

Engineer Gold Mines Ltd.



ENGINEER GOLD
MINES LTD.

EAU:TSX.V

FINANCIAL STATEMENTS

For the year ended November 30, 2024

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Engineer Gold Mines Ltd.

Opinion

We have audited the financial statements of Engineer Gold Mines Ltd. (the "Company"), which comprise the statements of financial position as at November 30, 2024 and 2023, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 other 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 to the financial statements, which indicates that the Company incurred losses since inception and has an accumulated deficit of \$3,395,433 as at November 30, 2024. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the 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 report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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 identified above 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.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 Rakesh Patel.

A handwritten signature in black ink that reads "DMCL." The "D" is large and stylized, with a vertical line through it. The "MCL" is written in a cursive, handwritten style.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 20, 2025

ENGINEER GOLD MINES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended November 30, 2024	Year ended November 30, 2023
EXPENSES		
Amortization (Note 4)	\$ 21,257	\$ 27,472
Bank charges and interest (Notes 6 and 13)	74,541	14,026
Filing and transfer agent fees	13,789	46,455
Management fees (recovery) (Note 12)	-	(18,366)
Office and miscellaneous (Note 12)	923	31,191
Professional fees	64,680	38,425
Salaries and wages (Note 12)	20,511	49,910
Travel, trade shows and promotion	<u>1,446</u>	<u>28,204</u>
	(197,147)	(217,317)
OTHER ITEM		
Loss on government grant (Note 13)	<u>-</u>	<u>(10,000)</u>
Net loss and comprehensive loss for the year	\$ (197,147)	\$ (227,317)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	26,101,533	26,070,300

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

ENGINEER GOLD MINES LTD.**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

	Share Capital		Share-based payment reserves	Deficit	Total Shareholders' Equity
	Common Shares	Amount			
Balance, November 30, 2022	25,531,547	\$ 6,417,683	\$ 835,716	\$ (2,970,969)	\$ 4,282,430
Issue of shares for cash, private placements, net (Note 7)	570,000	55,880	1,120	-	57,000
Share issue costs – cash (Note 7)	-	(2,000)	-	-	(2,000)
Share consolidation - rounding	(14)	-	-	-	-
Comprehensive loss for the year	-	-	-	(227,317)	(227,317)
Balance, November 30, 2023	26,101,533	6,471,563	836,836	(3,198,286)	4,110,113
Comprehensive loss for the year	-	-	-	(197,147)	(197,147)
Balance, November 30, 2024	26,101,533	\$ 6,471,563	\$ 836,836	\$ (3,395,433)	\$ 3,912,966

On May 31, 2023, the Company consolidated its share capital on a 4:1 basis (Note 7).

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

ENGINEER GOLD MINES LTD.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended November 30, 2024	Year ended November 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (197,147)	\$ (227,317)
Items not affecting cash:		
Amortization	21,257	27,472
Loss on government grant	-	10,000
Interest and accretion on loan and mortgage payable	74,229	242
Changes in non-cash working capital items:		
Receivables	(449)	(5,362)
Prepaid expenses	(732)	22,382
Accounts payable and accrued liabilities	<u>33,334</u>	<u>46,298</u>
Net cash used in operating activities	<u>(69,508)</u>	<u>(126,285)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures, net	<u>(13,082)</u>	<u>22,778</u>
Net cash provided by (used in) investing activities	<u>(13,082)</u>	<u>22,778</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, net	-	55,000
Related party loans and advances, net of receivables	<u>82,525</u>	<u>(57,501)</u>
Net cash provided by financing activities	<u>82,525</u>	<u>(2,501)</u>
Decrease in cash during the year	(65)	(106,008)
Cash, beginning of the year	<u>1,514</u>	<u>107,522</u>
Cash, end of the year	<u>\$ 1,449</u>	<u>\$ 1,514</u>
Supplementary Cash Flow Information:		
Non-cash Financing and Investing Activities:		
Exploration and evaluation costs included in accounts payable and accrued liabilities	\$ 166,172	\$ 148,711
Fair value of share purchase warrants issued	\$ -	\$ 1,120

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Engineer Gold Mines Ltd. (the “Company”) was incorporated on January 17, 2018 under the laws of the Province of British Columbia, Canada. The Company obtained its initial listing on the TSX Venture Exchange (“TSX-V”) on June 26, 2018. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company’s financial statements have been prepared on a going concern basis, which presumes that 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 is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

Several conditions cast doubt on the validity of this assumption. The Company has incurred losses since inception and has an accumulated deficit of \$3,395,433 at November 30, 2024. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent 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”). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The financial statements of the Company for the year ended November 30, 2024 were approved and authorized for issue by the Board of Directors on March 20, 2025.

