



**SEGO RESOURCES INC.**

Financial Statements

June 30, 2023 and 2022

(Stated in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SEGO RESOURCES INC.

#### *Opinion*

We have audited the financial statements of Sego Resources Inc. (the "Company"), which comprise:

- ♦ the statements of financial position as at June 30, 2023 and 2022;
- ♦ the statements of comprehensive loss for the years then ended;
- ♦ the statements of changes in shareholders' equity for the years then ended;
- ♦ the statements of cash flows for the years then ended; and
- ♦ the 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 June 30, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *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 *Auditors' 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$298,332 during the year ended June 30, 2023 and, as of that date, the Company's working capital deficiency is \$269,629. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

#### *Other Information*

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

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### *Auditors' 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 auditors' 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.

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- ◆ 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Hervé Leong-Chung.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

September 28, 2023

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**SEGO RESOURCES INC.**

## Statements of Financial Position

June 30, 2023 and 2022

(Stated in Canadian Dollars)

|   | Note  | 2023                | 2022                |
|---|-------|---------------------|---------------------|
| <b>ASSETS</b>                                     |       |                     |                     |
| Current assets                                    |       |                     |                     |
| Cash  |       | \$ 8,703            | \$ 243,212          |
| Receivables                                       |       | 2,595               | 22,409              |
| BC Mining Exploration tax credit receivable       | 6     | 43,299              | 106,794             |
| Prepaid expenses                                  |       | 18,370              | 42,499              |
|   |       | 72,967              | 414,914             |
| Non-current assets                                |       |                     |                     |
| Reclamation deposits                              | 4     | 45,000              | 10,000              |
| Lease deposit                                     |       | -                   | 4,000               |
| Equipment   | 5     | 2,677               | 3,825               |
| Right-of-use asset                                | 7     | -                   | 14,647              |
| Exploration and evaluation assets                 | 6, 10 | 6,324,193           | 6,223,160           |
|   |       | 6,371,870           | 6,255,632           |
| <b>TOTAL ASSETS</b>                               |       | <b>\$ 6,444,837</b> | <b>\$ 6,670,546</b> |
| <b>LIABILITIES</b>                                |       |                     |                     |
| Current liabilities                               |       |                     |                     |
| Accounts payable and accrued liabilities          |       | \$ 17,701           | \$ 11,432           |
| Due to related parties                            | 10    | 324,895             | 307,495             |
| Lease liability                                   | 7     | -                   | 17,970              |
| <b>TOTAL LIABILITIES</b>                          |       | <b>342,596</b>      | <b>336,897</b>      |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                     |                     |
| Share capital                                     | 9     | 10,251,298          | 10,251,298          |
| Reserves  |       | 185,740             | 521,435             |
| Deficit   |       | (4,334,797)         | (4,439,084)         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |       | <b>6,102,241</b>    | <b>6,333,649</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>\$ 6,444,837</b> | <b>\$ 6,670,546</b> |

Approved on behalf of the Board on September 28, 2023:

*"J. Paul Stevenson"*

Director, CEO

*"Brent Petterson"*

CFO

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

**SEGO RESOURCES INC.**

## Statements of Comprehensive Loss

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

|   | Note | 2023                | 2022                |
|---|------|---------------------|---------------------|
| <b>Expenses</b>   |      |                     |                     |
| Accounting and audit fees                                   | 10   | \$ 62,268           | \$ 60,244           |
| Amortization of right of use asset                          | 7    | 14,647              | 25,109              |
| Consulting fees   | 10   | 7,200               | 10,400              |
| Depreciation  | 5    | 1,148               | 675                 |
| Filing fees   |      | 7,891               | 7,479               |
| Insurance   |      | 7,669               | 7,449               |
| Investor relations  |      | -                   | 82,000              |
| Lease interest and adjustment                               | 7    | (585)               | (1,699)             |
| Legal   |      | 1,688               | 3,296               |
| Management fees   | 10   | 48,000              | 46,000              |
| Marketing   | 10   | 53,570              | 37,291              |
| Office and miscellaneous                                    |      | 19,383              | 19,770              |
| Share-based payments  | 9    | 66,924              | 75,671              |
| Telephone   | 10   | 6,089               | 7,920               |
| Transfer agent  |      | 7,376               | 11,734              |
|   |      | (303,268)           | (393,339)           |
| <b>Other items</b>  |      |                     |                     |
| Flow-through premium  | 9    | -                   | 51,675              |
| Equipment rental  |      | 4,936               | -                   |
| Write-off of accounts payable                               |      | -                   | 3,893               |
| <b>Net loss and comprehensive loss</b>                      |      | <b>\$ (298,332)</b> | <b>\$ (337,771)</b> |
| <b>Loss per share – basic and diluted</b>                   |      | <b>\$ (0.002)</b>   | <b>\$ (0.002)</b>   |
| <b>Weighted average number of common shares outstanding</b> |      | <b>147,693,776</b>  | <b>142,718,428</b>  |

