

**AUQ GOLD MINING INC.**

Financial Statements

Years Ended February 28, 2023 and 2022

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of AuQ Gold Mining Inc.

#### Opinion

We have audited the financial statements of AuQ Gold Mining Inc. (the "Company"), which comprise the statements of financial position as at February 28, 2023 and 2022, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company did not generate any revenue and has negative cash flow from operations of \$24,002 during the year ended February 28, 2023 and, as of that date, the Company has a working capital deficit of \$309,430 and an accumulated deficit of \$21,251,035. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

June 28, 2023

**AUQ GOLD MINING INC.**  
 Statements of Financial Position  
 (Expressed in Canadian dollars)

	February 28, 2023 \$	February 28, 2022 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	330,152	139
Amounts receivable	28,190	26,819
<b>Total current assets</b>	<b>358,342</b>	<b>26,958</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 3)	1,111,817	1,065,604
<b>Total assets</b>	<b>1,470,159</b>	<b>1,092,562</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 4, 5, and 6)	458,943	286,612
Loans payable (Note 5)	31,436	31,436
Notes payable (Note 6)	177,393	226,658
<b>Total current liabilities</b>	<b>667,772</b>	<b>544,706</b>
<b>Non-current liabilities</b>		
Loan payable (Note 5)	10,000	–
<b>Total liabilities</b>	<b>677,772</b>	<b>544,706</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	19,527,454	19,104,454
Share-based payment reserve (Note 7)	2,515,968	2,514,468
Deficit	(21,251,035)	(21,071,066)
<b>Total shareholders' equity</b>	<b>792,387</b>	<b>547,856</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,470,159</b>	<b>1,092,562</b>

Nature of business and continuing operations (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on June 28, 2023:

/s/ Glen Macdonald  
 Glen Macdonald, Director

/s/ Ken Ralfs  
 Ken Ralfs, Director

(The accompanying notes are an integral part of these financial statements)

**AUQ GOLD MINING INC.**Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

	Year ended February 28, 2023 \$	Year ended February 28, 2022 \$
Expenses		
Consulting fees (Note 6)	75,000	105,809
Impairment of exploration and evaluation assets (Note 3)	10,007	294,315
Office and miscellaneous	144	3,794
Professional fees	31,000	20,774
Rent	30,000	–
Transfer agent and filing fees	6,604	8,970
<b>Total expenses</b>	<b>152,755</b>	<b>433,662</b>
Loss before other expense	(152,755)	(433,662)
Other expense		
Interest expense	(27,214)	(28,463)
<b>Net loss and comprehensive loss</b>	<b>(179,969)</b>	<b>(462,125)</b>
Loss per share, basic and diluted	(0.01)	(0.03)
<b>Weighted average number of common shares outstanding</b>	<b>15,953,880</b>	<b>15,492,373</b>

(The accompanying notes are an integral part of these financial statements)

**AUQ GOLD MINING INC.**Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$			
Balance, February 28, 2021	15,401,962	19,065,454	2,484,869	(20,608,941)	941,382
Units issued for exploration and evaluation assets	150,000	39,000	29,599	–	68,599
Net loss for the year	–	–	–	(462,125)	(462,125)
Balance at February 28, 2022	15,551,962	19,104,454	2,514,468	(21,071,066)	547,856
Units issued for exploration and evaluation assets	150,000	4,500	1,500	–	6,000
Private placement of flow-through units	1,800,000	450,000	–	–	450,000
Share issuance cost	–	(31,500)	–	–	(31,500)
Net loss for the year	–	–	–	(179,969)	(179,969)
Balance at February 28, 2023	17,501,962	19,527,454	2,515,968	(21,251,035)	792,387

(The accompanying notes are an integral part of these financial statements)

