
ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2024

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2024 \$	May 31, 2024 \$
ASSETS			
Current assets			
Cash		104,445	119,951
Amounts receivable	4	1,424,832	1,867,523
GST/IVA tax receivables		1,004,582	1,129,736
Prepaid expenses and deposits		265,676	304,578
Inventories	5	<u>846,880</u>	<u>788,199</u>
Total current assets		<u>3,646,415</u>	<u>4,209,987</u>
Non-current assets			
Property, plant and equipment	7, 15	1,055,024	1,077,806
Right of use assets	8	<u>316,506</u>	<u>352,600</u>
Total non-current assets		<u>1,371,530</u>	<u>1,430,406</u>
TOTAL ASSETS		<u>5,017,945</u>	<u>5,640,393</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		15,135,102	17,273,360
Current portion of amounts payable to directors and officers	11	314,299	310,708
Current portion of lease liabilities	8	63,546	84,554
Current portion of amounts due	9	<u>574,938</u>	<u>589,845</u>
Total current liabilities		<u>16,087,885</u>	<u>18,258,467</u>
Non-current liabilities			
Non-current portion of amounts payable to directors and officers	11	1,114,420	1,108,300
Lease liabilities	8	292,070	332,514
Non-current portion of amounts due	9	18,795,996	18,670,187
Provision for site restoration	12	<u>1,348,324</u>	<u>1,389,104</u>
		<u>21,550,810</u>	<u>21,500,105</u>
TOTAL LIABILITIES		<u>37,638,695</u>	<u>39,758,572</u>
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	10	47,182,525	47,182,525
Share-based payments reserve		7,293,723	7,293,723
Contributed surplus		243,299	243,299
Deficit		<u>(87,340,297)</u>	<u>(88,837,726)</u>
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		<u>(32,620,750)</u>	<u>(34,118,179)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		<u>5,017,945</u>	<u>5,640,393</u>

Nature of Operations and Going Concern - See Note 1

Contingent Liability and Commitments - See Note 15

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 29, 2024 and are signed on its behalf by:

/s/ Eduardo Luna
Eduardo Luna
Director

/s/ Nick DeMare
Nick DeMare
Director

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended	
		August 31	
		2024	2023
		\$	\$
Revenue		3,394,231	3,701,296
Cost of operations			
Cost of sales		(3,436,328)	(3,381,830)
Depletion and amortization	7, 8	(119,790)	(134,523)
Provision for site restoration	12	<u>(30,951)</u>	<u>(31,897)</u>
Operating (loss) income		<u>(192,838)</u>	<u>153,046</u>
Expenses and other			
General and administration		(183,843)	(226,471)
Financing expenses	9	(216,924)	(213,305)
Accretion of interest on lease liabilities	8	(20,136)	(29,243)
Foreign exchange		2,214,200	(54,801)
Impairment of exploration and evaluation assets	6	<u>(103,030)</u>	<u>(78,801)</u>
		<u>1,690,267</u>	<u>(602,621)</u>
Net income (loss) and comprehensive income (loss) for the period		<u>1,497,429</u>	<u>(449,575)</u>
Basic and diluted income (loss) per common share		<u>\$0.03</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>47,144,125</u>	<u>47,144,125</u>

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31, 2024					Total Shareholders' Equity (Deficit) \$
	Share Capital		Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	
	Number of Shares	Amount \$				
Balance at May 31, 2024	47,144,125	47,182,525	7,293,723	243,299	(88,837,726)	(34,118,179)
Net income for the period	-	-	-	-	1,497,429	1,497,429
Balance at August 31, 2024	<u>47,144,125</u>	<u>47,182,525</u>	<u>7,293,723</u>	<u>243,299</u>	<u>(87,340,297)</u>	<u>(32,620,750)</u>

	Three Months Ended August 31, 2023					Total Shareholders' Equity (Deficit) \$
	Share Capital		Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	
	Number of Shares	Amount \$				
Balance at May 31, 2023	47,144,125	47,182,525	7,293,723	243,299	(83,690,227)	(28,970,680)
Net loss for the period	-	-	-	-	(449,575)	(449,575)
Balance at August 31, 2023	<u>47,144,125</u>	<u>47,182,525</u>	<u>7,293,723</u>	<u>243,299</u>	<u>(84,139,802)</u>	<u>(29,420,255)</u>