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

**SEGO RESOURCES INC.**

## Statements of Changes in Shareholders' Equity

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

| Share capital   |      |                     |               |                        |            |                |              |
|---|------|---------------------|---------------|------------------------|------------|----------------|--------------|
|   | Note | Number of<br>shares | Amount        | Share<br>subscriptions | Reserves   | Deficit        | Total        |
| Balance at June 30, 2022  |      | 147,693,776         | \$ 10,251,298 | \$ -                   | \$ 521,435 | \$ (4,439,084) | \$ 6,333,649 |
| Reclassification on expiry of warrants, options and agent options |      | -                   | -             | -                      | (402,619)  | 402,619        | -            |
| Share-based payments  | 9    | -                   | -             | -                      | 66,924     | -              | 66,924       |
| Net loss and comprehensive loss                                   |      | -                   | -             | -                      | -          | (298,332)      | (298,332)    |
| Balance at June 30, 2023  |      | 147,693,776         | \$ 10,251,298 | \$ -                   | \$ 185,740 | \$ (4,334,797) | \$ 6,102,241 |

| Share capital  |      |                     |               |                        |            |                |              |
|--|------|---------------------|---------------|------------------------|------------|----------------|--------------|
|  | Note | Number of<br>shares | Amount        | Share<br>subscriptions | Reserves   | Deficit        | Total        |
| Balance at June 30, 2021                                   |      | 135,634,762         | \$ 9,225,968  | \$ 263                 | \$ 472,424 | \$ (4,131,113) | \$ 5,567,542 |
| Reclassification on expiry of warrants and agent options   |      | -                   | -             | -                      | (29,800)   | 29,800         | -            |
| Exercise of warrants and agent options                     | 9    | 6,891,459           | 639,290       | (263)                  | -          | -              | 639,027      |
| Reclassification on exercise of warrants and agent options |      | -                   | 8,610         | -                      | (8,610)    | -              | -            |
| Private placement  | 9    | 5,167,555           | 465,080       | -                      | -          | -              | 465,080      |
| Flow-through premium                                       |      | -                   | (51,675)      | -                      | -          | -              | (51,675)     |
| Share issue costs  | 9    | -                   | (35,975)      | -                      | 11,750     | -              | (24,225)     |
| Share-based payments                                       | 9    | -                   | -             | -                      | 75,671     | -              | 75,671       |
| Net loss and comprehensive loss                            |      | -                   | -             | -                      | -          | (337,771)      | (337,771)    |
| Balance at June 30, 2022                                   |      | 147,693,776         | \$ 10,251,298 | \$ -                   | \$ 521,435 | \$ (4,439,084) | \$ 6,333,649 |

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

**SEGO RESOURCES INC.**

## Statements of Cash Flows

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>Operating Activities</b>                               |                  |                  |
| Net loss  | \$ (298,332)     | \$ (337,771)     |
| Adjustments for non-cash items:                           |                  |                  |
| Amortization of right-of-use asset                        | 14,647           | 25,109           |
| Depreciation  | 1,148            | 675              |
| Lease interest  | 585              | 3,367            |
| Lease adjustment  | (1,170)          | (5,066)          |
| Share-based payments                                      | 66,924           | 75,671           |
| Write-off of accounts payable                             | -                | (3,893)          |
| Flow-through premium                                      | -                | (51,675)         |
| Changes in non-cash working capital balances:             |                  |                  |
| Receivables   | 19,814           | (11,620)         |
| Prepaid expenses  | 24,129           | (27,442)         |
| Accounts payable and accrued liabilities                  | 9,439            | (7,748)          |
| Due to related parties                                    | 17,400           | (67,639)         |
| <b>Net cash flows used in operating activities</b>        | <b>(145,416)</b> | <b>(408,032)</b> |
| <b>Financing Activities</b>                               |                  |                  |
| Issuance of common shares, net of share issue costs       | -                | 1,079,882        |
| Lease deposit   | 4,000            | -                |
| Lease payments  | (17,385)         | (27,880)         |
| <b>Net cash flows (used in) from financing activities</b> | <b>(13,385)</b>  | <b>1,052,002</b> |
| <b>Investing Activities</b>                               |                  |                  |
| Purchase of equipment                                     | -                | (4,500)          |
| Reclamation deposit                                       | (35,000)         | -                |
| Expenditures on exploration and evaluation assets         | (147,502)        | (886,728)        |
| BC Mining Exploration tax credit received                 | 106,794          | 155,585          |
| <b>Net cash flows used in investing activities</b>        | <b>(75,708)</b>  | <b>(735,643)</b> |
| Change in cash  | (234,509)        | (91,673)         |
| Cash, beginning   | 243,212          | 334,885          |
| Cash, ending  | \$ 8,703         | \$ 243,212       |
| Interest paid   | \$ -             | \$ -             |
| Income tax paid   | \$ -             | \$ -             |