2. BASIS OF PRESENTATION (continued)

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provisions. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Equipment

Equipment is recorded at cost less accumulated amortization, with amortization calculated on a declining balance basis at the following annual rates:

Field equipment	20%
Mobile equipment	30%
Leasehold improvements	10 years

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are identified and written off. The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to items of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Exploration and evaluation assets

All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Exploration and evaluation assets (continued)

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

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

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of tangible assets (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period, if applicable, using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment reserve is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the Company's classification of financial assets and liabilities under IFRS 9:

Financial asset / liability	Classification under IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost
Due to (from) related parties	Amortized cost
CEBA loans	Amortized cost
Mortgage payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

(iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2024
(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

New or revised accounting standards not yet adopted

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

4. EQUIPMENT

	Leasehold Improvements	Mobile Equipment	Field Equipment	Total
Cost				
Balance at November 30, 2022	\$ 14,000	\$ 132,531	\$ 167,135	\$ 313,666
Additions	-	-	-	-
Balance at November 30, 2023	14,000	132,531	167,135	313,666
Additions	-	-	-	-
Balance at November 30, 2024	\$ 14,000	\$ 132,531	\$ 167,135	\$ 313,666
Accumulated amortization				
Balance at November 30, 2022	\$ 3,500	\$ 99,184	\$ 86,797	\$ 189,481
Amortization	1,400	10,004	16,068	27,472
Balance at November 30, 2023	4,900	109,188	102,865	216,953
Amortization	1,400	7,003	12,854	21,257
Balance at November 30, 2024	\$ 6,300	\$ 116,191	\$ 115,719	\$ 238,210
Net book value				
Balance at November 30, 2023	\$ 9,100	\$ 23,343	\$ 64,270	\$ 96,713
Balance at November 30, 2024	\$ 7,700	\$ 16,340	\$ 51,416	\$ 75,456

5. RECLAMATION BONDS

The Company has reclamation bonds held in trust by the Ministry of Energy, Mines and Low Carbon Innovation, British Columbia, for indemnification of site restoration of the Company's Tagish Lake, Wann River, Gold Hill, and Tag properties, collectively referred to as the Engineer Project (Note 6). As at November 30, 2024, the Company has posted reclamation bonds totalling \$150,000 (November 30, 2023 - \$150,000).

6. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the attainment of successful production from the properties or from the proceeds of their disposal.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2024
(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental issues related to any of its current or former properties that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Exploration and evaluation asset costs and activity is as follows:

	Engineer Project
November 30, 2022	\$ 4,153,691
Prepaid royalty	25,000
Camp	3,747
Environmental	2,276
Geological	33,841
Reporting	5,616
Exploration Tax Credit – Year Ended November 30, 2022	(49,614)
Exploration Tax Credit – Year Ended November 30, 2023	(7,974)
November 30, 2023	\$ 4,166,583
Prepaid royalty	25,000
Camp	2,730
Geological	(1,425)
Reporting	4,630
Exploration Tax Credit – Year Ended November 30, 2024	(392)
November 30, 2024	\$ 4,197,126

6. EXPLORATION AND EVALUATION ASSETS (continued)

Engineer Project, British Columbia

The Engineer Project is made up of claims and crown grants located in the Atlin Mining Division of British Columbia. The project includes multiple project areas referred to as Engineer Project.

In 2017, the Company acquired a 100% interest in the Gold Hill property. The Gold Hill property has a 3.0% Net Smelter Return (NSR) payable to Guardsman Resources Inc., 1.5% of which can be purchased by the Company for \$1,500,000.

