

CARCETTI CAPITAL CORP.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Carcetti Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of Carcetti Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated 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 IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had working capital of \$233,513 and accumulated deficit of \$60,846,894 since its inception and may incur future losses in the development of its business. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated 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 auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current year 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 Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 22, 2024

Carcetti Capital Corp.
Consolidated Statements of Financial Position
(Expressed in US dollars)

	December 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash	254,852	7,190,302
Receivables	941	3,772
Prepaid expenses	5,776	-
	261,569	7,194,074
Prepaid expenses	22,728	-
Total assets	284,297	7,194,074
Liabilities		
Current liabilities		
Trade and other payables	28,056	92,389
Preferred share redemption payable (Note 8)	-	6,900,000
Total liabilities	28,056	6,992,389
Shareholders' equity		
Share capital (Note 8)	55,525,262	55,156,520
Reserves (Note 8)	5,461,390	5,453,882
Accumulated other comprehensive income	116,483	137,380
Accumulated deficit	(60,846,894)	(60,546,097)
Total shareholders' equity	256,241	201,685
Total liabilities and shareholders' equity	284,297	7,194,074

Nature of operations and going concern (Note 1)

These consolidated financial statements for the years ended December 31, 2023 and 2022, were approved by the Board of Directors of the Company on April 22, 2024.

Approved by the Board

"Glenn Kumoi"
Director (Signed)

"Richard Silas"
Director (Signed)

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

Carcetti Capital Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

	For the years ended	
	December 31,	
	2023	2022
	\$	\$
Operating expenses		
Consulting fees (Note 11)	181,416	276,029
Finance (income) loss, net	1,715	(623,439)
Foreign currency translation loss on sale of equity investment (Note 4)	-	18,025,273
Management fees (Note 11)	12,200	-
Office and general	33,668	68,912
Professional fees	64,290	163,895
Reversal of assets held for sale (Note 4)	-	(428,000)
Salaries	-	305,531
Share-based compensation (Notes 8 and 11)	7,508	-
Travel	-	5,359
Loss from continuing operations	(300,797)	(17,793,560)
Loss from discontinued operations (Note 5)	-	(24,493,317)
Loss	(300,797)	(42,286,877)
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss		
Recycle of translation difference on disposal of equity investment (Note 4)	-	18,025,273
Recycle of translation difference on disposal of subsidiaries (Note 5)	-	24,760,961
Foreign currency translation adjustment on foreign operations	(20,897)	(852,908)
Comprehensive loss	(321,694)	(353,551)
Loss per share		
Basic (Note 9)	(0.08)	(40.37)
Diluted (Note 9)	(0.08)	(40.37)

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

Carcetti Capital Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in US dollars)

	Number of shares	Share capital \$	Reserves \$	Other reserve \$	Share of change in equity in associated company \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance, January 1, 2022	1,047,383	62,056,520	5,453,882	2,192,780	(2,187,000)	(41,795,946)	(18,265,000)	7,455,236
Redemption of preferred shares	-	(6,900,000)	-	-	-	-	-	(6,900,000)
Reclassification of equity accounts	-	-	-	(2,192,780)	2,187,000	-	5,780	-
Disposal of 3P International Energy Ltd	-	-	-	-	-	24,760,961	-	24,760,961
Disposal of KUB-gas Holdings Limited	-	-	-	-	-	18,025,273	-	18,025,273
Currency translation adjustment	-	-	-	-	-	(852,908)	-	(852,908)
Loss	-	-	-	-	-	-	(42,286,877)	(42,286,877)
Balance, December 31, 2022	1,047,383	55,156,520	5,453,882	-	-	137,380	(60,546,097)	201,685
Balance, January 1, 2023	1,047,383	55,156,520	5,453,882	-	-	137,380	(60,546,097)	201,685
Shares issued for proceeds	3,966,667	351,071	-	-	-	-	-	351,071
Shares issued for settlement of debt	200,000	17,671	-	-	-	-	-	17,671
Share-based compensation	-	-	7,508	-	-	-	-	7,508
Currency translation adjustment	-	-	-	-	-	(20,897)	-	(20,897)
Loss	-	-	-	-	-	-	(300,797)	(300,797)
Balance, December 31, 2023	5,214,050	55,525,262	5,461,390	-	-	116,483	(60,846,894)	256,241