Supplemental cash flow information – Note 11

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

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 1. Corporate Information

Sego Resources Inc. (the "Company") is an exploration stage company incorporated under the laws of the Province of British Columbia, Canada. Its business is the acquisition, exploration, and evaluation of mineral properties located in British Columbia. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SGZ".

The Company's head office and principal business address is PO Box 30013, Parkgate Village RPO, North Vancouver, British Columbia, Canada, V7H 2Y8.

#### 2. Basis of Preparation

##### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue on September 28, 2023 by the directors of the Company.

##### Going concern

These financial statements have been prepared on a 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 for the foreseeable future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such amounts could be material.

During the year ended June 30, 2023, the Company incurred a net loss of \$298,332 (2022 - \$337,771). At June 30, 2023, the Company had a working capital deficiency of \$269,629 (2022 – working capital surplus of \$78,017) and an accumulated deficit of \$4,334,797 (2022 - \$4,439,084). The Company has not generated revenue from operations and has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves and the Company's ability to obtain adequate financing to develop the reserves into profitable operations. These conditions indicate material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

The Company will have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

##### Basis of measurement

These financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value as explained in the Company's significant accounting policies set out in Note 3. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company has one operating segment, the acquisition, exploration, and evaluation of mineral properties in Canada.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 2. Basis of Preparation (cont'd)

##### Use of accounting judgments, estimates and assumptions

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about key judgments, estimates and assumptions used in applying accounting policies which have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below.

- The recoverability of the carrying value of exploration and evaluation assets.

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 will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash-generating unit ("CGU"), or group of CGUs, level in the period the new information becomes available. If indicators of impairment exist, the recoverable amount of the asset is estimated to determine the extent of the impairment.

- Recoverability of deferred tax assets.

In assessing the probability of realizing income tax assets, management makes judgments related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

- The going concern assumption.

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 2. Basis of Preparation (cont'd)

##### Use of accounting judgments, estimates and assumptions (cont'd)

- Right-of-use asset.

The Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The key estimates and assumptions applied in the preparation of these financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Assumptions used in the calculation of the fair value assigned to share-based payments.

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

- Amount of mining exploration tax credit receivable.

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in British Columbia. Management's judgment and estimates are applied in determining whether the resource expenditures are eligible for claiming such credits and then estimating the recoverable amount.

#### 3. Significant Accounting Policies

These financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

- (a) Exploration and evaluation assets

- (i) Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

(a) Exploration and evaluation assets (cont'd)

(i) Exploration and evaluation expenditures (cont'd)

As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "mines under construction". No amortization is taken during the exploration and evaluation phase.

(ii) Decommissioning liabilities

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

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

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset. The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arise during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The Company does not have any decommissioning liabilities at June 30, 2023 and 2022.

(b) Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization and exploration and evaluation assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

##### (b) Impairment of assets (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than the carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

##### (c) Income taxes

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

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

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

##### (d) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants, and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Existing share options and share purchase warrants have not been included in the computation of diluted loss per share, as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

(e) Share-based payment transactions

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

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(f) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

In circumstances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

(g) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital. For those warrants that expire, the recorded value is transferred to deficit.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

(h) Mining exploration tax credits

The Company is eligible to receive mining exploration tax credits for certain qualifying work done on its exploration properties. The benefits related to such mining exploration tax credits are credited against exploration costs in the period in which the Company can reasonably estimate the amounts to be received and establish their ultimate recovery.

