

**NOTICE OF NO AUDITOR REVIEW –CONDENSED FINANCIAL STATEMENTS**

THE ACCOMPANYING CONDENSED FINANCIAL STATEMENTS OF THE COMPANY HAVE BEEN PREPARED BY AND ARE THE RESPONSIBILITY OF THE COMPANY'S MANAGEMENT. THE COMPANY'S INDEPENDENT AUDITOR HAS NOT PERFORMED A REVIEW OF THESE CONDENSED FINANCIAL STATEMENTS IN ACCORDANCE WITH STANDARDS ESTABLISHED BY THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS FOR A REVIEW OF CONDENSED FINANCIAL STATEMENTS BY AN ENTITY'S AUDITOR

**NOTE TO READER**

THESE CONDENSED FINANCIAL STATEMENTS HAVE BEEN REVISED TO COMPLY WITH THE REQUIREMENTS SPECIFIED BY IAS 34 INTERIM FINANCIAL REPORTING FROM INTERNATIONAL REPORTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD AS IT PERTAINS TO NOTE 2 – BASIS OF PREPARATION.

**Condensed Financial Statements**

**September 30, 2023**

**McChip Resources Inc.**  
**Condensed Statements of Financial Position**  
(expressed in Canadian dollars)

	As at September 30 2023	As at December 31 2022
<b>Assets</b>		
Current assets		
Cash	\$ 214,049	\$ 915,057
Accounts receivable (Note 15)	475,888	503,232
Marketable securities (Note 3, 6, 8, 9)	7,917,803	7,368,224
	<b>8,607,740</b>	<b>8,786,513</b>
Non current assets		
Investment in other companies (Note 4, 6)	685,119	942,039
Investment in petroleum interests (Note 6, 16)	1	1
ROU asset (Note 13)	52,893	73,590
	<b>\$ 9,345,753</b>	<b>\$ 9,802,143</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 193,757	\$ 213,261
Bank indebtedness (Note 8)	35,000	-
Loans payable (Note 9)	2,132,969	1,490,730
Lease liability (Note 13)	26,094	26,094
	<b>2,387,820</b>	<b>1,730,085</b>
Non current liabilities		
Long term lease liability (Note 13)	26,657	45,967
	<b>2,414,477</b>	<b>1,776,052</b>
<b>Shareholders' Equity</b>		
Share capital (Note 10)	5,283,162	5,283,162
Contributed surplus (Note 11, 12)	1,126,200	1,126,200
Surplus	521,914	1,616,729
	<b>6,931,276</b>	<b>8,026,091</b>
	<b>\$ 9,345,753</b>	<b>\$ 9,802,143</b>

Approved on behalf of the Board of Directors:

"R.D. McCloskey"

R D McCloskey, Director

"E.G. Dumond"

E G Dumond, Director

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

**McChip Resources Inc.**  
**Condensed Statements of Changes in Shareholders' Equity**  
*(expressed in Canadian dollars)*

	Number of Common Shares	Share Capital	Contributed Surplus	Surplus (Deficit)	Shareholders' Equity
Balance at December 31, 2022	5,710,096	\$ 5,283,162	\$ 1,126,200	\$ 1,616,729	\$ 8,026,091
Dividend paid (Note 10)		-	-	(342,606)	(342,606)
Net loss	-	-	-	(752,209)	(752,209)
<b>Balance at September 30, 2023</b>	<b>5,710,096</b>	<b>\$ 5,283,162</b>	<b>\$ 1,126,200</b>	<b>\$ 521,914</b>	<b>\$ 6,931,276</b>
Balance at December 31, 2021	5,660,096	\$ 5,283,162	\$ 1,126,200	\$ 2,219,670	\$ 8,629,032
Dividend paid (Note 10)		-	-	(228,404)	(228,404)
Net loss	-	-	-	(495,271)	(495,271)
<b>Balance at September 30, 2022</b>	<b>5,660,096</b>	<b>\$ 5,283,162</b>	<b>\$ 1,126,200</b>	<b>\$ 1,495,995</b>	<b>\$ 7,905,357</b>

