# HOMERUN RESOURCES INC.

**Condensed Consolidated Interim Financial Statements**

**Nine Months Ended September 30, 2023 and 2022**

**(unaudited – prepared by the management)**

**(Expressed in Canadian Dollars)**

# NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the 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 independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# HOMERUN RESOURCES INC.

**Condensed Consolidated Interim Statements of Financial Position**
**As at September 30, 2023 and December 31, 2022**

| | Notes | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash | | $ | **637,542** | $ | 489 |
| GST receivable | | | **6,591** | | 4,985 |
| Prepaid expenses | 5 | | **71,393** | | 112,542 |
| | | | **715,526** | | 118,016 |
| Exploration and evaluation assets | 6 | | **292,000** | | 40,000 |
| **TOTAL ASSETS** | | $ | **1,007,526** | $ | 158,016 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable | 7,10 | $ | **608,146** | $ | 913,830 |
| Accrued liabilities | 6,7,10 | | **368,088** | | 138,088 |
| Loans payable | 8 | | **69,750** | | 69,750 |
| | | | **1,045,984** | | 1,121,668 |
| Shareholders' equity (deficiency) | | | | | |
| Share capital | 3,8 | | **25,894,415** | | 24,134,820 |
| Contributed surplus | 3 | | **2,184,708** | | 2,067,537 |
| Deficit | | | **(28,117,581)** | | (27,166,009) |
| | | | **(38,458)** | | (963,652) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | $ | **1,007,526** | $ | 158,016 |

**Nature of operations and going concern (Note 1)**

**Subsequent event (Note 11)**

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

*"Brian Leeners"*
**Director**

*"Gregory Pearson"*
**Director**

# HOMERUN RESOURCES INC.

**Condensed Consolidated Interim Statements of Comprehensive Loss**
**For the Nine Months Ended September 30, 2023 and 2022**

| | | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|---|
| **Expenses** | Note | | | | |
| Consulting and management fees | 7 | $ **89,570** | $ 75,000 | $ **272,570** | $ 226,500 |
| Exploration and evaluation expenditures | 6 | **420** | 29,529 | **65,894** | 109,705 |
| Foreign exchange (gain) loss | | **(4,366)** | 6,946 | **(2,381)** | 8,659 |
| Marketing and investor relation | | **65,943** | 75,000 | **234,124** | 75,000 |
| Office and miscellaneous | 7 | **55,446** | 31,307 | **132,666** | 97,098 |
| Professional fees | 7 | **11,334** | 13,230 | **59,499** | 83,198 |
| Stock-based compensation | | **29,807** | - | **131,285** | 292,500 |
| Transfer agent and filing fees | | **53,814** | 7,336 | **57,915** | 34,953 |
| | | **301,968** | 238,348 | **951,572** | 927,613 |
| **Other loss** | | | | | |
| Write-off exploration and evaluation asset | | **-** | 145,398 | **-** | 145,398 |
| Comprehensive loss for the period | | $ **(301,968)** | $ (383,746) | $ **(951,572)** | $ (1,073,011) |
| Basic and diluted loss per share | | $ **(0.01)** | $ (0.01) | $ **(0.02)** | $ (0.03) |
| Weighted average number of common shares outstanding | | **47,504,643** | 35,513,276 | **43,832,872** | 33,004,564 |

