)
May 31, 2022	54,416,758	19,960,114	2,965,073	2,190,345	(26,044,964)	(929,432)
Net loss for the year	-	-	-	-	(566,432)	(566,432)
May 31, 2023	54,416,758	19,960,114	2,965,073	2,190,345	(26,611,396)	(1,495,864)

See accompanying notes to financial statements

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Archon Minerals Limited (“the Company” or “Archon”), located at Suite 2801-323 Jervis Street, Vancouver, BC, V6P 3P8, is engaged in the business of diamond exploration in the Northwest Territories of Canada. The Company currently has interests in three property groups.

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

Several adverse conditions cast doubt on the validity of this assumption. The Company has incurred significant operating losses and negative operating cash flows over the past several fiscal years, has capital and working capital deficiencies, significant levels of debt and is currently unable to self-finance from operations. In addition, the Company is obligated to make cash call payments to the operators of the WO Block and Monument Diamond Projects to maintain its participating interests.

The Company’s continued existence is dependent upon its ability to raise additional financing, the continued support of its related parties and its capacity to generate profitable operations in the future.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements. However, there can be no assurance that management actions will be successful.

If the going concern assumption is not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

Recent global issues, including the uncertainty around the COVID-19 pandemic and political conflicts in other regions, have adversely affected workplaces, economies, supply chains and financial markets globally. While none of these issues have directly impacted the Company, due to its inactive status, it is not possible at this time for the Company to predict the duration or magnitude of any adverse impact from such matters on the Company’s future business operations.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements 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”).

b) Basis of preparation

These financial statements have been prepared on the historical cost basis. The presentation and functional currency of the Company is the Canadian dollar.

c) Cash and cash equivalents

Cash and cash equivalents include term investments with maturities of three months or less, together with accrued interest thereon, which are readily convertible to known amounts of cash.

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Use of judgements and estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Critical judgements in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i) *Going concern*

Management applies judgment in determining whether the Company will continue as a going concern for the next year.

ii) *Valuation of exploration and evaluation properties and royalty interest*

Management applies judgment in determining whether a property is impaired in relation to costs recognized in respect to it on the Company's statement of financial position. Significant judgement is also required in determining, and considering the uncertainties associated with measuring and disclosing, the carrying value of the Company's royalty interest.

iii) *Financial instruments*

Financial assets and liabilities are recognized when the Company becomes party to the contracts that give rise to them. The Company determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, reevaluates such classification at each financial year end.

iv) *Compound financial instruments*

The Company presents convertible debentures separately in its debt and equity components on the statement of financial position. The fair value of a compound instrument at issuance is assigned to its respective debt and equity components. The fair value of the debt component is established first with the equity component being determined with the residual.

Key sources of estimation uncertainty:

There were no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next year.

e) Revenue Recognition

Revenue is entirely comprised of revenue earned during the year from royalty interests. Revenue recognition occurs when the relevant commodity is transferred to the end customer by the operator of the related property and when revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement.

When the Company does not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Exploration and evaluation assets

Once a permit to explore an area has been secured, expenditures on exploration and evaluation assets are capitalized to exploration and classified as a non-current asset.

Exploration expenditures relate to the initial search for mineral deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Exploration expenditure costs incurred are included in exploration and evaluation assets and these include any cash consideration and advance earn in payments and the fair market value of shares issued, if any, related to the mineral property interests. 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.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an expenditure is not expected to be recovered, it is charged to comprehensive income.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Amount recorded as exploration and evaluation assets are reflective of actual costs incurred and are not intended to represent current or future fair values.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

g) Impairment

At each reporting period, management reviews all assets for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

h) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Income taxes *(continued)*

liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. 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.

i) Share capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values.

j) Share-based payments

The Company's Stock Option Plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to mineral property with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options are recorded as share capital and the related contributed surplus amount are transferred to share capital.

k) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

l) Reclamation bond

The Company maintains cash deposits, or letters of credit secured by cash deposits, as required by regulatory bodies as assurance for the funding of reclamation costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled or the related property is sold and the obligation is assumed by the buyer.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statement of

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Financial instruments *(continued)*

financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. These instruments will be classified into one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale or financial liabilities at amortized cost.

i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net (loss) income.

ii) Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and receivables are recorded at amortized cost as they meet the required criteria.

iii) Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

iv) Financial assets and liabilities at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

n) Provision for closure and reclamation

Provisions for closure and reclamation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the closure and reclamation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. At May 31, 2023, the Company had no material provisions for closure and reclamation.

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS

The Company's projects are located in the Mackenzie Mining Division, Northwest Territories, Canada.

	Buffer Zone Project	WO Block Project	Monument Diamond Project	Total Mineral Property costs
	\$	\$	\$	\$
May 31, 2021	1	1	1	3
Acquisition	-	-	-	-
May 31, 2022	1	1	1	3
Acquisition	-	-	-	-
May 31, 2023	1	1	1	3

Buffer Zone Project

The Company's Buffer Zone Project was, until 2017, subject to a joint venture with Dominion Diamond Mines (previously Dominion Diamond Corporation, "Dominion"), which was the joint venture Operator.