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

Carcetti Capital Corp.
Consolidated Statements of Cash Flow
(Expressed in US dollars)

	For the years ended	
	December 31,	
	2023	2022
	\$	\$
Operating activities		
Loss from continuing operations	(300,797)	(17,793,560)
Adjustments for:		
Foreign currency translation loss on sale of equity investment	-	18,025,273
Reversal of assets held for sale	-	(428,000)
Interest expense	-	8,000
Share-based compensation	7,508	-
Changes in working capital items		
Receivables	2,831	(422)
Prepaid expenses	(28,504)	26,429
Dividends received from equity investment	-	2,040,420
Trade and other payables	(46,662)	31,661
Cash (used in) provided by operating activities	(365,624)	1,909,801
Cash provided by discontinued operations	-	(273,356)
Investing activities		
Proceeds on sale of KUB Holdings	-	2,600,000
Cash provided by investing activities	-	2,600,000
Cash (used in) provided by discontinued operations	-	(272,000)
Financing activities		
Preferred share redemption	(6,900,000)	-
Repayment of shareholder loan	-	(957,000)
Repayment of KUB-Gas loan	-	(2,473,706)
Shares issued for proceeds	351,071	-
Cash used in financing activities	(6,548,929)	(3,430,706)
Cash used in discontinued financing activities	-	(160,000)
Net change in cash from continuing operations	(6,914,553)	1,079,095
Net change in cash from discontinued operations	-	(705,356)
Effect of foreign exchange on cash	(20,897)	(551,437)
Cash, beginning of year	7,190,302	7,368,000
Cash, end of year	254,852	7,190,302
Supplemental cash flow information	\$	\$
Shares issued for settlement of debt	17,671	-
Interest paid	-	78,000
Taxes paid	-	-

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

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

1 Nature of operations and going concern

Carcetti Capital Corp. (formerly Cub Energy Inc.) (the “Company”) was engaged in the exploration and development of energy. The Company was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) and continued under the Canadian Business Corporations Act in February 2012. The address of the Company’s registered office is 1200 – 750 West Pender Street, Vancouver, BC, V6C 2T8, Canada and the records office is Suite 3300, 205 5th Avenue SW, Calgary, AB, T2P 2V7. The Company is listed on the NEX board of the TSX Venture Exchange (“TSXV”) under the trading symbol “CART.H”.

During the year ended December 31, 2022, the Company divested its subsidiary 3P International Energy Limited (“3P”) and 3P’s wholly owned subsidiary Tysagaz LLC (“Tysagaz”), which held a 100% working interest in one production licence in western Ukraine (See Note 5). In addition, during the year ended December 31, 2022, the Company, through its subsidiary Gastek LLC (“Gastek”), sold its 35% equity interest in KUBGAS Holdings Limited (“KUB Holdings”) which in turn owns a 100% equity interest in KUB-Gas LLC (“KUB-Gas”). KUB-Gas owns and operates six licensed gas and gas condensate fields in eastern Ukraine (See Notes 4 and 8).

On December 30, 2022, the Company completed the reorganization of the Company’s share capital to permit the Company to pay a special cash distribution of CAD \$9.00 per share (CAD\$0.03 per share pre-share consolidation) to shareholders of record as at December 23, 2022 for a total distribution of \$6,900,000 (the “Special Distribution”). See Note 8. In connection with the Special Distribution, the Company filed articles of amendment which created a new class of common shares (“Class B Common Shares”) and a class of preferred shares (“Preferred Shares”) and the exchange of the existing Company common shares for new Class B Common Shares and Preferred Shares on the basis of one Class B Common Share and one Preferred Share for every Company common share currently outstanding. During year ended December 31, 2023, the Special Distribution was paid to shareholders of record.

Also on December 30, 2022, the Company changed its name to “Carcetti Capital Corp.” and completed a share consolidation on the basis of one (1) new share for every three hundred (300) old shares as part of the Company’s reorganization. All share, stock option and per share amounts in these consolidated financial statements have been adjusted to give retroactive effect to the stock consolidation.