**AUQ GOLD MINING INC.**Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended February 28, 2023 \$	Year ended February 28, 2022 \$
Operating activities		
Net loss for the year	(179,969)	(462,125)
Items not involving cash:		
Impairment of exploration and evaluation assets	10,007	294,315
Interest expense	27,214	28,463
Changes in non-cash operating working capital:		
Amounts receivable	(1,371)	(13,510)
Accounts payable and accrued liabilities	120,117	44,150
Net cash used in operating activities	(24,002)	(108,707)
Investing activities		
Exploration and evaluation asset expenditures	(25,220)	(182,161)
Advance receivable	—	125,000
Net cash used in investing activities	(25,220)	(57,161)
Financing activities		
Proceeds from loan payable	10,000	—
Repayment of notes payable	(49,265)	—
Proceeds from issuance of units	450,000	—
Share issuance costs	(31,500)	—
Net cash provided by financing activities	379,235	—
Change in cash	330,013	(165,868)
Cash, beginning of year	139	166,007
Cash, end of year	330,152	139
Non-cash investing and financing activities:		
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	25,000	25,000
Shares issued to acquire exploration and evaluation assets	4,500	39,000
Share purchase warrants issued to acquire exploration and evaluation assets	1,500	29,599
Supplemental disclosure:		
Interest paid	4,490	—

(The accompanying notes are an integral part of these financial statements)

# **AUQ GOLD MINING INC.**

Notes to the Financial Statements

Years Ended February 28, 2023 and 2022

(Expressed in Canadian dollars)

## **1. Nature of Business and Continuing Operations**

AuQ Gold Mining Inc. (the “Company”) was incorporated on April 23, 2005 under the Company Act of British Columbia. The Company changed its name from Royal Gold Mining Inc. on October 26, 2020. The Company’s offices are located at Suite 701, 595 Howe Street, Vancouver, BC, Canada, V6C 2T5. The Company is engaged in the exploration of mineral properties in Canada. The Company’s shares are traded on the TSX Venture Exchange (“TSXV”) under the symbol “AUQ”.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended February 28, 2023, the Company did not generate any revenues and incurred negative cash flow from operations of \$24,002. As at February 28, 2023, the Company has a working capital deficit of \$309,430 and an accumulated deficit of \$21,251,035. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

### **(b) Use of Estimates and Judgments**

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas requiring the use of estimates include the impairment of exploration and evaluation assets, determination of flow-through share premium, fair value of share-based payments, and unrecognized deferred income tax assets.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (b) Use of Estimates and Judgments (continued)

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amount of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### (d) Exploration and Evaluation Expenditures

##### (i) Exploration and evaluation expenditures

Asset acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of asset acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to assets acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the financial statements upon payment.

Option payments received are treated as a reduction of the carrying value of the related asset until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to income.

All expenditures related to the cost of exploration and evaluation of assets including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be depreciated over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned, or determined to be impaired.

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (d) Exploration and Evaluation Expenditures (continued)

##### (ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carry amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction 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 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 the statement of operations.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

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 to an amount that 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 the statement of operations.

#### (e) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise 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, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money and risks specific to the liability are used to calculate the net present value. These costs are charged to the statement of operations over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the statement of operations.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Notes payable	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial Assets

##### *Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

##### *Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) Financial Instruments (continued)

##### Financial Assets (continued)

###### *Impairment of financial assets*

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations 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.

##### Financial Liabilities and Equity Instruments

###### *Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

###### *Other financial liabilities*

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (g) Income Taxes

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (h) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

#### (i) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

## **AUQ GOLD MINING INC.**

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(j) Share-based Payments**

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

#### **(k) Loss Per Share**

The Company presents basic and diluted loss per share data for its common shares, 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 loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. As at February 28, 2023, the Company has 1,200,000 (2022 – 300,000) potentially dilutive shares outstanding.

#### **(l) Comprehensive Loss**

Comprehensive loss is the total non-owner change in equity for a reporting period. This change encompasses all changes in equity other than transactions from shareholders. For the years ended February 28, 2023 and 2022, the Company's did not have any items impacting comprehensive loss.

#### **(m) Accounting Standards Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended February 28, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## AUQ GOLD MINING INC.

Notes to the Financial Statements  
Years Ended February 28, 2023 and 2022  
(Expressed in Canadian dollars)