Crown grants were acquired in September 2020 with a purchase price of \$250,000 plus \$10,111 paid for taxes on the property. A mortgage was outstanding for \$200,000; \$100,000 paid March 31, 2021, \$50,000 paid in June 7, 2022 and \$50,000 mortgage payable that has not been paid at November 30, 2024. As the Company did not pay the balance by the due date, the Company was charged interest and penalties totaling \$71,647 (November 30, 2023 - \$Nil) during the year ended November 30, 2024. The mortgage and interest are repayable at 15% per annum and is secured by a first mortgage against the underlying property.

The Tag Property was acquired in February 2021, with the following terms:

Completed:

- a) \$200,000 cash: \$100,000 - paid July 31, 2020 and \$100,000 - paid March 29, 2021;
- b) 2,000,000 common shares - issued February 25, 2021 with a fair value of \$120,000; and
- c) \$50,000 in advance royalty payments: \$25,000 paid in 2021 and \$25,000 paid in 2022;

Outstanding:

- d) \$200,000 in advance royalty payments over eight years; 2023* – 2031 payable in cash or shares;
(* the 2023 and 2024 payments of \$25,000 have not been made and are accrued as at November 30, 2024.
No notice of default has been received.)
- e) A 1.0% NSR royalty, which can be purchased by the Company for \$1,000,000 in cash; and
- f) An underlying NSR royalty of 2.5% from a predecessor agreement.

7. SHARE CAPITAL

On May 31, 2023, the Company consolidated its share capital on a 4 to 1 basis. The Company now has a total of 26,101,533 common shares issued and outstanding. Numbers of shares presented in these financial statements have been adjusted for this 4:1 share consolidation. All share references, numbers of options, numbers of warrants, and per share amounts included in these financial statements have retroactively been restated to reflect the consolidation.

Authorized: Unlimited number of common shares without par value.

Issued during the year ended November 30, 2024: None

Issued during the year ended November 30, 2023:

On December 21, 2022, the Company closed a non-brokered private placement of 570,000 units at \$0.10 per unit for gross proceeds of \$57,000. Each unit entitles the holder to receive one common share of the Company and one common share purchase warrant, with each warrant exercisable to acquire one common share of the Company at a price of \$0.40 per share for a period of 60 months. If the Company's common shares have a closing price of \$0.60 or more per share for 10 consecutive trading days on the TSX-V, the Company shall be entitled to give notice via a news release that the warrants issued pursuant to this placement will expire 30 days from the date of the news release. The Company paid commissions of \$2,000 and issued 20,000 finders warrants exercisable to purchase one common share of the Company at a price of \$0.40 per share for a period of 60 months. The fair value of finders warrants was estimated at \$1,120 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.40; ii) expected share price volatility of 103%; iii) risk free interest rate of 3.71%; iv) no dividend yield and v) expected life of 5 years.

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7. SHARE CAPITAL (continued)

Share-based payment reserves

The share-based payment reserves represents the fair value of finder's warrants and stock options until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan.

A summary of the changes in options follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, November 30, 2022	787,500	\$ 0.47
Expired	(787,500)	\$ 0.47
Balance, November 30, 2023 and 2024	-	-

As at November 30, 2024 there were no options outstanding.

9. WARRANTS

A summary of the changes in warrants follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, November 30, 2022	11,851,942	\$ 0.48
Issued	590,000	0.40
Expired	(1,287,334)	0.54
Balance, November 30, 2023	11,154,608	\$ 0.48
Expired	(6,215,274)	0.50
Balance, November 30, 2024	4,939,334	\$ 0.36

As at November 30, 2024 the following share purchase warrants were outstanding:

Total Number of Warrants	Exercise Price	Expiry Date
1,520,834	\$ 0.32	January 16, 2025 *
145,833	\$ 0.48	January 16, 2025 *
1,041,667	\$ 0.32	January 24, 2025 *
1,641,000	\$ 0.40	November 11, 2027
590,000	\$ 0.40	December 21, 2027
4,939,334		