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended	
	August 31,	
	2024	2023
	\$	\$
Operating activities		
Net income (loss) for the period	1,497,429	(449,575)
Adjustments for:		
Depletion and amortization	119,790	134,523
Provision for site restoration	30,951	31,897
Financing expense	216,924	213,305
Foreign exchange	(177,753)	(195,238)
Accretion of interest on lease liabilities	20,136	29,243
Impairment of exploration and evaluation assets	103,030	78,801
Changes in non-cash working capital items:		
Amounts receivable	442,691	(637,502)
GST/IVA tax receivable	125,154	6,212
Prepaid expenses and deposits	38,902	16,079
Inventories	(58,681)	(75,436)
Accounts payable and accrued liabilities	(2,138,258)	823,239
Amounts payable to directors and officers	9,711	507
Net cash provided by (used in) operating activities	<u>230,026</u>	<u>(23,945)</u>
Investing activities		
Additions to property, plant and equipment	(60,914)	-
Expenditures on exploration and evaluation assets	(103,030)	(78,801)
Net cash used in investing activities	<u>(163,944)</u>	<u>(78,801)</u>
Financing activities		
Payments on lease liabilities	(81,588)	(75,715)
Advance received	-	173,433
Net cash (used in) provided by financing activities	<u>(81,588)</u>	<u>97,718</u>
Net change in cash	(15,506)	(5,028)
Cash at beginning of period	<u>119,951</u>	<u>181,520</u>
Cash at end of period	<u>104,445</u>	<u>176,492</u>

Supplemental cash flow information - Note 16

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

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Rochester Resources Ltd. (the “Company”) was incorporated on September 7, 1989 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the TSX Venture Exchange (“TSXV”) under the symbol “RCT”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is engaged in the exploration and development of its mineral property interests in Mexico. The mineral exploration and development business involves, by its nature, a high degree of risk and there can be no assurance that the current operations or exploration projects will result in sustainable profitable mining operations. All of the Company’s exploration and evaluation assets and property, plant and equipment are located in Mexico, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

As at August 31, 2024, the Company had a working capital deficit of \$12,441,470 and non-current liabilities of \$21,550,810. The Company has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San Francisco and Santa Fe properties. The Company is also in the process of resolving a dispute resulting from government audits and, as a result, has relied on ongoing advances from officers of the Company. See also Notes 9(e) and 15(a). The Company’s ongoing operations are dependent on extracting mineralized material from the Mina Real and San Francisco properties and, therefore, on the Company’s ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company’s ability to continue as a going concern is dependent upon the market prices of silver and gold, its ability to improve its operations to maintain positive operating cash flow from the Mina Real and San Francisco properties on a consistent basis and to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company’s ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Basis of Measurement

The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
ALB Holdings Ltd. ("ALB")	Canada	100%
Mina Real Mexico S.A. de C.V. ("Mina Real")	Mexico	100%
Compania Minera Santa Fe S.A. de C.V. ("Compania Minera")	Mexico	70%

3. Material Accounting Policies

These condensed consolidated interim financial statements have been prepared on a basis consistent with the material accounting policies disclosed in the consolidated financial statements for the year ended May 31, 2024. Accordingly, they should be read in conjunction with the consolidated financial statements for the year ended May 31, 2024.

Accounting Standards and Interpretations Issued but Not Yet Effective

IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any other standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

4. Amounts Receivable

	August 31, 2024 \$	May 31, 2024 \$
Production receivable	1,289,370	1,771,681
Other	135,462	95,842
	<u>1,424,832</u>	<u>1,867,523</u>

5. Inventories

	August 31, 2024 \$	May 31, 2024 \$
Mineralized material in process	426,115	394,542
Mine stores, supplies and other	420,765	393,657
	<u>846,880</u>	<u>788,199</u>

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	Santa Fe Property \$
Balance at May 31, 2023	<u>-</u>
Acquisition costs	
Mineral claims	485,850
Option payments	<u>162,180</u>
	<u>648,030</u>
Impairment	<u>(648,030)</u>
Balance at May 31, 2024	<u>-</u>
Acquisition costs	
Mineral claims	60,731
Option payments	<u>42,299</u>
	<u>103,030</u>
Impairment	<u>(103,030)</u>
Balance at August 31, 2024	<u>-</u>

Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. To date, the Company has conducted limited exploration on the Santa Fe Property. The agreement was disputed by the 30% concession owners and the court has ordered the Company to return the Santa Fe property concession to the 30% concession owners, pay the ongoing monthly fee of US \$10,000 to the 30% concession until the concession is returned, pay US \$261,000 for a historical extraction and dissolve the Company's subsidiary Compania Minera. The Company is currently in the negotiation process with the 30% concession owners. During fiscal 2024 the Company made total payments of US \$190,000. As at August 31, 2024 US \$401,000 (May 31, 2024 - US \$371,000) remained unpaid and is included in accounts payable and current liabilities.