As of December 31, 2023, the Company had working capital of \$233,513 (2022 – \$201,685) and accumulated deficit of \$60,846,894 (2022 – \$60,546,097) since its inception and may incur future losses in the development of its business. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflicts in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company’s business or ability to raise funds.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

2 Basis of preparation (continued)

(b) Basis of consolidation

Former subsidiaries and functional and reporting currencies

The following table describes the Company’s former subsidiaries and former equity accounted investments, their jurisdiction of incorporation, functional currency, continuance or formation and the percentage of securities beneficially owned, controlled or directed by the Company. The Company held no subsidiaries and no equity investments as at December 31, 2023 and December 31, 2022.

Name of former Subsidiary/ Equity Accounted Investment	Percentage of Voting Securities Previously Owned	Jurisdiction of Incorporation, Continuance or Formation	Functional Currency
Gastek LLC	100%	California	US
KUBGAS Holdings Limited	35%	Cyprus	US
KUB-Gas LLC	35%	Ukraine	Hryvnia
KUB-Gas Borova LLC	35%	Ukraine	Hryvnia
3P International Energy Limited	100%	Cyprus	US
3P Energy Consulting LLC	100%	Ukraine	Hryvnia
Tysagaz LLC	100%	Ukraine	Hryvnia

The Company accounted for its 35% indirect ownership in KUB Holdings and KUB-Gas as an investment in associate subject to significant influence under the equity method (Note 4).

During the year ended December 31, 2022, the Company sold its 35% interest in KUB Holdings and sold its 100% interest in 3P and its two Ukraine subsidiaries, Tysagaz and 3P Energy Consulting LLC. See Notes 4 and 5. The Company also dissolved Gastek LLC in November 2022.

The functional currency of the Company is the Canadian dollar. The presentation currency of the consolidated financial statements is the US dollar. All financial information herein is presented in US dollars. Financial information in Canadian dollars is noted as “CAD” and financial information in Euros is noted as “€”.

(c) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising on transactions with equity accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

2 Basis of preparation (continued)

(e) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates. Significant estimates include:

- Judgment was required to determine the functional currency of the parent and its former subsidiaries. The judgment was continuously evaluated and was based on management's experience and knowledge of the relevant facts and circumstances, including analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

3 Material accounting policy information

The accounting policy information set out below have been applied by the Company consistently to all years presented in these consolidated financial statements.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies is recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations with a functional currency that differs from the presentation currency of the Company are translated to the presentation currency at the rate of exchange in effect on the reporting date; revenue and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange gains or losses are recognized as foreign currency translation adjustment included within accumulated other comprehensive loss in shareholders' equity.

Any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are expressed in the functional currency of the foreign operation and are translated at the rate of exchange in effect at the reporting date with the resulting exchange gains and losses recognized to the foreign currency translation adjustment included within accumulated other comprehensive loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in accumulated other comprehensive loss.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policy information (continued)

Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive loss (“FVTOCI”). The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. Fair value through profit or loss (“FVTPL”) – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash	Amortized cost
Receivables	Amortized cost
Trade and other payables	Amortized cost
Preferred share redemption payable	Amortized cost

Measurement

FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

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.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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 profit or 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 profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income (loss).

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policy information (continued)

Financial instruments (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss). The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Impairment of assets

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Assets that cannot be tested individually are grouped together into CGUs. The impairment test consists of comparing the carrying amount of the asset or the CGU to its recoverable amount, which is the greater of its fair value less costs of disposal ("FVLCD") and value in use ("VIU").

In determining FVLCD, discounted cash flows, future developments, and recent market transactions are taken into account, if available. These calculations are corroborated by valuation multiples or other available fair value indicators. Inputs are those that an independent market participant would consider appropriate.

In determining VIU, the Company estimates the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU without consideration for potential enhancement or improvement of the underlying asset's performance. Discount rates that reflect the market assessments of the time value of money and the risks specific to the asset or CGU are used.

Determining the recoverable amount of the CGU requires estimating various items such as future commodity prices, production and reserves, an appropriate pre-tax discount rate that takes into account the implicit risk in the sectors where the Company operates, operating costs, future development costs, royalties and production taxes.