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

**McChip Resources Inc.**  
**Condensed Statements of Loss and Comprehensive Loss**  
*(expressed in Canadian dollars)*

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<b>Revenue (loss)</b>				
Investment in petroleum interests	\$ (5,963)	\$ 12,976	\$ (20,667)	\$ 105,451
Realized gain on sale of petroleum interests (Note 16)	-	56,793	-	56,793
Realized gain (loss) on sale of investment in other companies and marketable securities	(133,718)	254,192	(528,388)	2,345,817
Unrealized appreciation (depreciation) of investment in other companies and marketable securities	126,943	(391,556)	246,942	(2,776,089)
Other Income	30,240	32,204	102,247	237,660
	17,502	(35,391)	(199,866)	(30,368)
<b>Expenses</b>				
Administrative	181,296	172,068	531,646	460,090
Amortization (Note 13)	6,899	-	20,697	4,813
	188,195	172,068	552,343	464,903
<b>Loss before provision for income taxes</b>	(170,693)	(207,459)	(752,209)	(495,271)
<b>Provision (recovery) for income taxes</b>				
Current (Note 14)	-	-	-	-
Deferred (Note 14)	-	-	-	-
	-	-	-	-
<b>Net loss and comprehensive loss</b>	\$ (170,693)	\$ (207,459)	\$ (752,209)	\$ (495,271)
<b>Loss per share</b>				
Basic	\$ (0.03)	\$ (0.04)	\$ (0.13)	\$ (0.09)
Diluted	(0.03)	(0.04)	(0.13)	(0.09)
Weighted average number of common shares outstanding (Note 10)				
Basic / Diluted	5,710,096	5,710,096	5,710,096	5,710,096

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

**McChip Resources Inc.**  
**Condensed Statements of Cash Flows**  
*(expressed in Canadian dollars)*

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Operating activities</b>				
Net loss	\$ (170,693)	\$ (207,459)	\$ (752,209)	\$ (495,271)
Items not affecting cash:				
Realized gain on sale of petroleum interests (Note 16)	-	(56,793)	-	(56,793)
Realized (gain) loss on sale of marketable securities and investments in other companies	133,718	(254,192)	528,388	(2,345,817)
Amortization (Note 13)	6,899	-	20,697	4,813
Interest on lease liability	(83)	-	744	-
Unrealized (appreciation) depreciation of investment in other companies and marketable securities	(126,943)	391,556	(246,942)	2,776,089
	(157,102)	(126,888)	(449,322)	(116,979)
(Increase) decrease in accounts receivable	12,615	18,937	27,344	7,367
Decrease in accounts payable and accrued liabilities	59,345	3,370	(19,504)	(44,241)
<b>Cash used in operating activities</b>	<b>(85,142)</b>	<b>(104,581)</b>	<b>(441,482)</b>	<b>(153,853)</b>
<b>Investing activities</b>				
Investment in petroleum interests (Note 16)	-	(10,954)	-	(33,471)
Refund of abandonment fund (Note 17)	-	85,613	-	85,613
Sale of petroleum interests	-	56,793	-	56,793
Sale of marketable securities and investments (Note 3, 6, 8, 9)	214,203	509,916	1,269,520	4,632,767
Purchase of marketable securities (Note 3, 6, 8, 9)	(289,676)	(566,217)	(1,843,625)	(4,593,256)
<b>Cash provided by (used in) investing activities</b>	<b>(75,473)</b>	<b>75,151</b>	<b>(574,105)</b>	<b>148,446</b>
<b>Financing activities</b>				
Proceeds of bank loan (Note 8)	35,000	-	35,000	-
Increase (decrease) in loans payable (Note 9, 18)	83,122	52,295	637,413	(51,940)
Repayments of lease liability (Note 13)	(6,481)	-	(20,054)	(6,840)
Dividend paid (Note 10)	-	-	(342,606)	(228,404)
<b>Cash provided by (used in) financing activities</b>	<b>111,641</b>	<b>52,295</b>	<b>309,753</b>	<b>(287,184)</b>
<b>Net increase (decrease) in cash</b>	<b>(48,974)</b>	<b>22,865</b>	<b>(705,834)</b>	<b>(292,591)</b>
<b>Cash, beginning of period</b>	<b>258,197</b>	<b>207,976</b>	<b>915,057</b>	<b>523,432</b>
<b>Cash, end of period</b>	<b>\$ 209,223</b>	<b>\$ 230,841</b>	<b>\$ 209,223</b>	<b>\$ 230,841</b>
Interest paid during the year	\$ 43,312	\$ 11,860	\$ 121,493	\$ 24,266
Income taxes refunded during the year	\$ -	\$ -	\$ -	\$ -