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

# HOMERUN RESOURCES INC.

**Condensed Consolidated Interim Statements of Cash Flows**
**For the Nine Months Ended September 30, 2023 and 2022**

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | | **2023** | | 2022 |
| **Operating activities** | | | | |
| Comprehensive loss for the period | **$** | **(951,572)** | $ | (1,073,011) |
| Items not affecting cash: | | | | |
| Impairment of exploration and evaluation asset | | **-** | | 145,398 |
| Stock-based compensation | | **131,285** | | 292,500 |
| Changes in non-cash working capital items: | | | | |
| GST receivable | | **(1,605)** | | (4,639) |
| Prepaid expenses | | **41,149** | | (225,000) |
| Accounts payable | | **(305,685)** | | 15,420 |
| Accrued liabilities | | **(22,000)** | | (25,427) |
| **Cash used in operating activities** | | **(1,108,428)** | | (874,759) |
| **Investing activities** | | | | |
| Exploration and evaluation asset | | **-** | | (21,058) |
| **Cash used in investing activities** | | **-** | | (21,058) |
| **Financing activities** | | | | |
| Shares issued for cash | | **751,400** | | 402,164 |
| Share subscriptions received | | **-** | | 9,000 |
| Share issued from stock options exercise | | **20,000** | | - |
| Share issued from warrants exercise | | **974,081** | | 395,073 |
| **Cash provided by financing activities** | | **1,745,481** | | 806,237 |
| Net increase (decrease) in cash | | **637,053** | | (89,580) |
| Cash, beginning of the period | | **489** | | 99,547 |
| Cash, end of the period | **$** | **637,542** | $ | 9,967 |
| Non-cash activities | | | | |
| Shares to be issued for exploration and evaluation assets | **$** | **252,000** | $ | - |

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

# HOMERUN RESOURCES INC.

**Condensed Consolidated Interim Statements of Changes in Shareholder's Equity**
**For the Nine Months Ended September 30, 2023 and 2022**

| | Number of common shares outstanding | | Share capital | | Share Subscription received | | Contributed surplus | | Deficit | | Total Shareholders' Deficiency |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2022 | **35,765,233** | **$** | **24,134,820** | **$** | **-** | **$** | **2,067,537** | **$** | **(27,166,009)** | **$** | **(963,652)** |
| Share issued for cash (Note 8a) | **7,514,000** | | **751,400** | | **-** | | **-** | | **-** | | **751,400** |
| Share issued – warrants exercise (Note 8a) | **4,355,406** | | **974,081** | | **-** | | **-** | | **-** | | **974,081** |
| Share issued – stock options exercise (Note 8a) | **200,000** | | **34,114** | | **-** | | **(14,114)** | | **-** | | **20,000** |
| Share-based compensation (Note 8b) | **-** | | **-** | | **-** | | **131,285** | | **-** | | **131,285** |
| Net and comprehensive loss for the period | **-** | | **-** | | **-** | | **-** | | **(951,572)** | | **(951,572)** |
| Balance, September 30, 2023 | **47,334,639** | **$** | **25,894,415** | **$** | **-** | **$** | **2,184,708** | **$** | **(28,117,581)** | **$** | **(38,458)** |
| | | | | | | | | | | | |
| Balance, December 31, 2021 | 28,731,207 | $ | 23,195,706 | $ | 100,377 | $ | 1,856,824 | $ | (25,929,418 | $ | (776,511) |
| Share issued for cash | 4,025,406 | | 511,541 | | (100,377) | | - | | - | | 411,164 |
| Share issued – warrants exercise | 2,633,820 | | 395,073 | | - | | - | | - | | 395,073 |
| Share issued for finder's share | 64,800 | | 6,480 | | - | | - | | - | | 6,480 |
| Share issue cost | - | | (6,480) | | - | | - | | - | | (6,480) |
| Share-based compensation | - | | - | | - | | 292,500 | | - | | 292,500 |
| Share issued for acquisition of E&E asset | 250,000 | | 25,000 | | - | | - | | - | | 25,000 |
| Net and comprehensive income for the period | - | | - | | - | | - | | (1,073,011) | | (1,073,011) |
| Balance, September 30, 2022 | 32,455,233 | $ | 24,127,320 | $ | - | $ | 2,149,324 | $ | (27,002,429) | $ | (725,785) |

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

## 1. Nature of operations and going concern

Homerun Resources Inc. ("the Company") was incorporated in British Columbia on October 21, 1980. The Company is a public company listed on the TSX Venture Exchange ("TSX-V") as mineral exploration issuer under the trading symbol "HMR". On August 16, 2021, the Company changed its name to Homerun Resources Inc. from Envirotek Remediation Inc. The principal business activity of the Company is mineral exploration and development. The corporate head office and registered records office of the Company is located at Suite 2110, 650 West Georgia Street, Vancouver, B.C., V6B 4N9.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at September 30, 2023, the Company had no source of operating cash flows, working capital deficit of $78,458 (December 31, 2022 - $1,003,652), and had an accumulated deficit of $28,117,581 (December 31, 2022 - $27,166,009). The Company expects to incur further losses in the development of its business. These factors cast substantial doubt about the Company's ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the fiscal year. Continued operations are dependent on the Company's ability to complete equity or debt financings. The consolidated 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 operations as a going concern. Such adjustments could be material.

