

RIDGESTONE MINING INC.

Consolidated Financial Statements

Year Ended December 31, 2023

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Ridgestone Mining Inc.

Opinion

We have audited the consolidated financial statements of Ridgestone Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions, that indicate 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 of the current period. 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 other key audit matters to communicate in our report.

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Port Coquitlam, BC V3B 5Y9
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Victoria

320 - 730 View St.
Victoria, BC V8W 3Y7
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Other Information

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

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 auditor's 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

A handwritten signature in black ink that reads "DMCL." The letters are stylized and connected.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 25, 2024

RIDGESTONE MINING INC.Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2023 \$	December 31, 2022 \$
ASSETS		
Current assets		
Cash	320,354	189,580
Prepays and deposits	–	22,995
Taxes recoverable	10,397	12,586
Total current assets	330,751	225,161
Non-current assets		
Exploration and evaluation assets (Note 3)	1,240,725	2,545,651
Total assets	1,571,476	2,770,812
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 6)	186,699	280,165
Due to related parties (Note 5)	245,858	165,318
Loans payable (Note 6)	–	255,000
Total liabilities	432,557	700,483
Shareholders' equity		
Share capital (Note 7)	10,212,981	9,418,757
Equity reserve (Note 8)	911,737	911,737
Deficit	(9,985,799)	(8,260,165)
Total shareholders' equity	1,138,919	2,070,329
Total liabilities and shareholders' equity	1,571,476	2,770,812

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on April 25, 2024:

/s/ "Brian Goss"

Brian Goss, Director

/s/ "Erwin Wong"

Erwin Wong, Director

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

RIDGESTONE MINING INC.Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	For the year ended December 31, 2023 \$	For the year ended December 31, 2022 \$
Expenses		
Consulting fees (Note 5)	154,429	153,103
Foreign exchange loss	11,183	10,367
General and administrative	28,742	22,017
Mineral exploration costs (Note 3)	64,096	190,559
Professional fees	123,209	141,142
Total expenses	381,659	517,188
Net loss before other items	(381,659)	(517,188)
Other income or expense		
Interest expense (Notes 5 and 6)	(39,049)	(7,812)
Impairment of exploration and evaluation assets (Note 3)	(1,304,926)	–
Net and comprehensive loss	(1,725,634)	(525,000)
Loss per share, basic and diluted	(0.24)	(0.10)
Weighted average shares outstanding, basic and diluted	7,328,632	5,180,743

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

RIDGESTONE MINING INC.

Consolidated statement of changes in equity
(Expressed in Canadian dollars)

		Share capital		Equity reserve	Deficit	Total shareholders' equity
	Note	Number of shares	Amount \$	\$	\$	\$
Balance, December 31, 2021		4,931,659	9,197,011	911,737	(7,735,165)	2,373,583
Shares issued pursuant to mineral property option agreement	7	369,576	221,746	–	–	221,746
Net loss for the year		–	–	–	(525,000)	(525,000)
Balance, December 31, 2022		5,301,235	9,418,757	911,737	(8,260,165)	2,070,329
Units issued for cash	7	10,000,000	800,000	–	–	800,000
Share issuance costs	7	–	(5,776)	–	–	(5,776)
Net loss for the year		–	–	–	(1,725,634)	(1,725,634)
Balance, December 31, 2023		15,301,235	10,212,981	911,737	(9,985,799)	1,138,919

On January 9, 2023, the Company completed a 20-for-1 share consolidation of its issued and outstanding common shares. All common share and per share amounts in these consolidated financial statements have been retroactively restated for all periods presented.

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

RIDGESTONE MINING INC.Consolidated statements of cash flows
(Expressed in Canadian dollars)

	For the year ended December 31, 2023 \$	For the year ended December 31, 2022 \$
Operating activities		
Net loss	(1,725,634)	(525,000)
Items not involving cash:		
Impairment of exploration and evaluation assets	1,304,926	–
Accrued Interest	35,223	7,812
Changes in non-cash operating working capital:		
Prepays and deposits	22,995	3,482
Taxes recoverable	2,189	41,979
Accounts payable and accrued liabilities	(122,710)	112,457
Due to related parties	74,561	81,607
Net cash used in operating activities	(408,450)	(277,663)
Investing activities		
Option payment on exploration and evaluation assets	–	(149,609)
Net cash used in investing activities	–	(149,609)
Financing activities		
Proceeds issuance of units, net	519,224	–
Proceeds from loans payable	100,000	255,000
Repayment of loans payable	(80,000)	–
Net cash provided by financing activities	539,224	255,000
Increase (decrease) in cash	130,774	(172,272)
Cash, beginning of year	189,580	361,852
Cash, end of year	320,354	189,580
Non-cash investing and financing activities:		
Shares issued pursuant to mineral property option agreement	–	221,746
Loan repayment through private placement	275,000	–
Supplemental disclosures:		
Interest paid	3,826	–
Income taxes paid	–	–