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

**1. Nature of Operations**

McChip Resources Inc. ("McChip" or "the Company") was incorporated in the Province of Ontario, Canada by letters patent dated March 8, 1935, as Madsen Red Lake Gold Mines Limited. Pursuant to Articles of Amendment dated May 21, 1981, the name of the Company was changed to McChip Resources Inc. and the common shares are listed on the TSX Venture Exchange, symbol MCS. McChip invests in petroleum interests in Western Canada, as well as direct and indirect interests in minerals. The indirect interests are in the form of marketable securities and investment in other companies which are listed on recognized exchanges. The registered office of the Company is Suite 1910, 130 Adelaide Street West, Toronto, ON, M5H 3P5.

---

**2. Summary of Significant Accounting Policies****a) Statement of compliance**

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

The condensed financial statements as at and for the period ended September 30, 2023 were approved and authorized for issue by the board of directors on November 22, 2023.

**b) Basis of preparation**

The condensed financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

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

**c) Revenue recognition**

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company recognizes the earnings from its investment in petroleum interests to the extent it is earned and receivable from these operations, and is not subject to a significant reversal in revenue. The Company does not operate any of the interests it has in oil and natural gas.

Any change in fair value in investments in petroleum interests is also included as part of revenue.

Royalty income is recognized as earned as per the terms of the overriding royalty agreement in accordance with IFRS 15. Revenue is recognized when it is no longer susceptible to market factors and is no longer subject to a significant reversal in revenue.

Investment transactions are accounted for as of the settlement date. Realized gains and losses from investment transactions are calculated on an average cost basis. The difference between fair value and average cost is included in the Statements of Income and Comprehensive Income as part of the "Unrealized appreciation (depreciation) of investment in other companies and marketable securities".

**d) Cash**

Cash includes balances held with a Canadian chartered bank and brokerage accounts.

**e) Financial instruments****Financial assets****Recognition and initial measurement**

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

**Classification and subsequent measurement**

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable and loan receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Gains and loss on these financial assets are never recycled to profit and loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash, marketable securities, investment in petroleum interests and investment in other companies.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

***Business model assessment***

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

***Contractual cash flow assessment***

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would

alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

**Impairment**

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 – Receivables that have not experienced a significant increase in credit risk since initial recognition;

Stage 2 – Receivables that have experienced a significant increase in credit risk since initial recognition;

Stage 3 – Receivables for which there is objective evidence of impairment.

**Significant increase in credit risk**

The Company has established a policy to assess, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. IFRS 9 provides a rebuttable presumption that a significant increase in credit risk ("SICR") has occurred if contractual payments are more than 30 days past due. The Company has not rebutted this presumption. Additional risk factors may be considered such as changes in financial condition of the borrower and other borrower specific information and other forward looking information.

**Definition of default**

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. In certain other cases, where qualitative thresholds indicate unlikelihood to pay as a result of a credit event, the Company carefully considers whether the event should result in an assessment at Stage 2 or 3 for ECL calculations.

The Company applies the simplified approach for accounts receivable, and loans receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

**Derecognition of financial assets**

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

**Financial liabilities****Recognition and initial measurement**

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

The financial instruments of the Company are classified as follows:

	IFRS 9	
	Classification	Measurement
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value
Investment in petroleum interests	FVTPL	Fair value
Investment in other companies	FVTPL	Fair value
Loans payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

**Derecognition of financial liabilities**

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

**f) Marketable securities**

Marketable securities are carried at fair value. These marketable securities are in shares of companies listed on a recognized exchange and are predominately natural resource based.

**g) Investment in other companies**

Investments in other companies are carried at fair value. These investments are in shares or other financial instruments of companies predominately listed on a recognized exchange and are natural resource based. The Company has used the exemption allowed by IAS 28 Investment in Associates to account for its investment in Matachewan Consolidated Mines Ltd. at fair value through profit and loss in accordance with IFRS 9 Financial Instruments.

**h) Investment in petroleum interests**

This investment represented participation agreements with Signalta Resources Limited ("Signalta"), a Canadian controlled private company and similar operators based in Calgary, Alberta. These interests were sold back to Signalta in 2022.

**i) Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Statements of Income and Comprehensive Income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in income and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**j) Use of estimates, judgements and assumptions**

The preparation of the condensed financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from those estimates.