If the recoverable amount is less than the carrying amount of the asset or the CGU, an impairment loss is recognized for the difference. Impairment losses recognized in respect of CGUs are allocated first to reduce any applicable goodwill related to the CGU and then to all other assets in the CGU on a pro rata basis. However, assets are not written down below the lower of nil and the recoverable amount of the assets.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policies (continued)

Impairment of assets (continued)

When it is determined that the recoverable amount is greater than the carrying amount, previously recognized impairment losses are reversed. Previous impairment losses cannot be reversed above the lower of the recoverable amount or the carrying amount that would have been determined, net of depreciation, at the time of the reversal had the previous impairment never been recorded. An impairment loss in respect of goodwill cannot be reversed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable as specified in contracts, excluding allowances.

The Company's revenue relates to natural gas and condensate sales, gas trading and power generation in Ukraine. The Company recognized revenue when it transfers control of the product to a customer. This generally occurs at the time the customer obtains legal title to the product and when it is physically transferred to the delivery point agreed with the customer. Revenue is recognized based on the consideration specified in contracts with customers. Revenue represents the Company's share and is recorded net of royalty payments to governments.

Finance income and loss

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance loss comprises interest expense on the shareholder loans which are presented separately in profit or loss. Gains and losses related to foreign currency transactions are reported under finance loss.

Equity investment in KUB Holdings

The Company's previous investment in its associates, KUB Holdings was accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate was carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. The profit or loss reflected the share of the results of operations of the associate. Where there had been a change recognized directly in the equity of the associate, the Company recognized its share of any changes. Unrealized gains and losses resulting from transactions between the Company and the associate were eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determined whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determined at each reporting date whether there was any objective evidence that the investment in the associate was impaired. If this was the case, the Company calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss. Upon loss of significant influence over the associate, the Company measured and recognized any remaining investment at its fair value.

Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal was recognized in profit or loss. During the year ended December 31, 2022, the Company disposed of its equity investment.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policy information (continued)

Dividends received from KUB Holdings

The Company recognized dividends received from its equity investment in KUB Holdings as a reduction in its equity investment in KUB Holdings (Note 4).

Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

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.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred from reserves to share capital.

Loss per share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. To the extent that the Company incurs losses, all potential shares are considered to be anti-dilutive and no adjustment is made.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policy information (continued)

Share-based payments

The Company operates an employee stock option plan. 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 reserves. Share-based payments to non-employees are measured on the date and at the fair value of goods or services received, or fair value of the equity instruments issued, whichever can be more reliably measured. 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.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital. The Company transfers the value of cancelled and expired unexercised vested stock options to deficit from reserves on the date of expiration.

Income taxes

The income tax expense is the sum of current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive loss, directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is determined based on the amount of income taxes payable or receivable in respect of the taxable income or loss for the year, using tax rates that have been enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years. Deferred tax is determined by providing for temporary differences between the tax base of assets and liabilities and the amounts used for financial reporting purposes. Deferred tax is not recognized for temporary differences from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is also not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using tax rates enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that the future taxable earnings will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

3 Material accounting policy information (continued)

Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is not operating in any reportable segments as it continues to explore new business opportunities.

New accounting standards adopted

As part of the new amendments, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

New accounting standards not yet effective

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2023 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

4 Assets and liabilities held for sale

On September 7, 2021, the Company announced it had entered into a letter agreement to sell its 35% interest in KUB Holdings for a cash payment of \$2,600,000 and the settlement of debt. The settlement of debt included the trade payable to KUB-Gas and the loan from KUB-Gas (Note 8). On February 2, 2022, the Company completed the sale of its 35% interest in KUB Holdings and received cash proceeds of \$2,600,000 and settled the balance of debt owing to KUB-Gas. The effective date of the transaction was November 15, 2021. The debt was settled through the repayment of the debt to KUB-Gas and simultaneous issue of dividends to the Company, net of withholding taxes. During the year ended December 31, 2021, the Company classified the 35% equity investment as an asset held for sale. The asset was \$nil at December 31, 2023 (2022 - \$nil).