### 3. Exploration and Evaluation Assets

Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

	Kirkland Creek \$	Sainte Sabine \$	Partridge Gold \$	Eliza Gold \$	James Bay \$	Total \$
Acquisition costs:						
Balance, February 28, 2021	75,001	149,000	275,240	157,054	–	656,295
Additions (Note 6)	25,000	–	–	68,599	–	93,599
Impairment	–	(149,000)	–	–	–	(149,000)
Balance, February 28, 2022	100,001	–	275,240	225,653	–	600,894
Additions (Note 6)	25,000	–	–	6,000	21,440	52,440
Impairment	–	–	(10,007)	–	–	(10,007)
Balance, February 28, 2023	125,001	–	265,233	231,653	21,440	643,327
Exploration costs:						
Balance, February 28, 2021	102,549	145,315	–	–	–	247,864
Geological and field labour	4,460	–	–	–	–	4,460
Geophysical	–	–	357,701	–	–	357,701
Impairment	–	(145,315)	–	–	–	(145,315)
Balance, February 28, 2022	107,009	–	357,701	–	–	464,710
Claims renewal	3,780	–	–	–	–	3,780
Balance, February 28, 2023	110,789	–	357,701	–	–	468,490
Carrying amounts:						
Balance, February 28, 2022	207,010	–	632,941	225,653	–	1,065,604
Balance, February 28, 2023	235,790	–	622,934	231,653	21,440	1,111,817

#### Kirkland Creek Property, Yukon Territory

On November 30, 2006, the Company entered into an agreement to purchase the Kirkland Creek Property, located 120 kilometers northwest of Whitehorse, Yukon, in the Ashihik Lake region. The property was originally comprised of 144 claims. The Company paid the vendor (the spouse of the Chief Executive Officer of the Company) 2,000,000 common shares for a 100% interest in the property. The vendor retains a 3% net smelter royalty ("NSR") on any mineral production from the property. Effective November 30, 2010, an advance royalty of \$25,000 is payable annually to the vendor. The Company has the right to purchase up to 2% of the 3% NSR for \$1,000,000 per percentage point. On May 7, 2007, the Company announced that it had expanded the property by staking an additional 36 claims adjoining the original 144 claim block. The Company allowed some of the claims it considers to be of lesser importance to lapse. The Kirkland Creek property now consists of 40 contiguous claims.

During the year ended February 28, 2017, as a result of applying IFRS 6, the Company was forced to write down this property by \$2,296,719 to a nominal amount of \$1 as a result of not meeting the criteria for expenditures on the property under IFRS 6, where substantial expenditures are neither budgeted nor planned there is an indicator of impairment. During the year ended February 28, 2019, the Company resumed exploration activities on the property.

## AUQ GOLD MINING INC.

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### 3. Exploration and Evaluation Assets (continued)

#### Sainte Sabine Property, Quebec

On September 17, 2019, the Company entered into an option agreement whereby the Company has the right to earn a 100% ownership interest in 140 mining claims in the Beauce region of Quebec.

To earn this interest, the Company is to make cash payments totalling \$295,000, issue a total of 1,500,000 common shares, and incur exploration expenditures on the property aggregating \$2,200,000 as follows:

Cash consideration to be paid:

- \$20,000 to be paid on execution of the agreement (paid);
- a further \$10,000 within 30 days of regulatory approval (paid);
- a further \$25,000 within 75 days of regulatory approval (paid);
- a further \$45,000 on or before September 26, 2020;
- a further \$55,000 on or before September 26, 2021;
- a further \$65,000 on or before September 26, 2022; and
- a further \$75,000 on or before September 26, 2023.

Common shares to be issued:

- 200,000 shares within 75 days of regulatory approval (issued);
- a further 250,000 shares on or before September 26, 2020 (default);
- a further 300,000 shares on or before September 26, 2021;
- a further 350,000 shares on or before September 26, 2022; and
- a further 400,000 shares on or before September 26, 2023.

Exploration expenditures to be incurred :

- \$100,000 on or before September 26, 2020;
- \$500,000 in aggregate on or before September 26, 2021;
- \$1,200,000 in aggregate on or before September 26, 2022; and
- \$2,200,000 in aggregate on or before September 26, 2023.

The optionor has retained a 2% net smelter royalty, of which two tranches of 0.5% may be purchased by the Company for \$500,000 each.

On August 9, 2021, the agreement was amended as follows:

- Cash payment of \$45,000 due on September 26, 2020 was extended to December 10, 2021; (default)
- Cash payment of \$55,000 due on September 26, 2021 was extended to June 10, 2022;
- Issuance of 250,000 common shares on September 26, 2020 was extended to September 15, 2021; (default)
- The \$500,000 in aggregate exploration expenditure on September 26, 2021 was extended to September 10, 2022.