(i) Financial instruments

The following table shows the classification of financial instruments:

| Financial Asset/Liabilities              | Classification |
|--|----------------|
| Cash                                     | FVTPL          |
| Reclamation deposits                     | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties                   | Amortized cost |

#### Financial Assets

##### Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss or fair value through other comprehensive income.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

##### (i) Financial instruments (cont'd)

###### Financial Assets (cont'd)

###### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company's cash is included in financial assets at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets measured at fair value through other comprehensive income are carried in the statement of financial position at fair value with changes in fair value therein, recognized in other comprehensive loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance. The Company's reclamation deposits are included in financial assets at amortized cost.

###### Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

###### Impairment

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

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 3. Significant Accounting Policies (cont'd)

##### (i) Financial instruments (cont'd)

###### Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled, or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payable and accrued liabilities and due to related parties are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

###### Fair Value Hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

##### (j) Equipment

Equipment is stated at cost and amortized on a declining balance basis as follows:

|                       |       |
|-----------------------|-------|
| Motor vehicles        | - 30% |
| Exploration equipment | - 20% |

Additions during the year are amortized on a pro-rated basis.

When equipment is retired or disposed of, the asset's carrying amount and related accumulated amortization are removed from the accounts and any gain or loss is included in operations. The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

## **SEGO RESOURCES INC.**

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### **3. Significant Accounting Policies (cont'd)**

##### **(k) Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a specified period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (the ROU), the Company assesses whether the contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights; the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and whether the Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets and lease liabilities for leases relating to low-value assets and leases whose terms end within 12 months of the date of initial application. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end of the useful life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

#### **4. Reclamation Deposits**

The Company has pledged \$45,000 (2022 - \$10,000) as site reclamation deposits. The deposits are refundable if there is no environmental disturbance to the Miner Mountain property.

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**5. Equipment**

|                                 | Motor<br>vehicles | Exploration<br>equipment | Total     |
|---------------------------------|-------------------|--------------------------|-----------|
| Cost:                           |                   |                          |           |
| Balance, June 30, 2021          | \$ -              | \$ 50,302                | \$ 50,302 |
| Additions                       | 4,500             | -                        | 4,500     |
| Balance, June 30, 2022 and 2023 | 4,500             | 50,302                   | 54,802    |
| Accumulated depreciation:       |                   |                          |           |
| Balance, June 30, 2021          | -                 | 50,302                   | 50,302    |
| Depreciation                    | 675               | -                        | 675       |
| Balance, June 30, 2022          | 675               | 50,302                   | 50,977    |
| Depreciation                    | 1,148             | -                        | 1,148     |
| Balance, June 30, 2023          | 1,823             | 50,302                   | 52,125    |
| Net book value:                 |                   |                          |           |
| Balance, June 30, 2022          | \$ 3,825          | \$ -                     | \$ 3,825  |
| Balance, June 30, 2023          | \$ 2,677          | \$ -                     | \$ 2,677  |

**6. Exploration and Evaluation Assets***Miner Mountain Property*

On June 13, 2007, the Company entered into an option agreement to acquire a 100% interest in 38 mineral claims (which were subsequently consolidated into 12 mineral claims) situated in the Similkameen Mining Division of British Columbia for cash payments and common share issuances as follows:

- (a) Cash payments to the optionors of \$165,000 as follows:
- (i) \$30,000 within five business days from the date the agreement is approved by the TSX-V (paid);
  - (ii) \$60,000 on or before June 13, 2008 (paid); and
  - (iii) \$75,000 on or before June 13, 2009 (paid).
- (b) Issuance of 600,000 common shares to the optionors as follows:
- (i) 50,000 common shares within five business days of approval by the TSX-V (issued);
  - (ii) 100,000 common shares on or before June 13, 2008 (issued);
  - (iii) 150,000 common shares on or before June 13, 2009 (issued); and
  - (iv) 300,000 common shares upon preparation of a positive feasibility study on the property.

As part of the agreement, the optionors retain a 3% net smelter return (“NSR”) royalty on the property. The Company has the right to buy back one-half of the NSR for the sum of \$1,500,000 at any time.

On June 16, 2011, the Company acquired a 100% interest in three additional mineral claims at Miner Mountain for \$5,000 and the issuance of 50,000 common shares. There is no NSR on these claims.