Accounts which require management to make material estimates in determining amounts recorded include fair value of petroleum interests, fair value of share purchase warrants, determining the incremental borrowing rate, fair value measurement of stock options, impairment of financial assets and investments in securities not quoted in an active market.

Fair value of investment in securities not quoted in an active market and petroleum interests:

Where the fair values of financial assets recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values.

Fair value of share purchase warrants:

The fair value of share purchase warrants is valued either at their quoted market values if traded on an active market, or valued through specified option pricing models based on specific criteria.

The model used by management is the Black – Scholes model which requires six key inputs to determine a value for a share purchase warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

Impairment of financial assets:

The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Leases – Estimating the incremental borrowing rate:

The Company cannot readily determine the interest rate implicit in its lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Company would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Fair value measurement of stock options:

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating fair value for warrants and stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the warrants and stock options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options are disclosed in Note 12.

#### **k) Accounting for share-based compensation**

The grant date fair value of options allotted to directors, officers, and employees is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the grantee becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The fair value of share options is measured at the grant date, using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, the forfeiture and the risk-free rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount with a corresponding charge to share capital.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

**l) Loss per share**

The Company presents basic and diluted income per share ("LIPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all potential dilutive common shares, which comprise share options granted to directors, officers, employees, consultants and other service providers of the Company. The weighted average number of common shares outstanding are increased to include additional shares from the assumed exercise of share options, if dilutive.

**m) Impairment**

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then reduce the carrying amount of the other assets in the units (group of units) on a pro-rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

**n) Dividends**

Dividends on common shares are recognized in the condensed financial statements in the year in which the dividends are approved by the Board of Directors.

**o) Leases**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

The Company presents right-of-use assets in "ROU asset" and lease liabilities in "Lease liabilities" in the Statement of Financial Position.

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate

#### **Right-of-use assets**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless the costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at commencement date of the lease.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

---

### **3. Marketable Securities**

The marketable securities on hand at September 30, 2023, had a fair value of \$7,917,803 and a cost of \$9,761,790 (December 31, 2022 - \$7,368,224 and \$9,716,074). These marketable securities are in shares and warrants of companies listed on a recognized exchange and are primarily natural resource based. Some of these marketable securities were pledged as security for the loans payable, see Notes 8 and 9.

---

### **4. Investment in Other Companies**

The investment in other companies at September 30, 2023 amount to \$685,119 and have a cost of \$416,658 (December 31, 2022 - \$942,039 and \$416,658). These investments are in shares and other financial instruments of companies and are primarily natural resource based. The intention, on acquisition, is to hold these investments for periods, more likely than not, in excess of twelve months.

The Company is considered to have significant influence over Matachewan Consolidated Mines, Limited as a result of its shareholding in the associate, which amounted to 34% at period end (December 31, 2022 – 34%). As the Company considers itself to be a venture capital organization, and as permitted under IAS 28, it has elected the option to record the investment in Matachewan Consolidated Mines, Limited at fair value through profit and loss.

The following table is a summary of financial information of Matachewan Consolidated Mines for the periods ended as follows:

	September 30, 2023 Unaudited CDN	December 31, 2022 Audited CDN
Current assets (a)	\$6,423,622	\$6,232,780
Non-current assets	1,294,707	1,273,540
Total assets	7,718,329	7,506,320
Current liabilities (b)	1,532,885	1,292,280
Non-current liabilities	26,657	45,967
	1,559,542	1,338,247
Net assets	6,158,787	6,168,073
(a) Includes cash and cash equivalents	24,276	393,582
(b) Includes trade and other payable	24,916	68,564
	September 30, 2023 unaudited	December 31, 2022 audited
Revenues	(334,938)	2,240,569
Income (loss) from operations	252,996	(226,980)
Expenses	(262,585)	(502,039)
Total comprehensive loss	(9,286)	(729,019)
Unrealized mark to market & amortization	567,237	(2,474,862)
Interest Income	7,248	15,194
Interest expense	(92,669)	(31,298)

## 5. Capital Management

The Company's capital structure consists of its shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available, to support the core nature of its business. The Company maintains its capital structure by using internally generated funds as the need arises. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

Management reviews its approach to capital management on an ongoing basis and believes, this approach is reasonable considering the relative size of the Company.