During the 2018 fiscal year, the Company's previous 34.67% interest in the Buffer Zone Project with Dominion was converted to a royalty interest. See note 4.

The Company retains a 100% interest in certain mineral leases located in the western Buffer Zone, which were never subject to the joint venture with Dominion. This interest is recorded at a nominal carrying value of \$1.

WO Block Project, Lac de Gras area

The Company has an approximate 17.57% working interest in mineral claims known as the WO Block Project.

The Company must continue to fund its portion of exploration costs or be subject to dilution for non-participation.

The Company accounts for its interest in this joint operation at cost as well, with the cash advances paid to the operator recorded as exploration costs as incurred.

During the 2016 year, the Company impaired the carrying value of the WO Block Project to \$1 due to limited exploration activities and no planned expenditures by the operator.

Monument Diamond Project, Lac de Gras area

The Company has an agreement for three of the former leases of mineral claims, known as the DHK claim block, by which it can acquire a 10% interest in the leases for \$15,000 and the option to earn an additional 10.4% interest by contributing its proportionate share of costs to each work program. The property is subject to a 2% Gross Overriding Royalty. During the year ended May 31, 2005, the Company increased its interest to 20.4%. The Company must continue to fund its 20.4% portion of exploration costs by way of cash calls demanded by its operator or its interest will be subject to dilution.

The Company has written-down the carrying value of the Monument Diamond Project to \$1 due to limited exploration activities.

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Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

4. BUFFER ZONE ROYALTY INTEREST

On June 5, 2017, the Company reached an agreement with Dominion to convert its working interest in the Buffer Zone Joint Venture into a 2.3% gross production royalty. Under this agreement, Archon will receive a royalty equal to 2.3% of the gross value of diamonds produced from the Buffer Zone. The Buffer Zone Joint Venture was terminated, and Archon is no longer required to contribute any further capital expenditures nor will it have to pay for any operating costs related to the Buffer Zone.

In February 2021, Dominion sold the Buffer Zone to Arctic Canadian Diamond Company (“Arctic”), which assumed all obligations to Archon pursuant to the royalty agreement. Subsequent to May 31, 2023, a 100% ownership interest in Arctic was acquired by an Australian public company, Burgundy Diamond Mines Ltd.

The royalty interest acquired has been capitalized as a tangible asset with a finite life. It is reported at cost less accumulated depletion and accumulated impairment provisions, if any, with depletion recorded based on diamond recoveries relative to total reserves. Cost has been determined in accordance with the standards of IAS 16 – Property, Plant and Equipment. In the opinion of management, the variables that would be involved in an independent determination of the fair value of the royalty interest are currently such that this amount is not reliably measurable and is therefore not determinable. Accordingly, the Company has recorded its interest at the historical cost associated with its previous investment in the Buffer Zone Joint Venture. However, the Company also follows the guidance of IAS 36 in connection with impairment indicators associated with non-current assets, and believes that no such indicators are currently present.

In assessing impairment factors applicable to these costs, management also considers that, in the context of public disclosures related to its capital structure and ownership, the current debts due to related parties could be potentially convertible to, and therefore considered in substance to represent, equity. Further, these elements create significant uncertainty as to the estimation of the value of the Company’s common shares in respect to the consideration of any potential impairment of the asset.

The Company records royalty income, which is payable in cash only, on an accrual basis in accordance with the terms of its royalty agreement, and when the receipt of such income is determinable or has already occurred.

Royalty income aggregating \$nil (May 31, 2022: \$nil) has been recognized or received during the current fiscal year.

5. SHARE CAPITAL

- a) The authorized share capital of the Company consists of an unlimited number of common shares.

During the year ended May 31, 2023:

No shares were issued during the year.

During the year ended May 31, 2022:

No shares were issued during the year.

- b) Stock-based compensation and share purchase options

The Company has established a share purchase option plan whereby the board of directors may grant up to a total of 10% of the issued and outstanding common shares of the Company to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company’s board of directors.

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Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

5. SHARE CAPITAL *(continued)*

The following is a summary of the changes in the Company's outstanding stock options:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	300,000	\$ 0.70	300,000	\$ 0.70
Expired	(300,000)	0.70	-	-
Outstanding, end of the year (1)	-	-	300,000	0.70

c) Share purchase warrants

There were no share purchase warrants outstanding at May 31, 2023 and 2022.

d) Share-based payment reserve

There were no stock options granted during the year ended May 31, 2023 and 2022.

6. RELATED PARTY TRANSACTIONS

	2023	2022
	\$	\$
Due to the President	54,685,308	54,662,752
Due to a Director	25,208	25,208
	54,710,516	54,687,960

These amounts are unsecured non-interest bearing and have no specific terms of repayment.

