

MAGNUM GOLDCORP INC.

Financial Statements

**Interim Financial Statements
(Unaudited – Prepared by Management)**

**For the three months ended August 31, 2023
(Expressed in Canadian dollars)**

Contact Information:

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MAGNUM GOLDCORP INC.

Dated October 25, 2023

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Magnum Goldcorp Inc. for the three months ended August 31, 2023 and 2022 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three-month period ended August 31, 2023.

MAGNUM GOLDCORP INC.

Interim Statements of Comprehensive Loss
Three months ended August 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

	August 31, 2023	August 31, 2022
EXPENSES		
Consulting fees	\$ 750	\$ 14,125
Directors' fees (Note 5)	2,000	2,000
Interest (Note 5)	-	54
Investor relations	250	1,245
Office and miscellaneous	1,143	2,728
Professional fees	10,413	5,219
Regulatory and transfer agent fees	3,119	2,328
Rent (Note 5)	-	6,962
Share-based compensation (Notes 5 and	-	5,698
Wages and benefits (Note 5)	-	1,528
	<u>(17,675)</u>	<u>(41,887)</u>
OTHER ITEMS		
Flow-through recovery	-	29,341
Interest income	137	152
	<u>137</u>	<u>29,493</u>
Loss and comprehensive loss for the period	\$ (17,538)	\$ (12,394)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding (basic and diluted)	36,336,974	36,619,583

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

MAGNUM GOLDCORP INC.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Share-based Payment Reserve	Subscription Received	Deficit	Total Shareholders' Equity
Authorized Capital: Unlimited number of common shares without par value						
Balance, May 31, 2022	36,619,583	\$ 5,258,873	\$ 130,817	\$ -	\$ (1,831,677)	\$ 3,558,013
Share-based payments	-	-	5,698	-	-	5,698
Loss for the period	-	-	-	-	(12,394)	(12,394)
Balance, August 31, 2022	36,619,583	\$ 5,258,873	\$ 136,515	\$ -	\$ (1,844,071)	\$ 3,551,317
Subscription received	-	-	-	60,000	-	60,000
Loss for the period	-	-	-	-	(73,485)	(73,485)
Balance, May 31, 2023	36,619,583	\$ 5,258,873	\$ 136,515	\$ 60,000	\$ (1,917,556)	\$ 3,537,832
Private placement	2,000,000	40,000	20,000	(60,000)	-	-
Loss for the period	-	-	-	-	(17,538)	(17,538)
Balance, August 31, 2023	38,619,583	\$ 5,298,873	\$ 156,515	\$ -	\$ (1,935,094)	\$ 3,520,294

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

MAGNUM GOLDCORP INC.
Interim Statements of Comprehensive Loss
Three months ended August 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

	Three months ended August 31, 2023	Three months ended August 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (17,538)	\$ (12,394)
Items not affecting cash		
Flow-through recovery	-	(41,753)
Share-based compensation	-	5,698
Changes in non-cash working capital items		
Accounts receivable	851	(9,869)
Prepaid expenses	2,527	3,557
Accounts payable and accrued liabilities	11,566	(86,795)
Net cash flows used in operating activities	<u>(2,594)</u>	<u>(41,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	<u>(1,074)</u>	<u>(264,129)</u>
Net cash flows used in investing activities	<u>(1,074)</u>	<u>(264,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscription received	(60,000)	-
Shares issued for cash	<u>60,000</u>	<u>-</u>
Net cash flows provided by financing activities	<u>-</u>	<u>-</u>
Change in cash during the period	(3,668)	(405,685)
Cash, beginning of period	9,558	412,708
Cash, end of period	\$ 5,890	\$ 7,023
Supplemental disclosures:		
Cash paid for the period for interest	\$ -	\$ -
Cash paid for the period for income taxes	\$ -	\$ -
Non-cash financing and investing activities:		
Accounts payable included in exploration and evaluation assets	\$ -	\$ -
Asset retirement obligation included in exploration and evaluation assets	\$ 54,000	\$ 919

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

MAGNUM GOLDCORP INC.