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

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Ridgestone Mining Inc. (the “Company”) was incorporated in British Columbia, Canada on March 30, 2017 under the name 1113414 B.C. Ltd. On March 30, 2017, the Company changed its name to Ridgestone Mining Inc. The Company’s principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. On February 16, 2018, the Company’s common shares became listed and commenced trading on the TSX Venture Exchange (“Exchange”) under the symbol “RMI”. The Company’s registered and records office is Suite 501, 3292 Production Way, Burnaby, British Columbia, V5A 4R4.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2023, the Company incurred a net loss of \$1,725,634 and had a working capital deficit of \$101,806 at December 31, 2023. As at December 31, 2023, the Company has not generated any revenue and has accumulated losses of \$9,985,799 since inception. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These consolidated financial statements do not include any adjustments 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 adjustments could be material.

2. Material Accounting Policy Information

(a) Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of financial statements.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Cerro de Oro Minerales, S.A. de C.V., a company incorporated on September 21, 2018, in Mexico, and 1330498 B.C. Ltd., a company incorporated on October 27, 2021, in British Columbia. All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is also the Company and its subsidiary’s functional currency.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

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

(c) Cash and Cash Equivalents

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

(d) Financial Instruments

(i) Classification

The Company classifies its financial instruments into the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities:

Financial assets/liabilities	Classification
Cash	FVTPL
Accounts payable	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(d) Financial Instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Derecognition

Financial assets

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 the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(e) Exploration and Evaluation Assets

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent acquisition costs and option payments, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

(f) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Exploration costs that are incurred before the Company has obtained the legal rights to explore and develop a property are expensed.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of comprehensive loss.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates. The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of comprehensive loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

(j) Foreign Currency Translation

The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of comprehensive loss.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(k) Income Taxes

Current income tax

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

Deferred income

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Loss Per Share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2023, the Company had 10,057,500 (2022 – 182,969) potentially dilutive shares outstanding.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(m) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the equity reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(o) Recently Adopted Accounting Standards

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB has issued amendments titled '*Disclosure of Accounting Policies*' to IAS 1 and IFRS Practice Statement 2, effective from January 1, 2023. These changes guide entities to prioritize the disclosure of 'material' over 'significant' accounting policies. The amendments provide clarity on identifying material policies, emphasizing that information can be material due to its inherent nature, even if related amounts are immaterial. Additionally, IFRS Practice Statement 2 has been enhanced to support these changes. The adoption of these amendments resulted in certain changes to the Company's accounting policy disclosures.

Amendments to Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. The adoption of these amendments is applicable for the December 31, 2023, annual consolidated financial statements and had no material impact.

Amendments to IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies the accounting for deferred tax on transactions such as leases and decommissioning obligations by removing the initial recognition exemption for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments had no impact on the consolidated financial statements.

(p) Accounting Standards Issued But Not Yet Effective or Adopted

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2023:

- (i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2024.
- (ii) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) effective for annual periods beginning on or after January 1, 2024.

None of these pronouncements are expected to have a material impact on the Company's consolidated financial statements upon adoption.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2023

(Expressed in Canadian dollars)

3. Exploration and Evaluation Assets*Mineral property acquisition costs:*

	Rebeico Property \$	Alaska Property \$	Guadalupe y Calvo Property \$	Total \$
Balance, December 31, 2021	715,814	1,240,725	217,757	2,174,296
Additions	–	–	371,355	371,355
Balance, December 31, 2022	715,814	1,240,725	589,112	2,545,651
Impairment	(715,814)	–	(589,112)	(1,304,926)
Balance, December 31, 2023	–	1,240,725	–	1,240,725

Mineral exploration costs:

	For the year ended December 31, 2023 \$	For the year ended December 31, 2022 \$
<u>Rebeico Property, Sonora, Mexico</u>		
General exploration	–	2,816
Mining duties	22,742	–
<u>Alaska Property, Sonora, Mexico</u>		
General exploration	–	1,165
<u>Guadalupe y Calvo Property, Chihuahua State, Mexico</u>		
General exploration	6,745	168,078
Mining duties	34,609	18,500
	64,096	190,559