Related party transactions not noted elsewhere in these financial statements are as follows:

- During the current year, the president and director of the Company advanced \$nil (2022 - \$nil), received \$nil (2022 - \$nil) for repayments of shareholder advances, and incurred \$22,556 (2021 - \$40,620) for mineral property costs and administration expenses.
- During the current year, a director of the Company advanced \$nil (2022 - \$nil) and incurred \$nil (2022 - \$nil) for mineral property costs and administration expenses.
- During the current year, the Company paid \$5,346 for legal services to a firm in which a director is a Partner.

These transactions occurred in the normal course of operations and are therefore measured at their exchange amounts.

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURE

On November 7, 2014, the Company issued unsecured convertible debentures to two directors of the Company with a face value of \$8,000,000.

The convertible loan bears interest at 5% per year, compounded annually, and matured on November 7, 2017. As at May 31, 2023, the loan has not been converted and is still outstanding. At any time before the convertible debt matures, each lender may convert the outstanding indebtedness of their loan into the Company's common shares at a rate of \$1.35 per share during the first year, \$1.45 per share during the second year, and \$1.55 per share during the third year. On the loan's maturity date, if the total indebtedness outstanding at that time has not been paid in full, the Company may at its discretion convert the outstanding amounts into common shares at the higher of \$1.55 per share and the Discounted Market Price (as that term is defined under the TSX Venture Exchange policies) at the time of conversion.

In accordance with IFRS relating to the presentation of convertible debt instruments, the debenture has been classified into its separate loan liability and conversion feature components in the Company's financial statements. The Company valued the liability portion at \$5,809,655 (being the present value of the future cash flow streams) with the residual amount being allocated to the conversion feature, or \$2,190,345. Over the term of the debenture, this carrying value has been accreted to the \$8,000,000 principal amount using the effective interest rate method. After maturity, the debenture continues to accrue interest at 5% per year, compounded annually.

The following is a summary of the convertible debenture at May 31, 2023:

	Proceeds	Debt Component	Equity Component
	\$	\$	\$
Balance at May 31, 2021 and 2022	8,000,000	8,000,000	2,190,345
Accretion expense during the year	-	-	-
Balance at May 31, 2023	8,000,000	8,000,000	2,190,345

8. CAPITAL MANAGEMENT

The Company's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders' equity and working capital. To effectively manage its resources and minimize risks, the Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the year.

ARCHON MINERALS LIMITED

Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash and cash equivalents, amounting to \$16 at May 31, 2023 (2022 - \$38). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, the credit risk is considered by management to be negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company has maintained sufficient current asset balances and financing from related parties to meet these needs at May 31, 2023.

Foreign Exchange Risk

The Company has virtually no foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

Interest Rate Risk

The Company has been exposed to interest rate risk on its cash and cash equivalents. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. At May 31, 2023, the Company maintained all of its cash balance on deposit in a chequing account with a major Canadian bank.

Fair Value of Financial Instruments

The fair value classification of the Company's financial instruments as at May 31, 2023 and 2022 are as follows:

	2023			2022	
	Fair value level	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
		\$	\$	\$	\$
<i>Financial assets:</i>					
Cash and cash equivalents	1	16	-	38	-
Reclamation bond		-	31,000	-	31,000
		16	31,000	38	31,000
<i>Financial liabilities:</i>					
Accounts payable and accrued liabilities		-	48,840	-	48,266
Due to related parties		-	54,710,516	-	54,687,960
Convertible debenture		-	8,000,000	-	8,000,000
		-	62,759,356	-	62,736,226

During the years ended May 31, 2023 and 2022, there were no transfers between level 1, level 2 and level 3 classified assets.

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Notes to the Financial Statements

For the years ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

10. INCOME TAXES

The Company is subject to income taxes in Canada. The provision for income tax varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2023	2022
	\$	\$
Net income (loss) for the year	(566,432)	(566,275)
Expected income tax payable (recovery)	(152,937)	(152,894)
Net adjustment for deductible and non-deductible amounts		
Unrecognized benefit of non-capital losses	152,937	152,894
Total income taxes	-	-

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

	2023	2022
	\$	\$
Exploration and evaluation assets	17,165,900	17,165,900
Non-capital losses carried forward	2,682,000	2,116,000
	19,847,900	19,281,900

Subject to certain restrictions, the Company has mineral property expenditures of approximately \$73 million (2022 - \$73 million) available to reduce taxable income in future years. The Company also has non-capital losses of approximately \$2,682,000 (2022 - \$2,116,000). The Company has not recognized any future benefit for these tax losses and resource deductions as it is not considered likely that they will be utilized. If unused, the non-capital losses will expire as follows:

Year	Amount
	\$
2036	334,000
2037	571,000
2038	-
2039	66,000
2040	-
2041	579,000
2042	566,000
2043	566,000
	2,682,000