There were no changes in the Company's approach to capital management during this reporting period.

## 6. Financial Risk Factors

The Company's financial risk exposure and the impact of its financial instruments are summarized below:

### Credit risk

The Company's credit risk is attributable to accounts receivable and loan receivable. In the opinion of management, the credit risk with respect to these instruments is low. Accounts receivable represent amounts due from petroleum interest revenue. Management has assessed that there is no expected credit loss attributed to accounts receivable.

### Liquidity risk

The Company ensures that there is sufficient cash and other short term assets readily convertible into cash in order to meet its liabilities when they come due. Additionally, the Company has secured a short-term working capital line of credit with its bank, at September 30, 2023 and December 31, 2022 the outstanding amount is \$35,000 and \$nil respectively.

As at September 30, 2023, the Company has the following financial obligations:

		<1 year	1 – 5 years	>5 years	Total
Accounts payable	\$ 28,811	28,811	-	-	\$ 28,811
Accrued liabilities	164,946	164,946	-	-	164,946
Lease liabilities	52,751	26,094	26,657	-	52,751
Bank liabilities	35,000	35,000	-	-	35,000
Loan liabilities	2,132,969	2,132,969	-	-	2,132,969
	\$ 2,414,477	2,387,820	26,657	-	\$ 2,414,477

The Company has no long term credit facility, and accounts payable and accrued liabilities have maturity dates of less than sixty days and are subject to normal trade terms. The Company's short-term bank indebtedness related to the Company's broker account, which carries no interest rate, and was secured by investments held by the Company, and had no set terms of repayment. Management believes that the liquidity risk is low.

#### Interest rate risk

The Company has a bank credit facility for short term working capital purposes and loans payable to supplement its investment strategies. The facility exposes the Company to interest rate risk which fluctuates in accordance with market rates. Management believes the interest rate risk to be low.

#### Foreign currency risk

The Company is exposed to foreign currency risk. This would be in conjunction with its investments in currency of the United States of America. This is a negligible part of the Company's business and with the amount of foreign currency involved management considers the foreign currency risk to be low.

#### Commodity price risk

The Company is exposed to price risk with respect to the fluctuations in commodity prices. The volatility of prices received by the operator for the oil and natural gas produced will affect the Company's available cash and profits.

#### Fair value

Fair value is determined using the following methods and assumptions:

The carrying value of accounts receivable, accounts payable and accrued liabilities and, loans payable approximate their fair value due to the relatively short periods to maturity of these instruments. The carrying value of the floating rate loans payable is assumed to approximate its fair value as interest is based on market related variable rates.

Cash, marketable securities, investment in other companies, and investment in petroleum interest are carried at fair value.

#### Sensitivity Analysis

As at September 30, 2023, had the prices on the respective stock exchanges for marketable securities and publicly held investments in other companies raised or lowered by 5%, with all other variables held constant, the equity of the Company would have increased or decreased by \$430,146 (December 31, 2022 - \$415,513).

#### Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in their measurement. The fair value hierarchy has the following levels:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

For warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, an option pricing model is used to calculate the fair value. These investments are included in level 2. The fair value of the investments in warrants was estimated using the black scholes option valuation model with the following assumptions: Expected volatility (119%); Expected dividend yield (0%); Risk free interest rate (0.91%); Expected remaining life in years (0.65); Expected forfeiture rate (nil).

Balance – September 30, 2023	Level 1	Level 2	Level 3	Total
Cash	\$ 214,049	\$ -	\$ -	\$ 214,049
Marketable Securities	7,917,803	-	-	7,917,803
Investment in other companies	685,119	-	-	685,119
Investment in petroleum interests	-	-	1	1
<b>Total</b>	<b>\$ 8,816,971</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 8,816,972</b>

Balance – December 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 915,057	\$ -	\$ -	\$ 915,057
Marketable Securities	7,368,224	-	-	7,368,224
Investment in other companies	942,039	-	-	942,039
Investment in petroleum interests	-	-	1	1
<b>Total</b>	<b>\$ 9,225,320</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 9,225,321</b>

## 7. Royalty Interest

The Company entered into a purchase and sale agreement with Altius Royalty Corporation (the “Purchaser”) on November 1, 2017 with respect to certain of its mineral rights in the Rocanville Area of Saskatchewan. Pursuant to the terms of the purchase and sale agreement the Purchaser paid \$3,000,000 on closing and in addition, annual instalment payments of \$500,000 for a term of ten years, conditional on certain annual potash production levels and grades being achieved.