## 2. Basis of preparation

### a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary AKA Ventures USA Inc. All inter-company transactions have been eliminated upon consolidation. The Board of Directors approved these consolidated financial statements on November 24, 2023.

### b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

### c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting year. Estimates and judgments 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. Actual results may differ from these estimates.

The key critical judgment and sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are as follows:

Going concern

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. Refer to note 1 for more details.

## 2. Basis of preparation (continued)

*Key sources of estimation uncertainty:*

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning 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.

Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock-based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

*Recent accounting pronouncements*

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 3. Capital management

The Company classifies its share capital and contributed surplus as capital. When managing capital, the Company's objective is to ensure the Company continues as a going concern as well as to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish qualitative 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 is dependent upon external financing to fund its activities. In order to carry out its business activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## 4. Financial instruments and financial risk management

### a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature.

### b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

**4. Financial instruments and financial risk management (continued)**

**b) Fair value hierarchy (continued)**

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 (that is, as prices) or indirectly (that is, derived from prices); and

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

The Company's financial instruments are carried at amortized cost with the exception of cash. Cash is measured using level 1 inputs.

There were no transfers between levels 1 and 2 during the period.

**c) Financial risks**

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received in cash, which is invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. Therefore, interest rate risk is considered minimal.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to accounts payable that are denominated in US dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. As at September 30, 2023, the Company had negligible financial assets or liabilities denominated in a foreign currency.

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Credit risk is assessed as minimal.

(v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining cash. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short-term and long-term obligations. As at September 30, 2023, the Company did not have sufficient cash on hand to pay its short-term creditors although it does not generate cash from its operations. Liquidity risk is considered high.

**5. Prepaid expenses**

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Prepaid – vendors | $ 71,393 | $ 112,542 |

## 6. Exploration and evaluation assets

### Tatooine Silica Project, Brisco, British Columbia Canada

On September 8, 2022, the Company (the optionee) entered into a Definitive Agreement with ClaimHunt Inc. ("CHI"), the optionor. The Company has the option to purchase up to 100% interest in the Tatooine Silica Project in British Columbia, Canada.

Under the terms of the agreement, the Company can earn a 100% interest in the claims if the following cash payments, work expenditures and share issuances are met by the dates specified:

- The Company will pay $7,500 (paid) and issue 250,000 common shares (issued with a fair value of $32,500) of the Company to CHI on execution of the Definitive Agreement.
- The Company will issue a further 300,000 common shares of the Company to CHI on or before the 1st anniversary (September 8, 2023) of the Definitive Agreement (shares to be issued with a fair value of $252,000).
- The Company will spend a cumulative $100,000 in work expenditures and issue a further 300,000 common shares of the Company to CHI on or before the 2nd anniversary (September 8, 2024) of the Definitive Agreement.
- The Company will issue a further 300,000 common shares of the Company to CHI on or before the 3rd anniversary (September 8, 2025) of the Definitive Agreement.
- The Company will spend a cumulative $200,000 in work expenditures and issue a further 300,000 common shares of the Company to CHI on or before the 4th anniversary (September 8, 2026) of the Definitive Agreement.