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

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3. Exploration and Evaluation Assets (continued)

Rebeico Property

In 2018, the Company closed an Assignment Agreement to assume interest in an Option Agreement with YQ Gold de Mexico, S. de R.L. de C.V. ("YQ Gold") to acquire the Rebeico property, located in Sonora, Mexico. In 2019, the Company had incurred requisite property payments and exploration expenditures per Option Agreement, Amendment Agreement and Second Amending Agreement, and will pay 50% of the profit derived from commercial production of the property, to a maximum of US\$1,450,000, to YQ Gold. Once the above payment has been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Rebeico property. Upon execution of the option, YQ Gold principals will be granted a 2% NSR (subject to an optional repurchase of 1% of the NSR by the Company for US\$1,000,000) in respect of all products produced from the property and the area of common interest which was included within five kilometers of the center point of the Rebeico property as at the date of execution of the Option Agreement.

During the year ended December 31, 2023, the Company determined that it will not proceed with the Rebeico property and recognized an impairment of \$715,814.

Alaska Property

On June 25, 2019, the Company entered into a Mineral Property Purchase Agreement (the "Agreement") to purchase a 100% interest in 10 mining concessions adjacent to its Rebeico Property. The Agreement received Exchange approval on September 11, 2019. In consideration for the mining concessions, the Company paid a total of \$110,725 (US\$83,000) and issued a total of 250,000 common shares with a fair value of \$1,130,000.

Guadalupe y Calvo Property

On January 27, 2021, the Company entered into an Option Agreement with Endeavour Silver Corp. ("Endeavour") to acquire a 100% interest in the Guadalupe y Calvo project, located in Chihuahua State, Mexico. The Company received Exchange approval of the agreement on February 19, 2021. In connection with the Option Agreement the Company issued 25,469 units with a fair value of \$94,272 as a finder's fee. Each unit consisted of one common share and one warrant, with each warrant exercisable at \$3.80 per share for a period of 24 months.

Pursuant to the Option Agreement, as amended on August 2, 2022, the Company can earn a 100% interest in the property by making the following payments:

- Pay US\$40,000 plus value-added tax ("VAT") (paid) and issue common shares with an equivalent value of US\$50,000 (issued) upon Exchange approval of the agreement;
- Pay US\$100,000 plus VAT on or before August 5, 2022 (paid) and issue common shares with an equivalent value of US\$350,000 on or before the 12 months following the effective date (issued);
- Pay US\$200,000 plus VAT and issue common share with an equivalent value of US\$450,000 on or before March 1, 2024;
- Pay US\$300,000 plus VAT and issue common shares with an equivalent value of US\$550,000 on or before March 1, 2025; and
- Pay US\$850,000 plus VAT and issue common shares with an equivalent value of US\$350,000 on or before March 1, 2026; and
- Pay US\$10,000 plus VAT on or before the 48 months following the effective date.

The equivalent common shares shall be based on the volume weighted average price of the most recent 20 trading days prior to the due date and converted to US dollars in accordance with the exchange rate in effect on the effective date.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

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3. Exploration and Evaluation Assets (continued)

The Company must also incur the following exploration expenditures:

- US\$250,000 within 12 months following the effective date;
- An additional US\$265,000 on or before March 1, 2024; and
- An additional US\$250,000 on or before March 1, 2025.

Any remaining shortfall in the US\$250,000 expenditure requirement which was due within 12 months of the original agreement shall be added to the expenditure requirement due on March 1, 2024.

Upon completion of the acquisition of a 100% interest in the property, the Company will grant a 2% NSR to Endeavour. The Company will have the option to buy back the 2% NSR for US\$2,000,000 prior to the commencement of commercial production.

During the year ended December 31, 2023, the Company determined that it will not proceed with the Guadalupe y Calvo Option Agreement and recognized an impairment of \$589,112. On August 1, 2023, the Company executed a termination agreement with the optionor to terminate the Option Agreement. In connection with the termination of the Option Agreement, the Company agreed to settle outstanding mining duties totaling \$34,609 (MXN 454,008), which was paid on August 3, 2023.