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**6. Exploration and Evaluation Assets (cont'd)***Miner Mountain Property (cont'd)*

At June 30, 2023 and 2022, the Company's exploration and evaluation assets are comprised of property acquisition costs and deferred exploration costs on the Miner Mountain property.

|                                      |              |
|--------------------------------------|--------------|
| Balance, June 30, 2021               | \$ 5,508,892 |
| Deferred exploration costs           |              |
| Assays                               | 39,104       |
| Camp and supplies                    | 35,545       |
| Drilling                             | 355,087      |
| Engineering and geological – Note 10 | 273,231      |
| Equipment rental – Note 10           | 60,108       |
| Travel, food, and accommodation      | 57,987       |
| BC Mining Exploration tax credit     | (106,794)    |
| Balance, June 30, 2022               | \$ 6,223,160 |
| Balance, June 30, 2022               | \$ 6,223,160 |
| Deferred exploration costs           |              |
| Assays                               | 18,183       |
| Camp and supplies                    | 18,797       |
| Engineering and geological – Note 10 | 72,429       |
| Equipment rental – Note 10           | 31,388       |
| Travel, food, and accommodation      | 3,535        |
| BC Mining Exploration tax credit     | (43,299)     |
| Balance, June 30, 2023               | \$ 6,324,193 |

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**7. Right-of-Use Asset and Lease Liability**

The Company recognized lease liabilities in relation to a lease for office space upon renewal. Under IFRS 16, the lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The incremental borrowing rate applied to the lease liability was 10%. The associated lease liability recognized was \$75,327. The Company's lease of office space expired on January 31, 2023.

An associated right-of-use asset for the lease was measured at the amount equal to the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

The following tables summarize the right-of-use asset and lease liability recognized in the statement of financial position:

*Right-of-Use Asset*

|                             |    |          |
|-----------------------------|----|----------|
| Balance as at June 30, 2021 | \$ | 39,756   |
| Amortization                |    | (25,109) |
| Balance as at June 30, 2022 |    | 14,647   |
| Amortization                |    | (14,647) |
| Balance at June 30, 2023    | \$ | -        |

*Lease liability*

|                               |    |          |
|-------------------------------|----|----------|
| Balance as at June 30, 2021   | \$ | 47,549   |
| Lease payments                |    | (27,880) |
| Lease interest                |    | 3,367    |
| Adjustment of lease liability |    | (5,066)  |
| Balance at June 30, 2022      |    | 17,970   |
| Lease payments                |    | (17,385) |
| Lease interest                |    | 585      |
| Adjustment of lease liability |    | (1,170)  |
| Balance at June 30, 2023      | \$ | -        |

During the year ended June 30, 2023, reductions in certain common area maintenance costs resulted in a reduction to the lease liability in the amount of \$1,170 (2022 - \$5,066).

## **SEGO RESOURCES INC.**

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### **8. Risk Management**

There were no changes in the Company's objectives and processes in managing risk during the years ended June 30, 2023 and 2022.

The fair values of the Company's accounts payable and amounts due to related parties approximate their carrying values due to the short-term nature of these instruments. The carrying amount of the reclamation deposits approximates its fair value. The Company's cash is classified at Level 1 of the fair value hierarchy. The Company has no financial instruments at Levels 2 or 3.

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is held in a Canadian financial institution. The Company has minimal credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of June 30, 2023 are \$342,596 (2022 - \$336,897). The liabilities presented as accounts payable and accrued liabilities are due within 90 days. Management will be required to raise funds to meet its ongoing financial obligations.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity price risk, and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk is for management to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

Reclamation deposits are subject to floating interest rates whose fluctuation would not have a material effect on the value of these financial assets.

At June 30, 2023 and 2022, the Company was not exposed to any significant market risk.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 9. Share Capital

(a) Authorized

Unlimited Class A common shares without par value.

(b) Issued

At June 30, 2023 and 2022, there were 147,693,776 common shares issued and outstanding.

(c) Private Placements

No shares were issued during the year ended June 30, 2023.

Year ended June 30, 2022:

On November 12, 2021, the Company issued 5,167,555 common shares pursuant to a flow-through private placement at \$0.09 per share for gross proceeds of \$465,080. The Company recorded a flow-through premium liability of \$51,675. Finder's fees of \$21,150 and filing fees of \$3,075 were paid with respect to this private placement.

In addition, the Company granted 234,990 agent options. Each agent option entitled the holder to purchase one common share at \$0.09 until November 12, 2023.