## 8. Bank Indebtedness

The Company has an operating line of credit in the amount of \$160,000 (December 31, 2022 - \$160,000) that bears interest at the annual rate of prime plus 0.5% (December 31, 2022 – prime plus 0.5%). As at September 30, 2022 the bank indebtedness was \$35,000 (December 31, 2022, nil). To support the line of credit, the Company had cash of \$175,861 and marketable securities having a fair value of \$116,920 respectively (December 31, 2022 cash of \$174,112 and marketable securities having a fair value of \$105,700) held as security.

## 9. Loans Payable / Receivable

The loans payable represents broker margin accounts. Broker margin accounts consists of cash owed by the Company to its brokers. As at September 30, 2023 the balance was \$2,132,969 (December 31, 2022 - \$1,490,730) and is secured by certain of the Company’s marketable securities. Interest payable on the margin accounts are at the rates of prime plus 1.00% to prime plus 1.50% annually. The broker margin account is due on demand.

The net loan receivable at September 30, 2023 was nil (December 31, 2022 – nil). On December 5, 2022 the Company settled its loan receivable from Taranis Resources Inc. (“Taranis”) of \$49,027 comprising of accrued interest of \$13,727 and principal of \$35,300 via receipt of shares of Taranis with a fair market value on the settlement date of \$49,027. The Company had previously recorded an impairment of \$7,000 on the loan receivable which was reversed on settlement. The transaction was formally approved from the shareholders of Taranis, at the annual meeting August 2023.

## 10. Share Capital

- a) Authorized: Unlimited common shares  
b) Common shares issued:

	Number of shares	Value
Balance – December 31, 2021	5,710,096	\$5,283,162
Exercise of stock options	-	-
Balance - December 31, 2022	5,710,096	\$5,283,162
Exercise of stock options	-	-
<b>Balance – September 30, 2023</b>	<b>5,710,096</b>	<b>\$5,283,162</b>

Earnings per share:

The following table reconciles the numerator and denominator for the calculation of basic and diluted earnings per share:

	For the nine months ended September 30 2023		For the nine months ended September 30 2022	
Numerator				
Net loss attributed to common shareholders	\$	(752,209)	\$	(495,271)
Basic				
Weighted average number of shares outstanding		5,710,096		5,710,096
Effect of dilutive securities adjusted for exercise of options		-		-
Diluted weighted average number of shares outstanding		5,710,096		5,710,096
Basic earnings (loss) per share	\$	(0.13)	\$	(0.09)
Diluted earnings (loss) per share		(0.13)		(0.09)

During the nine months ended September 30, 2023 the Company paid a dividend totalling \$342,606 (December 31, 2022 - \$226,404) to its equity shareholders. The dividend was declared on January 12, 2023 and represents a payment of \$0.06 (2022 - \$0.04) per common share.

## 11. Contributed Surplus

The September 30, 2023 contributed surplus balance was \$1,126,200 (December 31, 2022 \$1,126,200). These amounts are related to stock options that have been granted and exercised on the Company's common shares.

## 12. Share - based Compensation

Stock options

The Company has adopted a Stock Option Plan (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares, to directors, officers, employees and consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of outstanding options granted hereunder may not exceed 560,000 shares.

Exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the closing price (the 'market price') of the shares on the exchange immediately preceding the day on which the Board grants the options and provides notice to the exchange. There is no vesting period and the term is five years for options granted.

450,000 stock options were outstanding on September 30, 2023 (December 31, 2022 – 450,000). Effective October 20, 2021 stock options on 450,000 shares were granted to directors, officers and employees of the Company at \$0.93 per share to expire on October 20, 2026. On August 26, 2020, 50,000 were granted at \$0.45 per share to expire August 25, 2025. These 50,000 stock options were exercised effective May 28, 2021.