The continuity of the Company's acquisition costs for the nine month period ended September 30, 2023, and December 31, 2022 are as follows:

| Acquisition Costs | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Balance, opening | $ | 40,000 | $ | - |
| Cash payments | | - | | 7,500 |
| Share-based payments | | 252,000 | | 32,500 |
| Balance, ending | $ | 292,000 | $ | 40,000 |

### Quartz Silica Sand Supply, Brazil

On July 22, 2023, Homerun Resources Inc. entered into a material supply agreement between Homerun Resources and the vendor detailing the operational terms regarding the supply of high-purity silica sand sourced from the vendor's district-scale, fully permitted project in Bahia, Brazil. Under the Agreement, the purchase price has been set at US$20.00 per tonne, net of Homerun's obligation to cover recoverable costs and applicable taxes. The applicable taxes in Brazil are dependent on customer jurisdiction both domestically and for international shipments. Recoverable costs are dependent on whether the mode of operation is service contractor or internal capital equipment or equipment lease. This is yet to be determined.

For nine months ended September 30, 2023, the Company's exploration and evaluation expenditures recognized on the statements of comprehensive loss are as follows:

| Exploration and evaluation expenditures | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Project management fees | $ | 88,945 | $ | 67,500 |
| Project engineer | | 4,166 | | - |
| Assays | | 474 | | 11,536 |
| Geophysical survey cost | | 9,500 | | - |
| Project review | | 20,000 | | 30,669 |
| Cost recovery | | (57,191) | | - |
| Total | $ | 65,894 | $ | 109,705 |

## 7. Related party transactions

The amounts payable to related parties summarized as above were included in accounts payable and accrued liabilities. Balance owning are unsecured, non-interest bearing and have no specified terms of repayment.

During the nine months ended September 30, 2023 and 2022, the Company entered into transactions with the related parties as below:

| Name | Relationship | Nature of Transaction | Fees incurred for the three months ended Sept. 30, 2023 | Fees incurred for the three months ended Sept. 30, 2022 | Balance payable at Sept. 30, 2023 | Balance payable at December 31, 2022 |
|---|---|---|---|---|---|---|
| Nexvu Services Inc. | Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders | Rent and corporate services | $ 90,000 | $ 90,000 | $ 24,540 | $ 78,576 |
| Nexvu Capital Corporation | Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders | Demand loan | - | - | 2,000 | 2,000 |
| Brian Leeners | Chief executive officer and director | Management services | 135,000 | 90,000 | 27,980 | 100,480 |
| Global Link Capital | Greg Pearson, director of the Company, is a shareholder | Management services | 108,000 | 90,000 | 980 | 100,480 |
| Gordon J. Fretwell, Law Corporation | Gordon Fretwell is a shareholder of Nexvu Capital Corporation. | Legal services | 6,000 | 71,401 | 106,906 | 175,906 |
| AE Financial Management Ltd. | Edward Low, chief financial officer, is a shareholder | Accounting services | 31,500 | 31,500 | 36,063 | 57,588 |
| | | | $ 370,500 | $ 372,901 | $ 198,469 | $ 515,030 |

## 8. Share capital

Authorized: Unlimited common voting shares, without par value.

### a. Share issuance - private placement

Nine Months Ended September 30, 2023

On March 2, 2023, the Company completed a non-brokered private placement for gross proceeds of $751,400 by issuing 7,514,000 units at a price of $0.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant being exercisable at $0.20 per common share for a period of 24 months from the date of issuance. The warrants will be subject to the right of the company to accelerate the exercise period of the warrants if shares of the company trade at or above $0.50 for a period of 10 consecutive trading days.

September Months Ended September 30, 2022

On January 25, 2022, the Company completed a non-brokered private placement for gross proceeds of $202,541 by issuing 2,025,406 units at a price of $0.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant being exercisable at $0.20 per common share for a period of 12 months from the date of issuance. The warrants are subject to the right of the company to accelerate the exercise period of the warrant if shares of the company trade at or above $0.50 for a period of 10 consecutive trading days. The Company incurred share issuance costs of $6,480 by issuing 64,800 finder's units (one common share and one common share purchase warrant) at a price of $0.10 per unit for 12 months.

## 8. Share capital (continued)

### a. Share issuance - private placement (continued)

On August 16, 2022, the Company completed the first tranche of a non-brokered private placement for gross proceeds of $309,000 by issuing 2,060,000 units at a price of $0.15 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price $0.25 per share for 12 months. The warrants are subject to the right of the company to accelerate the exercise period of the warrant if shares of the company trade at or above $0.50 for a period of 10 consecutive trading days.