As at February 28, 2022, the Company recognized an impairment of \$294,315 due to defaulting on the terms of the mineral property option agreement.

#### Partridge Gold Property, Quebec

On January 16, 2020, the Company entered into an agreement to acquire a 100% interest in 95 mineral claims located in Abitibi, Quebec in exchange for issuing 360,000 common shares to the vendor (issued on January 23, 2020).

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### 3. Exploration and Evaluation Assets (continued)

#### Partridge Gold Property, Quebec (continued)

On October 8, 2020, the Company entered into an agreement to purchase 97 mineral claims that are contiguous to the existing Partridge Property in exchange for a cash payment of \$20,000 and the issuance of 100,000 units. Each unit consisted of a common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.50 for a period of one year.

The vendor has retained a 2% NSR royalty. The Company may purchase 50% of the NSR for \$1,000,000.

On February 28, 2023, the Company record an impairment of \$10,007 for 3 mineral claims that expired.

#### Eliza Gold Property, Quebec

On February 6, 2020, the Company entered into an option agreement whereby the Company has the right to earn a 100% interest in 8 mineral claims. To earn this interest, the Company is to pay \$20,000 within three days of TSX-V approval (paid). The Company is also to issue 150,000 units of the Company on each of the following dates: (1) within three days of TSX-V approval (issued); (2) March 13, 2021 (issued); (3) March 13, 2022 (issued); and (4) March 13, 2023. Each unit will be comprised of one common share and one share purchase warrant exercisable at \$0.60 per common share for a period of two years from the date of issuance. The optionor has retained a 2% net smelter royalty, of which two tranches of 0.5% may be purchased by the Company for \$500,000 each.

#### James Bay Property, Quebec

On December 19, 2022, the Company staked 143 claims for \$21,440 in the James Bay region of Quebec.

### 4. Loans Payable

- (a) As at February 28, 2023, the amount of \$18,936 (2022 – \$18,936) is owed to a non-related party which bears interest at 20% per annum compounded monthly, is unsecured, and is due on demand. As at February 28, 2023, accrued interest of \$52,877 (2022 - \$40,145) has been recorded in accounts payable and accrued liabilities.
- (b) As at February 28, 2023, the amount of \$10,000 (2022 – \$10,000) is owed to a non-related party which bears interest at 20% per annum compounded, is unsecured, and is due on demand. As at February 28, 2023, accrued interest of \$28,930 (2022 - \$21,950) has been recorded in accounts payable and accrued liabilities.
- (c) As at February 28, 2023, the amount of \$2,500 (2022 – \$2,500) was owed to a non-related party which is non-interest bearing, unsecured, and due on demand.
- (d) As at February 28, 2023, the amount of \$10,000 (2022 - \$nil) was owed to a non-related party which bears interest at 5% per annum, is unsecured, and due on December 31, 2024. As at February 28, 2023, accrued interest of \$108 (2022 - \$nil) has been recorded in accounts payable and accrued liabilities.

### 5. Notes Payable

As at February 28, 2023, the Company has a notes payable balance of \$177,393 (2022 – \$226,658). Included in the notes payable balance is \$31,194 (2022 – \$31,194) owed to the Chief Executive Officer of the Company. As at February 28, 2023, accrued interest of \$20,776 (2022 - \$17,825) has been recorded in accounts payable and accrued liabilities, which includes \$4,099 (2022 – \$2,539) owed to the Chief Executive Officer of the Company. The notes are unsecured, bear interest at 5% per annum, and were due on December 31, 2022.

## AUQ GOLD MINING INC.

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### 6. Related Party Transactions

- (a) As at February 28, 2023, the amount of \$13,780 (2022 – \$nil) was owed to the Chief Executive Officer of the Company which is recorded in accounts payable and accrued liabilities. The amount due is non-interest bearing, unsecured, and due on demand.
- (b) As at February 28, 2023, the Company owed \$100,000 (2022 – \$75,000) to the spouse of the Chief Executive Officer of the Company. During the year ended February 28, 2023, the Company incurred an advance royalty fee of \$25,000 (2022 – \$25,000) on the Kirkland Creek property (refer to Note 4) to the spouse of the Chief Executive Officer of the Company.
- (c) During the year ended February 28, 2023, the amount of \$60,000 (2022 – \$28,750) was incurred to the Chief Executive Officer of the Company for consulting fees.
- (d) During the year ended February 28, 2023, the amount of \$nil (2022 – \$2,000) was incurred to a director of the Company for consulting fees.