* Expired unexercised subsequent to November 30, 2024

As at November 30, 2024 the weighted average remaining contractual life of the share purchase warrants was 1.42 years and the weighted average exercise price was \$0.36 (November 30, 2023 – 1.36 years and \$0.44).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. The Company believes it has no significant credit risk. Credit risk on cash is assessed as low. There is nominal risk associated with receivables as this is primarily from a government agency and from related parties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk which has been assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is not exposed to market risk as all of the Company's financial assets and liabilities are denominated in Canadian dollars and there are no debts that would be affected by interest rate changes. As such, market risk has been assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty. Given the short-term nature of the Company's financial instruments, fluctuations in interest rates do not have a significant impact on estimated fair values as at the statement date.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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11. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period.

12. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel. Such personnel include the Company's Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Secretary.

	Year ended November 30, 2024		Year ended November 30, 2023	
Management fees (recovery) by director and officer**	\$	-	\$	(18,366)
Administration fee by officer		-		8,250
Salaries accrued to officer		18,000		18,000
Office and miscellaneous - accounting services		13,089		-
Total	\$	31,089	\$	7,884

- b) Due to related parties balances consist of the following:

	November 30, 2024		November 30, 2023	
Officers and Directors	\$	42,125	\$	34,500
Major shareholder *		62,423		17,492
Company with common directors		14,345		-
Total	\$	118,893	\$	51,992

* Amounts are due to a company controlled by the major shareholder.

** Amounts previously reported as accrued management fees to CEO of \$90,000 (\$30,000 during the year ended November 30, 2023 and \$60,000 in the year ended November 30, 2022) were reversed during the year ended November 30, 2023.

The amounts due to the related parties have no specific terms of repayment, are unsecured and non-interest-bearing.

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12. RELATED PARTY TRANSACTIONS (continued)

- c) The Company charged \$13,089 during the year ended November 30, 2024 (November 30, 2023 - \$46,629) and is owed \$29,850 as at November 30, 2024 (November 30, 2023 - \$59,819) for accounting services provided to two public companies related by common directors. This was recorded as a reduction of salaries and wages in the statement of loss and comprehensive loss. The amounts due from related parties have no specific terms of repayment, are unsecured, and non-interest bearing.

13. CEBA LOANS

The Company received a Canada Emergency Business Account (“CEBA”) interest-free loans of \$60,000 (November 30, 2023 - \$60,000). The loans were recorded at fair value using an effective rate of 10%, considering the grant, the interest-free loan and the potential forgivable portion. A residual value of \$16,743 was recorded as other income in the year of issue. In the year ended November 30, 2023 a loss on government grant was recognized as the Company did not repay the loan by the deadline to qualify for loan forgiveness. Effective January 19, 2024, the outstanding balance on the loans bears interest at a rate of 5% per annum. For the year ended November 30, 2024, interest of \$2,582 (November 30, 2023 - \$242) and a loss on government grant of \$Nil (November 30, 2023 - \$10,000) has been recognized in the statement of loss and comprehensive loss. The loan is in default and payable by December 31, 2026.

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2022: 27%) to income before income taxes. The reasons for the differences are as follows:

	Year ended November 30, 2024	Year ended November 30, 2023
Net loss before income taxes	\$ (197,147)	\$ (227,317)
Statutory income tax rate	27%	27%
Expected income tax recovery	(53,000)	(61,000)
Non deductible items and other	4,000	(1,000)
Correction of tax pools	(13,000)	(8,000)
Change in unrecognized benefit of deferred tax assets	62,000	70,000
Total income tax recovery	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in counties where the probable criteria for the recognition of deferred tax assets has been met. The Company’s unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	November 30, 2024	November 30, 2023
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	\$ (6,000)	\$ (8,000)
Excess of undepreciated capital cost over carrying value of fixed assets	113,000	107,000
Share issue costs	6,000	16,000
Non-capital losses carried forward - Canada	769,000	705,000
Unrecognized deferred tax assets	\$ 882,000	\$ 820,000

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14. INCOME TAXES (continued)

The Company has a non-capital loss of approximately \$2,846,000 that may be carried forward and applied against taxable income in future years. The loss, if not utilized, will start to expire in 2038. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.