A summary of the status of the Company's outstanding stock options as of September 30, 2023 and December 31, 2022, and changes during the year ended on those dates are presented in the following table:

	September 30, 2023		December 31, 2022	
	Number	Exercise price	Number	Exercise price
Outstanding and exercisable, beginning	450,000	\$0.93	450,000	\$0.93
Exercised	-	-	-	-
Expired	-	-	-	-
Granted	-	-	-	-
Outstanding and exercisable, ending	450,000	\$0.93	450,000	\$0.93

The fair market value of stock options granted on October 20, 2021 was estimated using the Black Scholes fair value option-pricing model and the following assumptions were used:

Dividend yield	0.00%
Risk-free interest rate	1.24%
Expected stock volatility	70.40%
Forfeiture rate	0.00%
Weighted-average expected life in years	5.00
Weighted-average share price	\$0.93
Exercise price	\$0.93

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company's common shares. Changes to the estimates and assumptions may materially affect the calculations. The effect in accounting for the share-based compensation of nil (nil – December 31, 2022) determined for the period ended September 30, 2023 was the recognition of share-based compensation expense and contributed surplus for options granted. The options vested fully on grant.

The weighted average remaining contractual life is 2.82 years.

### 13. Leases

The Company has a lease for head office space that was entered into during the year with a third party. The lease is reflected on the statement of financial position as a right-of-use asset and lease liability. The term of the lease is thirty six months beginning September 1, 2022 and ending August 31, 2025. The incremental borrowing rate and term length used in the calculation of the right-of-use asset and discounted lease liability amounts are 5.2% and 36 months, respectively.

	ROU Asset
<b>Cost</b>	
Balance: December 31, 2021	\$ 21,595
Additions	82,789
Disposals	(21,595)
Balance: December 31, 2022	82,789
Additions	-
Disposals	-
Balance: September 30, 2023	\$ 82,789
<b>Accumulated amortization</b>	
Balance: December 31, 2021	\$ 16,782
Amortization	14,012
Disposals	(21,595)
Balance: December 31, 2021	9,199
Amortization	20,697
Disposals	-
Balance: September 30, 2023	\$ 29,896
Net book value:	
2023	\$ 52,893
2022	73,590

**Lease liabilities**

The continuity of lease liability is as follows:

	Liability
Balance - December 31, 2021	\$ 6,840
Additions	82,789
Contractual payments	(18,958)
Amount attributable to interest	1,390
Balance – December 31, 2022	\$ 72,061
Additions	-
Contractual payments	(21,789)
Amount attributable to interest	2,479
Balance – September 30, 2023	\$ 52,751
Current portion - due within one year	26,094

**14. Income Taxes**

The Company's income tax (recovery) is allocated as follows:

	September 30, 2023	December 31, 2022
Current tax (recovery) expense	\$ -	\$ -
Deferred tax (recovery) expense	-	-
	\$ -	\$ -

**15. Related Party Transactions and Disclosure**

Included in accounts payable as at September 30, 2023 is an amount due from a related company that has a common director and officer of nil (December 31, 2022 – \$877). The amount receivable was the result of the Company's investment in petroleum interests which is in the normal course of its business.

Included in accounts payable and accrued liabilities as at September 30, 2023, is an amount due to a related party who is a director, and officer of the Company of nil (December 31, 2022 - \$73).

Administrative fees were paid to a related party in the amount of nil for the nine months ended September 30, 2022 (December 2022 - \$8,508).

Transactions with related parties are incurred in the normal course of operations and initially recorded at fair value.

**Key management personnel, directors' compensation**

	September 30, 2023	September 30, 2022
Short-term employee benefits	\$ 167,415	\$ 167,415
Directors' fees	11,250	11,250
Share-based compensation expense	nil	nil

**16. Investment in petroleum interests**

Balance -	December 31, 2020	\$ 344,058
	Additions	41,673
	Change in fair value (i)	(317)
Balance -	December 31, 2021	\$ 385,414
	Disposal of petroleum interests	(385,413)
	December 31, 2022, September 30, 2023	\$ 1

- (i) Based on a discounted cash flow analysis a change in fair value of \$317 was recognized in 2021. Key assumptions included a 12.5% discount rate on a twenty year cash flow projection utilizing the AECO-C (Alberta Energy Company Canada) spot price ranging from \$2.57 to \$3.24 per MCF (thousand cubic feet) for natural gas.

Effective January 1, 2022 the Company sold all its petroleum interests held with Signalta Resources Limited back to the operator for cash proceeds of \$439,144 incurring a net gain of \$53,731. The Company has over the years recorded a total change in fair value on these assets amounting to an impairment of \$3,374,920. The original cost of these assets was \$3,760,333.

The Company has a minor residual interest in wells controlled by independent operators.