### 7. Share Capital

Authorized: Unlimited common shares without par value

#### Share transactions for the year ended February 28, 2023:

- (a) On June 27, 2022, the Company issued 150,000 units with a fair value of \$6,000 in connection with the Eliza Gold mineral property option agreement (refer to Note 4). Each unit consisted of one common share and one share purchase warrant exercisable at \$0.60 per common share until June 27, 2024. The common shares and share purchase warrants issued had a fair value of \$4,500 and \$1,500, respectively. The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 3.14%; expected dividend of 0%; expected life of two years; and expected volatility of 141%.
- (b) On December 29, 2022, the Company issued 1,800,000 flow-through units at \$0.25 per unit for total proceeds of \$450,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant. Each whole share purchase warrant is exercisable at \$0.50 per common share expiring on December 29, 2023, subject to acceleration. In the event that the Company's common shares close trading at \$0.65 for ten consecutive days, in which case, the Company can, on 30 days' notice, shorten the expiry date. It was determined that there was no flow-through premium. The Company paid a finder's fee of \$31,500 in connection with this private placement.

#### Share transactions for the year ended February 28, 2022:

- (c) On July 23, 2021, the Company issued 150,000 units with a fair value of \$68,599 in connection with the Eliza Gold mineral property option agreement (refer to Note 4). Each unit consisted of one common share and one share purchase warrant exercisable at \$0.60 per common share until July 23, 2023. The common shares and share purchase warrants issued had a fair value of \$39,000 and \$29,599, respectively. The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 0.42%; expected dividend of 0%; expected life of two years; and expected volatility of 197%.

## AUQ GOLD MINING INC.

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### 8. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, February 28, 2021	4,623,719	0.22
Issued	150,000	0.60
Exercised	(4,473,719)	0.16
Balance, February 28, 2022	300,000	0.60
Issued	1,050,000	0.51
Expired	(150,000)	0.60
Balance, February 28, 2023	1,200,000	0.53

As at February 28, 2023, the following share purchase warrants were outstanding:

Number of warrants	Exercise price \$	Expiry date
150,000	0.60	July 23, 2023
900,000	0.50	December 29, 2023
150,000	0.60	June 27, 2024
<u>1,200,000</u>		

### 9. Stock Options

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The essential elements of the 2015 Stock Option Plan ("Plan") provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

### 10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended February 28, 2022.

## **AUQ GOLD MINING INC.**

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### **11. Financial Instruments and Risk Management**

#### *Fair Values*

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, accounts payable and accrued liabilities, loans payable, and notes payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### *Credit Risk*

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### *Foreign Exchange Rate Risk*

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to significant foreign exchange rate risk.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

#### *Price Risk*

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

## AUQ GOLD MINING INC.

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### 12. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rates) of the significant temporary differences, which comprise of deferred income tax assets and liabilities, are as follows:

	2023	2022
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(48,592)	(124,774)
Tax effect of:		
Permanent differences and other	(8,103)	9,062
Change in unrecognized deferred income tax assets	56,695	115,712
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2023	2022
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	1,298,823	1,249,585
Net capital losses carried forward	11,363	11,363
Property and equipment	3,340	3,340
Resource properties	2,142,702	2,140,402
Share issuance costs	9,127	3,670
Total gross deferred income tax assets	3,465,355	3,408,360
Unrecognized deferred income tax assets	(3,465,355)	(3,408,360)
Net deferred income tax asset	–	–

As at February 28, 2023, the Company has non-capital losses carried forward of \$4,810,456, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	197,299
2027	294,153
2028	294,400
2029	306,559
2030	301,227
2031	417,624
2032	397,356
2033	507,329
2034	275,866
2035	146,902
2036	175,248
2037	168,307
2038	118,329
2039	172,747
2040	354,727
2041	328,331
2042	172,800
2043	181,252
	4,810,456

**AUQ GOLD MINING INC.**

Notes to the Financial Statements

Years Ended February 28, 2023 and 2022

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**12. Income Taxes** (continued)

The Company also has available mineral resource related expenditure pools totalling \$9,047,740, which may be deducted against future taxable income on a discretionary basis.