During fiscal 2016 the Company assessed whether an impairment was required with respect to the Santa Fe Property as required by IFRS 6. In making the assessment management considered the Company's financial situation and its inability to implement an exploration work program. As a result the Company recorded an impairment charge to reduce the carrying value to \$nil. The Company continues to record impairment charges for all subsequent costs incurred and capitalized on the Santa Fe Property to maintain the carrying value at \$nil.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Balance, May 31, 2023	33,934,944	2,692,313	3,566,241	7,774,403	47,967,901
Additions	-	-	-	4,031	4,031
Balance, May 31, 2024	33,934,944	2,692,313	3,566,241	7,778,434	47,971,932
Additions	-	-	-	60,914	60,914
Balance, August 31, 2024	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,566,241</u>	<u>7,839,348</u>	<u>48,032,846</u>
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2023	(33,934,944)	(2,692,313)	(3,226,968)	(6,717,301)	(46,571,526)
Depletion and amortization	-	-	(48,377)	(274,223)	(322,600)
Balance, May 31, 2024	(33,934,944)	(2,692,313)	(3,275,345)	(6,991,524)	(46,894,126)
Depletion and amortization	-	-	(12,094)	(71,602)	(83,696)
Balance, August 31, 2024	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,287,439)</u>	<u>(7,063,126)</u>	<u>(46,977,822)</u>
Carrying value:					
Balance, May 31, 2024	-	-	290,896	786,910	1,077,806
Balance, August 31, 2024	-	-	278,802	776,222	1,055,024

The Company holds 100% undivided interests in the Mina Real and San Francisco properties. The Mina Real Property comprises 11 concessions and one mineral claim located near Tepic, Mexico. The San Francisco Property comprises twelve concessions located approximately 60 kilometres west of the Company's mill on the Mina Real Property.

See also Note 15(a).

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(Unaudited - Expressed in Canadian Dollars)

8. Right of Use Assets

Cost:	Land	Buildings	Mill & Mine Equipment	Total
	\$	\$	\$	\$
Balance, May 31, 2023	214,631	118,848	532,354	865,833
Additions	<u>55,602</u>	<u>-</u>	<u>-</u>	<u>55,602</u>
Balance, May 31, 2024 and August 31, 2024	<u>270,233</u>	<u>118,848</u>	<u>532,354</u>	<u>921,435</u>
Accumulated amortization:				
Balance, May 31, 2023	(30,807)	(24,758)	(315,439)	(371,004)
Amortization	<u>(19,100)</u>	<u>(11,886)</u>	<u>(166,845)</u>	<u>(197,831)</u>
Balance, May 31, 2024	(49,907)	(36,644)	(482,284)	(568,835)
Amortization	<u>(6,226)</u>	<u>(2,971)</u>	<u>(26,897)</u>	<u>(36,094)</u>
Balance, August 31, 2024	<u>(56,133)</u>	<u>(39,615)</u>	<u>(509,181)</u>	<u>(604,929)</u>
Carrying value:				
Balance, May 31, 2024	<u>220,326</u>	<u>82,204</u>	<u>50,070</u>	<u>352,600</u>
Balance, August 31, 2024	<u>214,100</u>	<u>79,233</u>	<u>23,173</u>	<u>316,506</u>

The Company has lease contracts for various land, housing and vehicles. It does not have any subleases. As at August 31, 2024 lease liabilities have a remaining lease term of approximately ten years or less and were determined using an effective interest rate of 20%. The undiscounted cash flows over the remaining lease term are approximately \$639,905 (May 31, 2024 - \$775,093).