Notes to the Interim Financial Statements

August 31, 2023

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Magnum Goldcorp Inc. (the “Company”) was incorporated under the Alberta Business Corporations Act on April 4, 2011 and, effective July 25, 2014, continued into the Province of British Columbia under the provisions of the Business Corporations Act (British Columbia).

The Company is engaged in the acquisition and exploration of mineral resource properties.

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume 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 and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months and intends to continue the programs on its exploration and evaluation assets. However, there are several conditions that cast significant doubt on the Company’s ability to continue as a going concern, including that the Company has incurred significant operating losses in the past years August 31, 2023 - \$17,538 (2023 - \$85,879). The Company is unable to self-finance operations in the long term, had a working capital deficit of \$40,309 (May 31, 2023 - net working capital of \$21,697), has a deficit of \$1,935,094 (May 31, 2023 - \$1,917,556), has limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that the management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

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2. BASIS OF PREPARATION

Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and effective as of August 31, 2023. The Board of Directors approved the financial statements for issue on October 25, 2023.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 3. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The Company has no significant accounting estimate.

Significant accounting judgements:

Significant accounting 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 include, but are not limited to, the ability of the Company to continue as a going concern and the assessment of any indicators of impairment of the carrying value of the Company's exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a list of significant accounting policies used by the Company.

(a) Financial instruments

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

MAGNUM GOLDCORP INC.

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

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 the Company has opted to measure them at FVTPL.

The Company classifies its financial instruments measured at fair value into one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

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

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

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 profit or 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 profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

MAGNUM GOLDCORP INC.

Notes to the Interim Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

The following table shows the classification and measurement under IFRS 9:

Financial assets/liabilities	Classification and measurement
Cash, Reclamation deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the cash flows for the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

(b) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs upon obtaining the legal right to explore relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological studies, geophysical studies, and exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes costs recovered in excess of the carrying amount of exploration and evaluation assets in income.

The Company recognizes mining exploration tax credits when it is received given the unpredictability of the collection.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs are reclassified as mining assets and will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment at each reporting date. Where a potential impairment is identified, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Exploration and evaluation assets (Continued)

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Exploration and evaluation assets are classified as intangible assets.

(c) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal 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 between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

MAGNUM GOLDCORP INC.

Notes to the Interim Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements:

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the trading price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in reserves. When warrants are not exercised at the expiry date, the amount previously recognized in reserves is transferred to retained earnings.

Flow-through shares:

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration and expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

(e) Share based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or at 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 options granted is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is charged either to operations or exploration and evaluation assets, with the offset credit to share-based payment reserve over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to capital stock. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payment reserve is transferred to retained earnings. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

MAGNUM GOLDCORP INC.

Notes to the Interim Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Share based payment transactions (Continued)

The Black-Scholes option pricing model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

(f) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares.

The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds from the exercise of outstanding options, warrants and similar instruments 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 exercises of options and warrants that would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

(g) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

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 regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits 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, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

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Notes to the Interim Financial Statements

August 31, 2023

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Restoration and rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate, changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

(i) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in any provision due to passage of time is recognized as an interest expense.

(j) New accounting standards and amendments

Effective June 1, 2022, the Company adopted certain miscellaneous new and amended standards that had no impact on the Company's financial statements.

The following accounting standards and amendments are effective for future periods:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company is in the process of evaluating the impact on the future financial statements.

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(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

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

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. 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 the exploration and the development of a mineral property, the potential for production on the property may be diminished or negated.

As at May 31, 2023, the Company estimated that the fair value of the asset retirement obligation was \$54,000 (May 31, 2022 - \$nil). The fair value of the liability was determined to be equal to the estimated remediation costs. The Company is still in the early stages of developing a remediation plan, which will then require approval from the relevant governmental authorities. Due to the early stages of the remediation plan, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities. The Company anticipates the reclamation activities and related costs to occur beyond 12 months from the reporting date.

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in various regions of Canada. Numerous aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in these regions, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

Reclamation deposits

As at August 31, 2023, the Company has refundable deposits of \$30,792 (May 31, 2023 - \$30,792) with the British Columbia Ministry of Mines relating to the Company's "LH Property".