Based on the book value of the assets disposed of on February 2, 2022, the related sales proceeds and the effect of recycling of foreign exchange, the loss on the sale of KUB Holdings was calculated to be \$18,025,273, related to the \$18,025,273 in recycling of foreign exchange as summarized below:

As at	February 2, 2022
	\$
Equity investment	3,028,000
Dividend receivable	2,046,420
Total net assets	5,074,420
Cash	2,600,000
Loan from KUB-Gas*	2,474,420
Total consideration	5,074,420
Recycling of foreign exchange	18,025,273
Loss on disposal of KUB Holdings	18,025,273

**During the year ended December 31, 2016, the Company's Ukraine subsidiaries, Tysagaz and 3P Consulting, entered into unsecured, non-interest bearing loan agreements with KUB-Gas, whereby KUB-Gas agreed to lend approximately 172,500,000 UAH for general working capital. During the year ended December 31, 2022, the remaining balance of 67,500,000 UAH was repaid in full.*

The continuity of the Company's investment in KUB Holdings is as follows:

	\$
Investment in KUB Holdings as at January 1, 2022	-
Reversal of impairment of KUB Holdings	428,000
Transfer to assets held for sale	(428,000)
Investment in KUB Holdings as December 31, 2022 and 2023	-

The Company recorded no dividends during the year ended December 31, 2023 (2022 - \$2,046,420).

5 Discontinued operations

On August 17, 2022, the Company closed the Sale and Purchase Agreement ("SPA") for the sale of its 100% interest in 3P and its wholly-owned Ukraine subsidiaries, Tysagaz and 3P Consulting. The sale was for nominal consideration and the buyer assuming all of 3P's, Tysagaz' and 3P Consulting' liabilities. The buyer group was comprised of the Chief Financial Officer and former Chief Operating Officer of the Company. The Company received the financial benefit of 3P including the natural gas sales through to July 31, 2022.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

5 Discontinued operations (continued)

As at July 31, 2022, 3P and its subsidiaries had the following assets and liabilities and a negative net book value of \$391,000. The Company has previously recorded impairments of its property, plant and equipment related to 3P and its subsidiaries in previous years. Following the sale of 3P and its subsidiaries the Company determined that its recoverable amount exceeded its carrying amount. As a result, the Company recorded a reversal of impairment of property, plant and equipment of \$391,000 during the year ended December 31, 2022 on the sale of 3P as detailed below.

As at,	July 31, 2022
	\$
Current assets	340,000
Current liabilities	(323,000)
Non-current liabilities	(408,000)
Reversal of impairment of property, plant and equipment	(391,000)

The Company recorded a loss on the disposal of 3P of \$24,760,961 during the year ended December 31, 2022. The loss primarily related to the recycling of foreign exchange translation as per the below:

As at	July 31, 2022
	\$
Property, plant and equipment	391,000
Cash	272,000
Prepays	32,000
Inventory	31,000
Receivables	5,000
Total net assets	731,000
Bank loan	365,000
Provision for reclamation	301,000
Trade and other payables	65,000
Total consideration	731,000
Recycling of foreign exchange	24,760,961
Loss on disposal of 3P	24,760,961

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

5 Discontinued operations (continued)

The following summarizes the net income or loss from discontinued operations for the respective periods related to 3P which was divested during the year ended December 31, 2023 and 2022.

Year ended December 31,	2023	2022
	\$	\$
Revenue from gas sales	-	947,524
Royalty expense	-	(490,000)
Revenue, net of royalty	-	457,524
Operating expenses		
Selling and general administrative expenses (Note 12)	-	428,811
Gain on sale of 3P International	-	(390,806)
Cost of gas sales	-	151,000
Accretion of decommissioning obligation	-	26,000
Finance income, net of losses	-	(25,125)
	-	189,880
Reclassification of foreign currency translation	-	24,760,961
Loss from discontinued operations	-	24,493,317

The reclassification of foreign currency translation relates to the accumulated revaluation of the Company's assets and liabilities denominated in currencies outside of the US dollar in accordance with the Company's accounting policy for the translation of its former subsidiaries.

6 Shareholder loan

Pelicourt Limited ("Pelicourt") was a shareholder of the Company. During 2014, Pelicourt loaned the Company the principal sum of \$2,000,000 with an interest rate of 12% paid quarterly. In May 2020, \$200,000 of the principal was repaid and the interest rate was reduced to 10.8%. In January 2021, the Pelicourt loan was extended to March 31, 2024 at the same 10.8% interest rate with a repayment of \$150,000 per quarter. During the year ended December 31, 2022, the Company made principal payments of \$900,000 which repaid the loan in full. The principal balance of the Pelicourt loan at December 31, 2023 was \$nil (2022 - \$nil). During the year ended December 31, 2023, the Company recorded interest of \$nil (2022 - \$8,000). A summary of the shareholder loan is presented below.