**Share issuance – warrants exercised**

Nine Months Ended September 30, 2023

- 2,295,406 common shares were issued, pursuant to warrants exercised at a price of $0.20, for total proceeds of $459,081.
- 2,060,000 common shares were issued, pursuant to warrants exercised at a price of $0.25, for total proceeds of $515,000.

Nine Months Ended September 30, 2022

- 2,633,820 common shares were issued, pursuant to warrants exercised at a price of $0.15, for total proceeds of $395,073.

**Share issuance – stock options exercised**

Nine Months Ended September 30, 2023

- 200,000 common shares were issued, pursuant to stock options exercised at a price of $0.10, for total proceeds of $20,000.

**Share issuance – acquisition of E&E assts**

Nine Months Ended September 30, 2022

On September 9, 2022, the Company issued 250,000 common shares with a fair value of $25,000 for the option payment (Tatooine Project).

### b. Stock options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options, as amended, to executive officers, directors, employees and consultants.

Nine Months Ended September 30, 2023

On March 13, 2023, the Company granted 500,000 stock options, of which, 25% vested upon grant date, and thereafter vest 25% every 6 months. These options are exercisable for up to five years at a price of $0.20 per share. The Company calculated its stock-based compensation by the Black-Scholes Option Pricing Model using the following assumptions: risk free interest rate 3.37%, volatility of 144.86%, annual rate of dividend of 0% and an expected life of the option of 5 years. The total fair value of the options granted is $85,419. For the nine months ended September 30, 2023, the total fair value of stock-based compensation recorded is $62,241 due to vesting provisions.

Nine Months Ended September 30, 2022

On June 15, 2022, the Company granted 1,950,000 stock options. These options are exercisable for up to five years at a price of $0.20 per share. The Company recognized a stock-based compensation of $292,500 determined by the Black-Scholes option pricing model using the following assumptions: risk free interest rate 3.37%, volatility of 113.14%, annual rate of dividend of 0% and an expected life of the option of 5 years.

The Continuity of the Company's outstanding options is as below:

**8. Share capital (continued)**

**b. Stock options (continued)**

| | Number of Options Outstanding | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2021 | 3,500,000 | $0.10 |
| Granted | 1,950,000 | $0.20 |
| Balance, December 31, 2022 | 5,450,000 | $0.14 |
| Granted | 500,000 | $0.20 |
| Exercised | (200,000) | $0.10 |
| Balance, September 30, 2023 | 5,750,000 | $0.14 |

At September 30, 2023, the following stock options were outstanding:

| Expiry Date | Weighted Average Exercise Price | Number of Options Outstanding | Number of Options Exercisable | Weighted Average Remaining Years |
|---|---|---|---|---|
| September 14, 2026 | $0.10 | 3,300,000 | 3,300,000 | 2.96 |
| June 15, 2027 | $0.20 | 1,950,000 | 1,462,500 | 3.71 |
| March 13, 2028 | $0.20 | 500,000 | 250,000 | 4.45 |
| | $0.14 | 5,750,000 | 5,012,500 | 3.34 |

**c. Share purchase warrants**

Nine Months Ended September 30, 2023
- 7,514,000 warrants at an exercisable price of $0.20 were issued, with an expiry date on March 2, 2025 (Note 8a)

Nine Months Ended September 30, 2022
- 2,025,406 warrants at an exercisable price of $0.20 were issued, with an expiry date on January 25, 2023 (Note 8a).
- 2,000,000 warrants at an exercisable price of $0.25 were issued, with an expiry date on June 16, 2023 (Note 8a).
- 60,000 warrants at an exercisable price of $0.25 were issued, with an expiry date on August 16, 2023 (Note 8a).