	Three Months Ended August 31,	
	2024 \$	2023 \$
Balance, beginning of period	417,068	577,518
Additions	-	18,780
Accretion of interest	20,136	29,243
Payments	<u>(81,588)</u>	<u>(75,715)</u>
Balance, end of period	<u>355,616</u>	<u>549,826</u>
Current portion of lease liabilities	63,546	178,036
Non-current portion of lease liabilities	<u>292,070</u>	<u>371,790</u>
Total lease liabilities	<u>355,616</u>	<u>549,826</u>

During the three months ended August 31, 2024 the Company recorded accretion of interest on lease liabilities of \$20,136 (2023 - \$29,243).

As at August 31, 2024 the total of future minimum lease payments under leases are as follows:

	\$
Less than one year	126,891
Greater than one year	<u>513,014</u>
	<u>639,905</u>

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

9. Amounts Due

The Company had received ongoing loans and advances, incurred indebtedness and issued debentures with its shareholders and current and former directors of the Company. The loans, advances, debentures, indebtedness and accrued interest (the “Amounts Due”) were payable on demand and were classified as current liabilities as at May 31, 2022. Certain holders of the Amounts Due agreed that they would not demand repayment until June 1, 2025 and accordingly, the Company has reclassified these amounts as non-current liabilities.

	9% Advances \$	12% Advances \$	Debentures \$	Indebtedness \$	Advances \$	Total \$
Principal						
Balance, May 31, 2023	949,763	3,337,521	225,000	3,631,000	-	8,143,284
Additions	-	-	-	-	2,710,778	2,710,778
Repayments	-	-	-	-	(2,378,772)	(2,378,772)
Foreign exchange adjustment	1,300	8,312	-	-	(34,419)	(24,807)
Balance, May 31, 2024	951,063	3,345,833	225,000	3,631,000	297,587	8,450,483
Foreign exchange adjustment	(5,582)	(35,695)	-	-	(14,276)	(55,553)
Balance, August 31, 2024	<u>945,481</u>	<u>3,310,138</u>	<u>225,000</u>	<u>3,631,000</u>	<u>283,311</u>	<u>8,394,930</u>
Interest						
Balance, May 31, 2023	1,121,829	3,738,155	1,615,496	3,462,578	-	9,938,058
Interest expense	85,342	398,436	45,123	327,685	-	856,586
Foreign exchange adjustment	1,665	13,240	-	-	-	14,905
Balance, May 31, 2024	1,208,836	4,149,831	1,660,619	3,790,263	-	10,809,549
Interest expense	21,621	101,592	11,342	82,369	-	216,924
Foreign exchange adjustment	(5,731)	(44,738)	-	-	-	(50,469)
Balance, August 31, 2024	<u>1,224,726</u>	<u>4,206,685</u>	<u>1,671,961</u>	<u>3,872,632</u>	<u>-</u>	<u>10,976,004</u>
Total amounts due						
As at May 31, 2024						
Current portion	-	58,970	233,288	-	297,587	589,845
Non-current portion	<u>2,159,899</u>	<u>7,436,694</u>	<u>1,652,331</u>	<u>7,421,263</u>	<u>-</u>	<u>18,670,187</u>
	<u>2,159,899</u>	<u>7,495,664</u>	<u>1,885,619</u>	<u>7,421,263</u>	<u>297,587</u>	<u>19,260,032</u>
As at August 31, 2024						
Current portion	-	58,339	233,288	-	283,311	574,938
Non-current portion	<u>2,170,207</u>	<u>7,458,484</u>	<u>1,663,673</u>	<u>7,503,632</u>	<u>-</u>	<u>18,795,996</u>
	<u>2,170,207</u>	<u>7,516,823</u>	<u>1,896,961</u>	<u>7,503,632</u>	<u>283,311</u>	<u>19,370,934</u>

- (a) The 9% Advances bear interest at a rate of 9% per annum.
- (b) The 12% Advances bear interest at a rate of 12% per annum.
- (c) Principal amounts under a secured debenture financing (the “Debentures”) are subject to a monthly interest charge equivalent to \$12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company’s San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment based on 6.4% per annum and a maximum payment based on 20% per annum.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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9. Amounts Due (continued)

- (d) The indebtedness (the “Indebtedness”) is secured by the assets of the Company and interest is calculated at 9% per annum.
- (e) On August 7, 2023 the Mexican state of Nayarit’s Secretary of Administration and Finance (“Nayarit SAF”) initiated steps seeking to collect amounts owing relating to the ongoing dispute, as described in Note 15(a). The Company is in the process of pledging security of its office building in Tepic to the Nayarit SAF to satisfy collection efforts. As a result of these collection efforts, as at May 31, 2024 the Company received loan advances totalling \$2,710,778 (US \$1,992,849) from its Chairman and CEO to provide short-term funding to the Company while it resolves the dispute. In January 2024 the Company repaid \$2,378,772 (US \$1,782,849) on advances received.