4. Accounts Payable and Accrued Liabilities

	December 31, 2023	December 31, 2022
Accounts payable	\$ 47,739	\$ 85,136
Accrued liabilities (Note 6)	138,960	195,029
	<u>186,699</u>	<u>280,165</u>

5. Related Party Transactions

The remuneration to directors and other members of key management for the years ended December 31, 2023, and 2022, are as follows:

	2023	2022
Consulting fees	\$ 150,000	\$ 132,500

- As at December 31, 2023, the Company owed \$24,610 (2022 – \$44,610) to a director and former President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- As at December 31, 2023, the Company owed \$7,171 (December 31, 2022 – \$nil) to a director of the Company. The balance consists of interest accrual for the year ended December 31, 2023 of \$5,979 (2022 – \$1,192). The balance is unsecured, non-interest bearing and due on demand. The underlying loan has been repaid in the year ended December 31, 2023 (Note 6).
- During the year ended December 31, 2023, the Company incurred \$60,000 (2022 – \$60,000) in consulting fees to the Chief Financial Officer (“CFO”) of the Company. As at December 31, 2023, the Company owed \$63,847 (2022 – \$33,478) to the CFO of the Company for accrued consulting fees and expenses paid on behalf of the Company. The balance is unsecured, non-interest bearing and due on demand.
- As at December 31, 2023, the Company owed \$2,500 (2022 – \$2,500) to the former President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- During the year ended December 31, 2023, the Company incurred \$60,000 (2022 – \$60,000) of consulting fees to a private company controlled by a director of the Company. As at December 31, 2023, the Company owed a total of \$92,730 (2022 – \$59,730) to the director of the Company and the private company controlled by a director of the Company. The balance is unsecured, non-interest bearing and due on demand.

RIDGESTONE MINING INC.

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5. Related Party Transactions (continued)

- (f) During the year ended December 31, 2023, the Company incurred \$30,000 (2022 – \$12,500) of consulting fees to the President and Chief Executive Officer of the Company. As at December 31, 2023, the Company owed \$55,000 (2022 – \$25,000) to a director of the Company. The balance is unsecured, non-interest bearing and due on demand.

6. Loans Payable

- (a) On September 20, 2022, the Company entered into a loan agreement for \$50,000, which was unsecured, bore interest at 15% per annum and matured on September 20, 2023. During the year ended December 31, 2023, the Company repaid principal and accrued interest of \$52,096. As at December 31, 2023, the Company owed accrued interest of \$6,247 (2022 – \$2,096), which is included in accounts payable and accrued liabilities.
- (b) On September 29, 2022, the Company entered into a loan agreement for \$25,000, which was unsecured, bore interest at 15% per annum and matured on September 29, 2023. During the year ended December 31, 2023, the Company repaid principal of \$25,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company has accrued interest of \$3,945 (December 31, 2022 – \$955), which is included in accounts payable and accrued liabilities.
- (c) On October 4, 2022, the Company entered into a loan agreement for \$25,000, which is unsecured, bears interest at 15% per annum and matures on October 4, 2023. As at December 31, 2023, the Company owed accrued interest of \$2,990 (2022 – \$904), which is included in accounts payable and accrued liabilities. During the year ended December 31, 2023, the Company repaid principal of \$25,000 through the October 18, 2023 private placement (Note 7) and accrued interest of \$2,990.
- (d) On October 24, 2022, the Company entered into a loan agreement for \$50,000, which was unsecured, bore interest at 15% per annum and matured on October 24, 2023. During the year ended December 31, 2023, the Company repaid principal of \$50,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company owed accrued interest of \$7,377 (2022 – \$1,397), which is included in accounts payable and accrued liabilities.
- (e) On October 25, 2022, the Company entered into a loan agreement for \$30,000, which was unsecured, bore interest at 15% per annum and matured on October 25, 2023. During the year ended December 31, 2023, the Company repaid principal and accrued interest of \$30,826. As at December 31, 2023, the Company owed accrued interest of \$3,748 (2022 – \$826), which is included in accounts payable and accrued liabilities.
- (f) On November 3, 2022, the Company entered into a loan agreement with a director of the Company (Note 5) for \$50,000, which was unsecured, bore interest at 15% per annum and was set to mature on November 3, 2023. During the year ended December 31, 2023, the Company repaid principal of \$50,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company owed accrued interest of \$7,171 (2022 – \$1,192), which is included in due to related parties.
- (g) On November 18, 2022, the Company entered into a loan agreement for \$25,000, which was unsecured, bore interest at 15% per annum and was set to mature on November 18, 2023. During the year ended December 31, 2023, the Company repaid principal of \$25,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company owed accrued interest of \$3,431 (2022 – \$442), which is included in accounts payable and accrued liabilities.
- (h) On February 22, 2023, the Company entered into a loan agreement for \$40,000, which was unsecured, bore interest at 15% per annum and was set to mature on February 22, 2024. During the year ended December 31, 2023, the Company repaid principal of \$40,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company owed accrued interest of \$3,912, which is included in accounts payable and accrued liabilities.