	\$
January 1, 2022	949,000
Accrued interest	8,000
Principal repayment	(900,000)
Interest payment	(57,000)
December 31, 2022 and 2023	-

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

7 Bank loan guarantee and discontinued operations

During the year ended December 31, 2021, the Company's former subsidiary, Tysgaz, entered into a loan agreement with a Ukraine bank for €650,000 (\$793,000). The loan bore interest at 7.5%, matured in November 2023 and was secured by the Jenbacher power generation units and a general guarantee by the Company. During the year ended December 31, 2022, the Company repaid \$160,000 in principal and paid \$21,000 in interest. This loan was assumed by the buyer of 3P. The Ukraine bank released the Company of the guarantee in conjunction with the sale. See Note 5. A summary of the shareholder loan is presented below.

	\$
Carrying value, January 1, 2022	577,000
Principal repayments	(139,000)
Interest payment	(21,000)
Currency translation adjustment	(52,000)
Loan assumed by the purchaser of 3P International (Note 5)	(365,000)
Carrying value, December 31, 2022 and 2023	-

8 Share capital and share-based payments

(a) Share capital

Issued shares

During the year ended December 31, 2023:

In May 2023, the Company closed a private placement financing of 4,166,667 units at a price of CAD \$0.12 per share for gross proceeds of \$351,071 (CAD \$476,000). Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of CAD\$0.18 for a period of one year. Of the 4,166,667 shares issued, the Company issued 200,000 common shares for gross proceeds of \$nil in connection with the severance payment of a former director, to settle \$17,671 of debt (CAD\$24,000).

During the year ended December 31, 2022:

On December 30, 2022, the Company completed a share consolidation on the basis of one (1) new share for every three hundred (300) old shares. All share, share option and per share amounts in these consolidated financial statements have been adjusted to give retroactive effect to the stock consolidation.

Preferred share redemption and special distribution

On December 30, 2022, the Company completed the reorganization of the Company's share capital to permit the Company to pay a Special Distribution of CAD \$9.00 per share (CAD\$0.03 per share pre-share consolidation) cash to shareholders of record as at December 23, 2022 which totaled approximately \$6,900,000. In connection with the Special Distribution, the Company filed articles of amendment which created a new class of shares called Class B Common Shares and a class of Preferred Shares and effected an exchange of the existing Company common shares for new Class B Common Shares and Preferred Shares on the basis of one Class B Common Share and one Preferred Share for every Company common share currently outstanding. The Preferred Shares were immediately redeemed, in accordance with a notice from the Company provided by way of a news release issued on December 30, 2022, in exchange for the Special Distribution. The Preferred Share Redemption was treated as a reduction in the share capital of the Company and was payable to shareholders as at December 30, 2022. During the year ended December 31, 2023, the Special Distribution was paid to shareholders of record.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

8 Share capital and share-based payments (continued)

(b) Stock options

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares. The term of options under the plan shall not exceed 10 years, have an exercise price not less than the current market price and may be subject to vesting terms as determined by the board of directors. The continuity and schedule of the stock options is presented below:

	Number of Options	Weighted Average Exercise Price (CAD)
		\$
Balance, December 31, 2021	28,666	24.00
Options forfeited	(16,333)	22.00
Balance, December 31, 2022	12,333	24.00
Issued	90,000	0.26
Balance, December 31, 2023	102,333	3.12

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (CAD)	Expiry Date
		\$	
12,333	12,333	24.00	December 7, 2026
90,000	45,000	0.26	November 8, 2028
102,333	57,333		

In November 2023, the Company granted 90,000 stock options to certain directors of the Company at an exercise price of \$0.26 CAD. These options were granted for a period of five years with ½ vesting immediately, and ½ vesting a year from date of grant. The estimated fair value, \$17,775 CAD, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.60%, forfeiture rate of 0%, no annual dividends, expected volatility of 100% and a market price of shares at grant date \$0.26 CAD. During the year ended December 31, 2023, the Company recorded share-based compensation of \$7,508 (2022 – \$nil).

The weighted average life of options outstanding at December 31, 2023 was 4.63 years.