The continuity of the Company's outstanding warrants is as follows:

| | Number | Weighted Average Price |
|---|---|---|
| Balance, December 31, 2021 | 4,058,820 | $0.18 |
| Issued | 4,085,406 | $0.23 |
| Exercised | (2,633,820) | $0.15 |
| Expired | (1,425,000) | $0.22 |
| Balance, December 31, 2022 | 4,085,406 | $0.23 |
| Issued | 7,514,000 | $0.20 |
| Exercised | (2,295,406) | $0.20 |
| Exercised | (2,060,000) | $0.25 |
| Balance, September 30, 2023 | 7,244,000 | $0.20 |

At September 30, 2023, the following warrants were outstanding:

| Expiry Date | Weighted Average Exercise price | Number of warrants outstanding | Weighted Average Remaining Years |
|---|---|---|---|
| March 2, 2025 | $ 0.20 | 7,244,000 | 1.42 |

## 8. Share capital (continued)

### d. Broker warrants

**Nine Months Ended September 30, 2022**

For nine months ended September 30, 2022, the Company issued 64,800 broker warrants at a price of $0.20 issued (Note 8a). The continuity of the Company's outstanding warrants is as follows:

| | Number | Weighted Average Price |
|---|---|---|
| Balance, at December 31, 2021 | 20,000 | $0.08 |
| Issued | 64,800 | $ 0.20 |
| Expired | (20,000) | $ 0.20 |
| Balance, at December 31, 2022 | 64,800 | $ 0.20 |
| Expired | (64,800) | $ 0.20 |
| Balance, at September 30, 2023 | - | - |

At September 30, 2023, no broker warrants were outstanding.

### e. Subscriptions received - Loan payable

The share subscriptions received are classified as loans payable based on the terms of the share subscription agreement. As at September 30, 2023, the balance of the share subscriptions is $69,750 (December 31, 2022 – $69,750).

## 9. Segmented information

The Company has one reportable operating segment, environmental remediation. All of the Company's assets are located in Canada.

## 10. Accounts payable and accrued liabilities

| | | **September 30, 2023** | | December 31, 2022 |
|---|---|---|---|---|
| Trade payables | **$** | **608,146** | $ | 913,830 |
| Accrued liabilities* | | **368,088** | | 138,088 |
| **Total** | **$** | **976,234** | $ | 1,051,918 |

*includes 300,000 common shares to be issued, having a fair value of $252,000, for payment due on the 1st anniversary of the Tatooine Silica project option.

## 11. Subsequent event

a) On November 1, 2023, the Company entered into a binding agreement with Aristoeles Chaves da Silva (ACS), for the purchase of the Belmonte silica concession in Belmonte, Bahia, Brazil. The Belmonte silica concession comprises of 69.4 hectares in the Belmonte silica district and is contiguous to concessions that are known to contain district quality silica sand. The proposed terms and conditions of the agreement are as follows:

- The Company will make a cash payment to ACS of US$10,000 within 10 days of the execution date.
- The Company will have until March 31, 2024, to evaluate the concession and that evaluation will consist of a 200-metre percussion drill program.
- If the evaluation drilling confirms that 99.5% or higher quality silica is contained in over 25% of the concession, the Company will make a second payment of ACS of US$40,000 and ACS will transfer 100% of the concession to the Company.

**11. Subsequent event (continued)**

- If the evaluation drilling does not confirm that 99.5% or higher quality silica is contained in over 25% of the concession, the Company will make no further payment ACS and ACS will transfer 100% of the concession to the Company.

b) On November 3, 2023, the Company entered into an agreement with Think Ink Marketing Data & Email Services Inc. (Think Ink) to provide public relations services to increase public awareness of the company. Pursuant to the terms and conditions of the Think Ink service agreement, Think Ink will be paid US$50,000 to cover the costs associated with the public relations campaign and related services. Think Ink shall retain the excess sums above the costs expended as its sole compensation for services provided.

c) On November 6, 2023, the Company entered into a multi-party shared resource/funds-in cooperative research and development agreement with the United States Department of Energy's National Renewable Energy Laboratory and The Babcock & Wilcox Company.

d) On November 7, 2023, the Company announced it has made an application to increase its presence in the Belmonte silica district in Belmonte, Bahia, Brazil. The application comprises of four new concessions totalling 7,930 hectares.