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Notes to the consolidated financial statements

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6. Loans Payable (continued)

- (i) On April 17, 2023, the Company entered into a loan agreement for \$25,000, which was unsecured, bore interest at 15% per annum and was set to mature on April 17, 2024. During the year ended December 31, 2023, the Company repaid principal of \$25,000 through the October 18, 2023 private placement (Note 7). As at December 31, 2023, the Company owed accrued interest of \$1,798, which is included in accounts payable and accrued liabilities.
- (j) On May 3, 2023, the Company entered into a loan agreement for \$35,000, which was unsecured, bore interest at 15% per annum and was set to mature on May 3, 2024. During the year ended December 31, 2023, the Company repaid principal of \$35,000 through the October 18, 2023 private placement (Note 7). As at December, 2023, the Company owed accrued interest of \$2,416, which is included in accounts payable and accrued liabilities.

7. Share Capital

Share transactions for the year ended December 31, 2022:

- (a) On April 29, 2022, the Company issued 369,576 common shares with a fair value of \$221,746 pursuant to an Option Agreement with Endeavour for the Guadalupe y Calvo property (Note 3).

Share transactions for the year ended December 31, 2023:

- (b) On January 9, 2023, the Company completed a 20-for-1 share consolidation of its issued and outstanding common shares. All common share and per share amounts in these consolidated financial statements have been retroactively restated for all periods presented.
- (c) On October 18, 2023, the Company closed a non-brokered private placement of 10,000,000 units at \$0.08 per unit, for gross proceeds of \$800,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.10 per share until October 18, 2028. There was no value assigned to these warrants under residual method. In connection with the private placement, the Company incurred issuance costs of \$5,776. Directors of the Company acquired 2,125,000 units in this private placement.

8. Stock Options

The Company's Board of Directors approved a stock incentive plan dated November 15, 2017. The Board of directors is authorized to grant options to directors, officers, consultants, or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the discounted market price defined in the policies of the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 10 years. Provided the Company is listed on the Exchange, the option holders can elect to exercise options on a cashless basis.

The following table summarizes information about the options at December 31, 2023, and 2022, and the changes for the years then ended:

	Number of options	Weighted average exercise price \$
Options outstanding – December 31, 2021, and 2022	157,500	3.32
Expired	(100,000)	3.51
Options outstanding and exercisable – December 31, 2023	57,500	3.00

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Notes to the consolidated financial statements

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8. Stock Options (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2023:

Exercise price \$	Options outstanding	Options exercisable	Weighted average remaining contracted life (years)
3.00	57,500	57,500	1.16

Equity reserve

The equity reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. Warrants

The following table summarizes information about the warrants at December 31, 2023, and 2022, and the changes for the years then ended:

	Number of warrants	Weighted average exercise price \$
Warrants outstanding – December 31, 2021	803,814	1.56
Expired	(778,345)	1.56
Warrants outstanding – December 31, 2022	25,469	3.80
Issued	10,000,000	0.10
Expired	(25,469)	3.80
Warrants outstanding – December 31, 2023	10,000,000	0.10

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at December 31, 2023:

Exercise Price \$	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.10	October 18, 2028	10,000,000	4.80

10. Financial Instruments

(a) Categories of Financial Instruments and Fair Value Measurements

The Company classifies cash at FVTPL, and accounts payable, due to related parties and loans payable at amortized cost.

The fair values of cash, accounts payable, due to related parties, and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

RIDGESTONE MINING INC.

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10. Financial Instruments (continued)

(b) 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. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

Management monitors the amount of credit extended to the parties for expense recoveries. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in the currencies that differ from the respective functional currency. The Company operates in Canada and Mexico. Future exploration programs and option payments may be denominated in U.S. dollars and Mexican pesos. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) Liquidity Risk

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

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital Management

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged during the year ended December 31, 2023.

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12. Income Taxes

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

	2023	2022
	\$	\$
Statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(465,921)	(141,750)
Temporary differences	195,696	–
Change in valuation allowance	270,225	141,750
Deferred income taxes recovered	–	–

	2023	2022
	\$	\$
Non-capital loss	1,232,119	1,183,553
Share issuance costs	19,514	32,155
Exploration and evaluation assets	733,837	499,538
Valuation allowance	(1,985,470)	(1,715,246)
Deferred income taxes recovered	–	–

As of December 31, 2023, the Company has non-capital tax losses of approximately \$4,563,000 (2022 – \$4,383,000) that may be offset against future Canadian and Mexican taxable income. These losses expire commencing 2036.