(c) Warrants

	Number of warrants	Weighted Average Exercise Price (CAD)
		\$
Balance, December 31, 2021 and 2022	-	-
Issued	2,083,333	0.18
Balance, December 31, 2023	2,083,333	0.18

Number of warrants Outstanding	Weighted Average Exercise Price (CAD)	Expiry Date
	\$	
2,083,333	0.18	May 16, 2024

The weighted average life of warrants outstanding at December 31, 2023 was 0.38 years.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

9 Loss per share

	Years ended December 31,	
	2023	2022
	\$	\$
Numerator:		
Loss from continuing operations - basic and diluted	(300,797)	(17,793,560)
Loss from discontinuing operations - basic and diluted	-	(24,493,317)
Loss for the year - basic and diluted	(300,797)	(42,286,877)
Denominator		
Weighted average shares – basic and diluted	3,672,954	1,047,383
Basic and diluted loss per share from continuing operations	(0.08)	(16.99)
Basic and diluted loss per share from discontinuing operations	-	(23.39)
Basic and diluted loss per share	(0.08)	(40.37)

10 Operating segments

The Company operated in one reportable segment in the oil and gas industry. All revenue in 2022 was earned in Ukraine and the Company divested all its oil and gas investments during the year ended December 31, 2022. The Company is not operating in any reportable segments as it continues to explore new directions.

11 Related party transactions

Transactions with related parties are incurred in the normal course of business. During the year ended December 31, 2023 and 2022, related party transactions included the shareholder loan, the sale of 3P, the transactions with KUB Holdings and KUB-Gas (Notes 5, 6, and 7) and key management compensation.

Key management personnel include executive officers and non-executive directors. Executive officers are compensated and may participate in the Company's stock option plan. Non-executive directors also may participate in the Company's stock option plan. Key management personnel compensation is comprised of the following and included both the continued and discontinued operations:

	Years ended December 31,	
	2023	2022
	\$	\$
Management fees ⁽¹⁾	12,200	85,000
Consulting fees ⁽¹⁾	181,416	189,000
Share-based compensation	7,508	-
Salaries ⁽¹⁾	-	139,000
Bonus ⁽¹⁾⁽²⁾	-	251,000
	201,124	664,000

- (1) These amounts include amounts in general administrative expenses for discontinued operations (Note 5).
(2) The Company recorded \$nil in bonuses to management during the year ended December 31, 2023 (2022 - \$251,000). The 2022 bonuses were paid as part of an incentive and retention strategy for the asset divestures and debt reduction that occurred in conjunction with the closing of the KUB Holdings sale on February 2, 2022. See Note 4.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

12 Financial instruments

The Company's financial instruments consist of cash, receivables (excluding sales tax), trade and other payables and preferred share redemption payable. The Company's financial assets and liabilities are classified at amortized cost. The fair values of the Company's financial instruments approximate their carrying values due to the short term nature of the accounts.

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

13 Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) 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 primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with a large Canadian financial institution. Management believes the risk of loss is low.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient working capital to meet liabilities when due. As at December 31, 2023, the Company had a cash balance of \$254,852 to settle accounts payable and accrued liabilities of \$28,056. Liquidity risk is assessed as low.

(c) Market risk

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

14 Capital disclosure and management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to meet its exploration commitments. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure. The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSXV. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy remains unchanged from 2022. The Company is not subject to any externally imposed capital requirements.

Carcetti Capital Corp.
For the years ended December 31, 2023 and 2022
Notes to the consolidated financial statements
(Expressed in US dollars)

15 Income taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the expected income tax expenses and the actual income tax provision are summarized as follows:

	Years ended December 31,	
	2023	2022
	\$	\$
Income (loss) before tax	(300,797)	(42,286,877)
Expected income tax (recovery)	(69,183)	(10,146,766)
Change in statutory, foreign tax, foreign exchange rates and other	(138,863)	7,447,971
Permanent differences	1,905	(123,592)
Impact of application of sale of subsidiaries	-	5,476,686
Adjustment to prior years deferred tax assets	210,577	223,424
Change in unrecognized deductible temporary differences	(4,435)	(2,877,723)
Total income tax expense (recovery)	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31,	Expiry dates	December 31,	Expiry dates
	2023		2022	
	\$		\$	
Temporary Differences				
Property, plant and equipment	1,392,310	No expiry date	1,323,844	No expiry date
Capital losses	1,511,641	No expiry date	1,478,391	No expiry date
Non-capital losses	24,479,592	2030 to 2042	24,599,657	2024 to no expiry