10. Share Capital

(a) ***Authorized Share Capital***

The Company’s authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

The Company did not conduct any equity financings during the three months ended August 31, 2024 or fiscal 2024

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at August 31, 2024 and 2023 and the changes for the three months ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of period	-	-	1,843,243	0.075

No warrants were outstanding as of August 31, 2024.

(d) ***Share Option Plan***

The Company has established a rolling share option plan (the “Plan”) in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years. The Plan permits the holder of share options to exercise cashless (net exercise) by surrendering a portion of the underlying share option shares to pay for the exercise cost.

No share options were granted during the three months ended August 31, 2024 or 2023.

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10. Share Capital (continued)

A summary of the Company's share options at August 31, 2024 and 2023 and the changes for the three months ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	-	-	2,105,000	0.05
Expired	-	-	<u>(2,005,000)</u>	0.05
Balance, end of period	<u>-</u>	-	<u>100,000</u>	0.05

No share options were outstanding as of August 31, 2024.

11. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company considers its key management to consist of the Company's Chairman, the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"). During the three months ended August 31, 2024 the Company incurred \$12,191 (2023 - \$12,172) for compensation to the CEO and CFO of the Company. No fees were incurred with respect of the Chairman, during the three months ended August 31, 2024 or 2023. As at August 31, 2024 \$1,194,219 (May 31, 2024 - \$1,191,008) remained unpaid.

(b) *Transactions with Other Related Parties*

(i) During the three months ended August 31, 2024 the Company incurred \$3,000 (2023 - \$3,000) for compensation to non-executive directors and an officer of the Company. As at August 31, 2024 \$227,000 (May 31, 2024 - \$228,000) remained unpaid.

(ii) During the three months ended August 31, 2024 the Company incurred a total of \$16,420 (2023 - \$12,250) to Chase Management Ltd. ("Chase"), a private corporation owned by the CEO of the Company, for accounting and administration services provided by Chase personnel, excluding the CEO. As at August 31, 2024 \$7,500 (May 31, 2024 - \$nil) remained unpaid.

As at August 31, 2024 \$1,428,719 (May 31, 2024 - \$1,419,008) remained unpaid. The Chairman and CEO of the Company agreed to not demand repayment of \$1,114,420 (May 31, 2024 - \$1,108,300) until June 1, 2025, as follows:

	August 31, 2024 \$	May 31, 2024 \$
Current portion of amounts payable to directors and officers	314,299	310,708
Non-current portion of amounts payable to directors and officers	<u>1,114,420</u>	<u>1,108,300</u>
	<u>1,428,719</u>	<u>1,419,008</u>

See also Note 9.

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12. Provision for Site Restoration

	Three Months Ended	
	August 31,	
	2024	2023
	\$	\$
Balance, beginning of period	1,389,104	1,431,772
Accretion	30,951	31,897
Foreign exchange	<u>(71,731)</u>	<u>(148,606)</u>
Balance, end of period	<u>1,348,324</u>	<u>1,315,063</u>

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation at August 31, 2024 was US \$1,285,000 (May 31, 2024 - US \$1,285,000) which, as at August 31, 2024, has been discounted using a credit adjusted pre-tax risk free rate of 9.74% (2023 - 9.10%) and an inflation rate of 4.99% (2023 - 4.64%). The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. The settlement of the obligation is anticipated to occur primarily in fiscal 2030.

13. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized cost; and fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	August 31, 2024 \$	May 31, 2024 \$
Cash	FVTPL	104,445	119,951
Amounts receivable	Amortized cost	1,424,832	1,867,523
Accounts payable and accrued liabilities	Amortized cost	(15,135,102)	(17,273,360)
Amounts payable to directors and officers	Amortized cost	(1,428,719)	(1,419,008)
Lease liabilities	Amortized cost	(355,616)	(417,068)
Amounts due	Amortized cost	(19,370,934)	(19,260,032)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, amounts payable to directors and officers, and amounts due approximate their fair value due to their short-term nature. The recorded amounts for lease liabilities and amounts due approximate fair value and they have interest at market rates for similar debt. The Company's fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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13. Financial Instruments and Risk Management (continued)

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote. Amounts receivable are due from one customer.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company's ability to manage this risk is affected by low grades of mineralized material and operational challenges. See Note 1. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at August 31, 2024				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$
Cash	104,445	104,445	104,445	-	-
Amounts receivable	1,424,832	1,424,832	1,424,832	-	-
Accounts payable and accrued liabilities	(15,135,102)	(15,135,102)	(15,135,102)	-	-
Amounts payable to directors and officers	(1,428,719)	(1,428,719)	-	(1,428,719)	-
Lease liabilities	(355,616)	(355,616)	(15,887)	(47,659)	(292,070)
Amounts due	(19,370,934)	(19,370,934)	-	(19,370,934)	-

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears a floating rate of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk

The Company is subject to risk from fluctuations in the market prices of silver and gold. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices decline for a prolonged period below the cost of production of the Company's Mina Real mine, it may not be economically feasible to continue production.

The Company does not hedge silver and gold prices.

(c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and the Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The Company also has advances denominated in US Dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. At August 31, 2024, 1 Canadian Dollar was equal to 14.58 Mexican Pesos and 0.74 US Dollar.

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13. Financial Instruments and Risk Management (continued)

Balances are as follows:

	Mexican Pesos	United States Dollars	CDN \$ Equivalent
Cash	1,052,766	16,756	94,850
Amounts receivable	3,249,056	948,875	1,424,832
IVA tax receivable	14,628,719	-	1,003,342
Inventories	12,350,591	-	846,880
Accounts payable and accrued liabilities	(210,410,854)	(520,085)	(14,572,608)
Amounts payable to directors and officers	-	(59,150)	(79,932)
Amounts due	-	<u>(6,463,864)</u>	<u>(8,734,952)</u>
	<u>(179,129,722)</u>	<u>(6,077,468)</u>	<u>(20,017,588)</u>

Based on the net exposures as of August 31, 2024 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's comprehensive income (loss) being approximately \$2,513,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. Segmented Information

The Company operates in one reportable segment, the acquisition, exploration and development of exploration and evaluation assets. The Company's mineral operations are located in Mexico and its corporate assets, comprising mainly of cash, are located in Canada.

	<u>August 31, 2024</u>		
	Non-current Assets \$	Revenues \$	Net Income (Loss) \$
Mineral operations (Mexico)	1,371,530	3,394,231	1,753,294
Corporate (Canada)	-	-	<u>(255,865)</u>
	<u>1,371,530</u>	<u>3,394,231</u>	<u>1,497,429</u>
	<u>May 31, 2024</u>		
	Non-current Assets \$	Revenues \$	Net Loss \$
Mineral operations (Mexico)	1,430,406	12,699,164	(4,097,757)
Corporate (Canada)	-	-	<u>(1,049,742)</u>
	<u>1,430,406</u>	<u>12,699,164</u>	<u>(5,147,499)</u>

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15. Contingent Liability and Commitments

- (a) From time to time the Company becomes involved in various claims and litigation, including various governmental audits, as part of the normal course of operations. The Company continues to work with legal counsel to review and respond to the reassessment and, as at August 31, 2024, has accrued a provision of \$750,000 (May 31, 2024 - \$750,000). The Company has pledged the Mexican office building with an assessed value of \$690,000 and has paid a cash deposit of \$210,000 related to the ongoing litigation with the Mexican state of Nayarit's Secretary of Administration and Finance.
- (b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at August 31, 2024 \$5,350,690 (May 31, 2024 - \$5,958,636) of government concession payments remained unpaid and are included in accounts payable and accrued liabilities.
- (c) The Company has only made partial concession payments on the Santa Fe Property, as described in Note 6.

16. Supplemental Cash Flow Information

During the three months ended August 31, 2024 and 2023 non-cash activities were conducted by the Company as follows:

	2024 \$	2023 \$
Operating activities		
Impairment of exploration and evaluation assets	103,030	78,801
Lease liabilities	-	18,980
	<u>103,030</u>	<u>97,781</u>
Investing activities		
Expenditures on exploration and evaluation assets	(103,030)	(78,801)
Additions to right of use assets	-	(18,980)
	<u>(103,030)</u>	<u>(97,781)</u>