The fair value of the 234,990 agent options issued was calculated as \$11,750 using the Black-Scholes option pricing model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

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|                          |         |
|--------------------------|---------|
| Risk-free interest rate  | 0.35%   |
| Expected life of options | 2 years |
| Annualized volatility    | 145%    |
| Dividend rate            | 0%      |

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At June 30, 2022, the Company had incurred \$465,080 of flow-through exploration expenditures completing its exploration commitment and accordingly, recognized \$51,675 of the flow-through premium as other income. There was no remaining flow-through premium liability.

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**9. Share Capital (cont'd)**

## (d) Stock Options

The Company has a stock option plan under which it may grant stock options of up to 20% of its issued and outstanding shares. The option price and vesting terms are specified in individual stock option agreements. Options issued to consultants performing investor relations activities must vest in stages over a minimum period of 12 months with no more than 25% of the options vesting in any three-month period.

On March 24, 2022, the Company granted 1,725,000 stock options to directors and consultants. The options entitle the holders to purchase one common share for each option held at \$0.10 per share until March 24, 2027. The options vest 25% on grant and 25% every six months thereafter.

The fair value of the stock options that vested during the year ended June 30, 2023 was \$64,299 (2022 - \$68,296). The fair value of the options was calculated using the Black-Scholes option pricing model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

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|                          |         |
|--------------------------|---------|
| Risk-free interest rate  | 1.50%   |
| Expected life of options | 5 years |
| Annualized volatility    | 121%    |
| Dividend rate            | 0%      |

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On February 9, 2021, the Company granted 350,000 stock options to consultants. The options entitle the holders to purchase one common share for each option held at \$0.08 per share until February 9, 2026. The options vest 25% on grant and 25% every six months thereafter.

The fair value of the stock options that vested during the year ended June 30, 2023 was \$2,625 (2022 - \$5,250). The fair value of the options was calculated using the Black-Scholes option pricing model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

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|                          |         |
|--------------------------|---------|
| Risk-free interest rate  | 0.85%   |
| Expected life of options | 5 years |
| Annualized volatility    | 122%    |
| Dividend rate            | 0%      |

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**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**9. Share Capital (cont'd)**

## (d) Stock Options (cont'd)

On May 28, 2020, the Company granted 4,150,000 stock options to directors and consultants. The options entitle the holders to purchase one common share for each option held at \$0.08 per share until May 28, 2025. The options vest 25% on grant and 25% every six months thereafter.

The fair value of the stock options that vested during the year ended June 30, 2020 was \$65,963. The fair value of the options was calculated using the Black-Scholes option pricing model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

|                          |         |
|--------------------------|---------|
| Risk-free interest rate  | 0.41%   |
| Expected life of options | 5 years |
| Annualized volatility    | 143%    |
| Dividend rate            | 0%      |

During the year ended June 30, 2021, the Company cancelled 3,500,000 of these stock options and reclassified \$55,631 from reserves to deficit. The fair value of the remaining stock options that vested during the year ended June 30, 2022 was \$2,125.

A summary of stock option activity for the years ended June 30, 2023 and 2022 is as follows:

|                                | 2023              |                                 | 2022              |                                 |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding, beginning | 10,260,000        | \$ 0.10                         | 8,535,000         | \$ 0.10                         |
| Options granted                | -                 | -                               | 1,725,000         | \$ 0.10                         |
| Options expired                | (7,535,000)       | 0.10                            | -                 | -                               |
| Options cancelled              | (50,000)          | 0.08                            | -                 | -                               |
| Options outstanding, ending    | 2,675,000         | \$ 0.09                         | 10,260,000        | \$ 0.10                         |
| Options exercisable, ending    | 2,243,750         | \$ 0.09                         | 8,878,750         | \$ 0.10                         |

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**9. Share Capital (cont'd)**

## (d) Stock Options (cont'd)

At June 30, 2023, there were 2,675,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| Number of Options<br>Outstanding | Exercise Price | Expiry Date      |
|----------------------------------|----------------|------------------|
| 600,000                          | \$0.08         | May 28, 2025     |
| 350,000                          | \$0.08         | February 9, 2026 |
| 1,725,000                        | \$0.10         | March 24, 2027   |
| <u>2,675,000</u>                 |                |                  |

At June 30, 2023, the weighted average remaining contractual life of the outstanding options is 3.18 years (2022 - 1.69 years).