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(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

The Company's expenditures on exploration and evaluation assets are as follows:

	LH Property
Balance, May 31, 2022	\$ 3,265,859
Deferred costs:	
Additions during for the year:	
Accommodations	3,032
Drilling (net of mining tax credits received)	158,807
Transportation	54,320
Field office expenses	3,874
Geological and labour	62,755
Storage	4,296
Reports	4,818
Fuel	8,551
Asset retirement obligations	54,000
Exploration advance (used)	(37,575)
Balance, May 31, 2023	3,582,737
Deferred costs:	
Additions during for the year:	
Storage	1,074
Balance, August 31, 2023	\$ 3,583,811

LH Property

On March 1, 2016, the Company acquired 100% of the LH Property, consisting of 19 contiguous crown-granted claims and 7 mineral claims, located near Silverton, British Columbia, on the east side of Slocan Lake. There are two net smelter return ("NSR") royalties connected with the LH Property. The first is a 1% NSR royalty on the 19 crown-granted claims, wherein once royalties of \$350,000 have been paid, the NSR royalty will reduce to 0.5%. The second is a 1% NSR royalty on four of the LH Property mineral claims wherein once royalties of \$500,000 have been paid, the NSR royalty will reduce to 0.5%.

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5. RELATED PARTY TRANSACTIONS

The following is a list of related party transactions that have occurred during the period ended August 31, 2023:

- a) As at August 31, 2023, accounts payable and accrued liabilities of \$23,249 (May 31, 2023 - \$17,869) were owing to companies controlled by directors or companies having certain common directors.

The Company paid or accrued the following amounts to companies controlled by directors, former directors or companies having certain common directors:

	August 31, 2023	August 31, 2022
Directors' fees	\$ 2,000	\$ 2,000
Rent	\$ -	\$ 6,962

Key management compensation to the CEO, President, CFO, Directors, and former Directors include the following:

	August 31, 2023	August 31, 2022
Directors' fees	\$ 2,000	\$ 2,000

The Company reimbursed Waterfront Communications Inc. (a company with a director in common) on a cost basis, to cover shared administrative and payroll costs in the amount of \$nil (2023 - \$ nil) and expense reimbursement in the amount of \$987 (2023 - \$ nil).

The Company reimbursed Beachfront Enterprise Limited (a company with certain directors in common) on a cost basis, to cover shared administrative and payroll costs in the amount of \$nil (2023 - \$1,292) and shared expenses in the amount of \$nil (2023 - \$8,426).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. Amounts due to (from) related parties are unsecured and have no stated terms of repayment and/or interest unless otherwise stated.

6. CAPITAL STOCK

- Authorized share capital
 - Unlimited common shares with no par value
- Issued share capital

During the period ended August 31, 2023, the Company proceeded with the following share transactions:

On June 13, 2023 the Company closed a private placement raising a total of \$60,000 through the issuance of 2,000,000 units at \$0.03 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.05 in the first 12 months, and at an exercise price of \$0.10 in the second 12 months. No finders' fees were paid in connection with the private placement.

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7. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of ten years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, May 31, 2022	3,200,000	\$ 0.05
Issued	200,000	0.05
Balance, May 31, 2023	3,400,000	0.05
Expired	200,000	0.05
Balance August 31, 2023	3,200,000	\$ 0.05

The following options were exercisable and outstanding at August 31:

Expiry Date	Number of Options		Exercise Price
	August 31, 2023	May 31, 2023	
April 7, 2027	3,200,000	3,200,000	\$ 0.05
June 1, 2023*	-	200,000	\$ 0.05
Outstanding and exercisable	3,200,000	3,400,000	
Weighted average remaining contractual life	3.60 years	3.63 years	

* These stock options expired unexercised subsequently

On June 1, 2022, 200,000 stock options were granted to a consultant of the Company. The options are exercisable at \$0.05 per share for 1 year from date of grant and vest immediately upon grant. The fair value of the options was estimated at \$5,698, using the Black-Scholes Option Pricing Model with the following weighted average inputs: expected dividend yield – Nil%, share price of \$0.05, expected volatility – 129% (based on historical volatility), risk-free interest rate – 2.74%, exercise price of \$0.05 and an expected life of 1 year.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2021	800,000	\$ 0.25
Expired	(800,000)	0.25
Issued	15,260,000	0.10
Balance, May 31, 2022 and 2023	15,260,000	0.10
Issued	2,000,000	0.05
Balance, August 31, 2023	17,260,000	\$ 0.05