## (e) Warrants

A summary of share purchase warrant activity for the years ended June 30, 2023 and 2022 is as follows:

|                                     | 2023                  |  | 2022                  |  |
|-------------------------------------|-----------------------|--|-----------------------|--|
|                                     | Number of<br>warrants | Weighted<br>average<br>exercise<br>price | Number of<br>warrants | Weighted<br>average<br>exercise<br>price |
| Warrants outstanding,<br>beginning  | 12,889,800            | \$ 0.08                                  | 41,978,500            | \$ 0.10                                  |
| Warrants exercised                  | -                     | -  | (6,810,825)           | \$ 0.09                                  |
| Warrants expired                    | (12,889,800)          | \$ 0.08                                  | (22,277,875)          | \$ 0.11                                  |
| <u>Warrants outstanding, ending</u> | <u>-</u>              | <u>\$ -</u>                              | <u>12,889,800</u>     | <u>\$ 0.08</u>                           |

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**9. Share Capital (cont'd)**

## (f) Agent Options

A summary of agent option activity for the years ended June 30, 2023 and 2022 is as follows:

|                                      | 2023                    |                                 | 2022                    |                                 |
|--------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
|                                      | Number of agent options | Weighted average exercise price | Number of agent options | Weighted average exercise price |
| Agent options outstanding, beginning | 373,590                 | \$ 0.07                         | 614,215                 | \$ 0.08                         |
| Agent options expired                | (138,600)               | 0.05                            | (394,981)               | 0.10                            |
| Agent options issued                 | -                       | -                               | 234,990                 | 0.09                            |
| Agent options exercised              | -                       | -                               | (80,634)                | 0.05                            |
| Agent options outstanding, ending    | 234,990                 | \$ 0.09                         | 373,590                 | \$ 0.07                         |

At June 30, 2023, there were 234,990 agent options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| Number of Agent Options Outstanding | Exercise Price | Expiry Date       |
|-------------------------------------|----------------|-------------------|
| 234,990                             | \$0.09         | November 12, 2023 |
| 234,990                             |                |                   |

At June 30, 2023, the weighted average remaining contractual life of the outstanding agent options is 0.36 years (2022 - 1.09 years).

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**10. Related Party Transactions**

The Company incurred the following charges by directors of the Company and by companies with directors in common with the Company during the years ended June 30, 2023 and 2022:

|  | 2023             | 2022             |
|--|------------------|------------------|
| Deferred exploration costs – engineering and geological fees | \$ 4,200         | \$ 25,500        |
| Deferred exploration costs – equipment rental                | 420              | 2,520            |
| Accounting fees  | -                | 6,000            |
| Consulting fees  | 7,200            | 8,400            |
| Management fees  | 48,000           | 46,000           |
| Marketing  | -                | 1,200            |
| Telephone  | 6,089            | 7,920            |
|  | <u>\$ 65,909</u> | <u>\$ 97,540</u> |

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company.

Included in the table below are key management compensation charges during the years ended June 30, 2023 and 2022:

|  | 2023             | 2022             |
|--|------------------|------------------|
| Deferred exploration costs – engineering and geological fees | \$ 4,200         | \$ 25,500        |
| Accounting fees  | -                | 6,000            |
| Consulting fees  | 7,200            | 8,400            |
| Management fees  | 48,000           | 46,000           |
| Marketing  | -                | 1,200            |
|  | <u>\$ 59,400</u> | <u>\$ 87,100</u> |

**Related party balances**

At June 30, 2023, due to related parties includes \$324,895 (2022 - \$307,495) for cash advances, fees, and expenses due to directors of the Company and to companies with directors in common with the Company. The amounts due to related parties are unsecured, non-interest-bearing, and have no fixed terms of repayment.

## SEGO RESOURCES INC.

### Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

#### 11. Supplemental Cash Flow Information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the years ended June 30, 2023 and 2022, the following non-cash transactions were excluded from the statements of cash flows:

##### During the year ended June 30, 2023:

- The Company reclassified \$15,250 from reserves to deficit on the expiry of warrants.
- The Company reclassified \$4,158 from reserves to deficit on the expiry of agent's options.
- The Company reclassified \$380,822 from reserves to deficit on the expiry of options.
- The Company reclassified \$2,389 from reserves to deficit on the cancellation of options.
- The Company accrued a BC Mining Exploration tax credit receivable of \$43,299.
- At June 30, 2023, the Company had \$4,675 in accounts payable and accrued liabilities related to exploration and evaluation assets.