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7. STOCK OPTIONS AND WARRANTS (Continued)

The following warrants were exercisable and outstanding at August 31:

Expiry Date	Exercise Price	August 31, 2023	May 31, 2023
October 7, 2026	\$ 0.10	12,260,000	12,260,000
May 3, 2027	\$ 0.10	3,000,000	3,000,000
June 13, 2025	\$ 0.05	2,000,000	-
		17,260,000	15,260,000
Weighted average remaining contractual life		2.2 years	3.5 years

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes (2022 - 27%).

	2023	2022
Loss before tax	\$ (85,879)	\$ (297,875)
Statutory income tax rate	27%	27%
Expected income tax recovery	\$ (23,187)	\$ (80,426)
Permanent differences	(7,239)	30,211
Change in tax benefits not recognized	30,426	50,215
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated when the probable criteria for the recognition of deferred tax assets has been met.

The Company's unrecognized deductible temporary differences consist of the following amounts for the years ended May 31:

	2023	Expiry	2022	Expiry
	\$		\$	
Non-capital losses	1,474,000	2033-2043	1,604,000	2033-2042
Share issue costs	28,000	2044-2046	37,000	2043-2046
Unrecognized deductible temporary differences	1,502,000		1,641,000	

The following is the analysis of recognized deferred tax liabilities and deferred tax assets for the years ended May 31:

	2023	2022
	\$	\$
<u>Deferred tax liabilities</u>		
Exploration and evaluation assets	(261,000)	(190,000)
<u>Deferred tax assets</u>		
Non-capital losses	261,000	190,000
Net deferred tax assets (liabilities)	-	-

The Company manages its common shares, warrants and stock options as capital. The Company's objectives when

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8. INCOME TAXES (Continued)

managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure that optimizes the costs of capital at an acceptable level of risk.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the period ended August 31, 2023. The Company is not subject to externally imposed capital requirements, except for certain flow-through commitment.

9. FINANCIAL INSTRUMENTS

Fair Value

The Company classifies its cash, reclamation deposits, and accounts payable and accrued liabilities as at amortized cost. The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly rated financial institutions. Overall, the Company is not subject to significant credit risk.

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9. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company will need to raise additional money through share issuance. As at August 31, 2023, the Company had accounts payable and accrued liabilities of \$50,567 (May 31, 2023 - \$39,001).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

	0 to 90 days	91 to 365 days	Total
August 31, 2023			
Accounts payable and accrued liabilities	\$ 50,567	\$ -	\$ 50,567
May 31, 2023			
Accounts payable and accrued liabilities	\$ 39,001	\$ -	\$ 39,001

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

To the extent that changes in prevailing market rates differ from the interest rate on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. The Company's cash consists of cash held in bank accounts and a reclamation deposit of \$30,792 (May 31, 2023 - \$30,792) at the prime rate minus 3,10% (May 31, 2023 - 2.90%) held as per instructions on the Safekeeping Agreement from the Ministry of Energy and Mines. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

For the balance of the cash, any fluctuations in the interest rate would lead to an immaterial change in the profit or loss.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

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10. COMMITMENTS

The Company has previously entered into two 5-year term renewable agreements with companies controlled by two directors for the provision of consulting services at a cost of \$2,500 per month (\$30,000 per annum) for each of the two agreements. Beginning January 1, 2020, payments under the two above mentioned agreements were voluntarily reduced to \$nil per month and were not paid or accrued. If either of such agreements are terminated without cause or if there is a change in control of the Company, the Company is required to pay an amount equal to three times the annual fee payable under the agreements.

11. SUBSEQUENT EVENT

On June 13, 2023, the Company closed a private placement raising a total of \$60,000 through the issuance of 2,000,000 units at \$0.03 per Unit to one of the directors. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.05 in the first 12 months, and at an exercise price of \$0.10 in the second 12 months. No finders' fees were paid in connection with the private placement.