##### During the year ended June 30, 2022:

- The Company reclassified \$27,474 from reserves to deficit on the expiry of warrants.
- The Company reclassified \$2,326 from reserves to deficit on the expiry of agent's options.
- The Company reclassified \$8,610 from reserves to share capital on the exercise of warrants and agent's options.
- The Company accrued a BC Mining Exploration tax credit receivable of \$106,794.
- The Company issued 234,990 agent's options with a fair value of \$11,750.
- At June 30, 2022, the Company had \$7,845 in accounts payable and accrued liabilities related to exploration and evaluation assets.

#### 12. Commitments

- The Company has entered into a year-to-year agreement with a company controlled by the Chief Executive Officer of the Company. The agreement provides for management fees at \$3,000 per month. The agreement also provides for additional geological consulting services on an as-needed basis.
- The Company has entered into a month-to-month rental agreement for its core shack at the Miner Mountain property at a rate of \$1,042 per month.

#### 13. Segmented Disclosure

The Company has one operating segment – the acquisition, exploration and evaluation of mineral properties located in the Province of British Columbia, Canada.

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**14. Capital Management**

The Company considers its capital to be comprised of shareholders' equity.

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

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There were no changes to the Company's approach to capital management during the years ended June 30, 2023 and 2022. The Company's risk management procedures and policies are detailed in Note 8.

**15. Income Taxes**

At June 30, 2023, the Company has accumulated non-capital losses for tax purposes of \$5,727,777 that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

|      |    |           |
|------|----|-----------|
| 2026 | \$ | 44,314    |
| 2027 |    | 184,479   |
| 2028 |    | 428,058   |
| 2029 |    | 416,211   |
| 2030 |    | 441,667   |
| 2031 |    | 493,049   |
| 2032 |    | 604,818   |
| 2033 |    | 438,140   |
| 2034 |    | 347,932   |
| 2035 |    | 224,257   |
| 2036 |    | 189,195   |
| 2037 |    | 178,494   |
| 2038 |    | 282,038   |
| 2039 |    | 358,875   |
| 2040 |    | 272,462   |
| 2041 |    | 238,167   |
| 2042 |    | 336,459   |
| 2043 |    | 249,162   |
|      | \$ | 5,727,777 |

**SEGO RESOURCES INC.**

## Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

(Stated in Canadian Dollars)

**15. Income Taxes (cont'd)**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2022 - 27%) to income or loss before income taxes. A reconciliation of income taxes at statutory rates with reported taxes for the years ended June 30, 2023 and 2022 is as follows:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Net loss for the year                                      | \$ (298,332) | \$ (337,771) |
| Statutory income tax rate                                  | 27%          | 27%          |
| Income tax benefit computed at statutory tax rate          | (80,550)     | (91,198)     |
| Non-deductible expenditures                                | 18,070       | 6,479        |
| Timing differences for renunciation of flow through shares | -            | 125,572      |
| Change to tax losses and tax offsets                       | 62,480       | (40,853)     |
| Income tax expense   | \$ -         | \$ -         |

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at June 30, 2023 and 2022 are presented below:

|   | 2023       | 2022       |
|---|------------|------------|
| Non-capital losses carried forward  | \$ 652,845 | \$ 652,845 |
| Excess of carrying value of mineral property interests over tax value of exploration expenditures | (652,845)  | (652,845)  |
|   | \$ -       | \$ -       |

The Company recognizes tax benefits on tax losses or other deductible amounts where it is probable the Company will generate future taxable income to utilize those tax assets.

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized at June 30, 2023 and 2022 are as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Non-capital losses carried forward                                    | \$ 3,309,832 | \$ 3,060,669 |
| Excess of undepreciated capital cost over carrying value of equipment | 104,667      | 88,873       |
| Investment tax credits  | 815,811      | 847,188      |
| Lease liability   | -            | 17,971       |
| Share issue costs   | 22,259       | 37,837       |
| Unrecognized deductible temporary differences                         | \$ 4,252,569 | \$ 4,052,538 |

***Flow-through Expenditures***

During the year ended June 30, 2022, the Company renounced exploration expenditures of \$465,080 to investors via a flow-through private placement. At June 30, 2022, the Company had incurred \$465,080 on eligible exploration expenditures. There were no flow-through expenditures renounced during the year ended June 30, 2023.