**Wolfden Resources Corporation**

Consolidated Financial Statements

(Stated in Canadian Dollars)



For the years ended December 31, 2023 and 2022

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

|  |  |  |
| --- | --- | --- |
| **As at** | **December 31, 2023**  **$** | **December 31, 2022**  **$** |
| **ASSETS** |  |  |
| **Current assets**  Cash and cash equivalents | **1,096,300** | 3,511,011 |
| Amounts receivable *[note 5]* | **88,548** | 134,134 |
| Prepaid expenses | **15,794** | 17,535 |
| **Total current assets** | **1,200,642** | 3,662,680 |
| **Non-current assets**  Equipment *[note 6]* | **406** | 550 |
| **Total assets** | **1,201,048** | 3,663,230 |
| **LIABILITIES** |  |  |
| **Current liabilities**  Accounts payable and accrued liabilities | **499,869** | 568,795 |
| **Total current liabilities** | **499,869** | 568,795 |
| **EQUITY** |  |  |
| Share capital *[note 8]* | **41,865,575** | 41,865,575 |
| Equity settled employee benefits *[note 8]* | **2,689,021** | 2,350,593 |
| Other comprehensive loss | **(212,695)** | (287,216) |
| Deficit | **(43,640,722)** | (40,834,518) |
| **Total equity** | **701,179** | 3,094,434 |
|  |  |  |
| **Total liabilities and equity** | **1,201,048** | 3,663,230 |
| *Going concern [note 1]*  *Subsequent events [note 16]*  *See accompanying notes to the consolidated financial statements* |  |  |
| *These consolidated financial statements are authorized for issue by the Board of Directors on April 16, 2024*  *and they are signed on the Corporation's behalf by:*  *"Ron Little" "John Seaman"*  *Director Director* | | |

# CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

## (Stated in Canadian Dollars)

|  |  |  |
| --- | --- | --- |
|  | For the year ended December 31 | |
|  | **2023 $** | **2022 $** |
| **EXPENSES** |  |  |
| Depreciation *[note 6]* | **144** | 195 |
| Exchange loss/(gain) | **70,525** | (201,272) |
| Exploration and evaluation expenses *[note 7]* | **1,266,008** | 2,953,698 |
| Flow through interest penalty | **-** | 1,853 |
| General and administrative expenses | **1,003,043** | 1,007,158 |
| Professional fees | **177,073** | 74,390 |
| Share-based payments *[note 8]* | **338,428** | 405,849 |
| **Loss before the following** | **(2,855,221)** | (4,241,871) |
| **INCOME** |  |  |
| Investment income *[note 13]* | **34,017** | 2,965 |
| Other income *[note 13]* | **15,000** | 1,515,500 |
| **Loss before income taxes** | **(2,806,204)** | (2,723,405) |
| Income tax expense (recovery) *[note 12]* | **-** | (36,065) |
| **Loss for the year** | **(2,806,204)** | (2,687,340) |
| Exchange differences related to foreign operations | **74,521** | (90,697) |
| **Total comprehensive loss for year** | **(2,731,683)** | (2,778,037) |
| **Basic and diluted profit/ (loss) per share** *[note* *9]* | **(0.02)** | (0.02) |
| *See accompanying notes to the consolidated financial statements* | | |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Stated in Canadian Dollars)

|  |  |  |
| --- | --- | --- |
|  | For the year ended December 31 | |
|  | **2023**  **$** | **2022**  **$** |
|  |  |  |
| **OPERATING ACTIVITIES** |  |  |
| Loss for the year | **(2,806,204)** | (2,687,340) |
| Depreciation | **144** | 195 |
| Share based payments | **338,428** | 405,849 |
| **Changes in non-cash working capital related to operations** |  |  |
| Accounts receivable | **43,852** | (71,286) |
| Prepaid expenses | **1,704** | (4,893) |
| Accounts payable and accrued liabilities | **(61,792)** | 325,265 |
| **Cash used in operating activities** | **(2,483,869)** | (2,032,210) |
| **FINANCING ACTIVITIES** |  |  |
| Proceeds from shares issued in private placements | **-** | 2,299,985 |
| Proceeds from the exercise of stock options | **-** | 96,600 |
| **Cash provided by financing activities** | **-** | 2,396,585 |
|  |  |  |
| Increase (Decrease) in cash and cash equivalents during year | **(2,483,869)** | 364,375 |
| Cash and cash equivalents, beginning of year | **3,511,011** | 3,229,005 |
| Effect of foreign exchange on cash and cash equivalents | **69,158** | (82,369) |
| **Cash and cash equivalents, end of year** | **1,096,300** | 3,511,011 |

*See accompanying notes to the consolidated financial statements*

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## (Stated in Canadian Dollars)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Share Capital** | | **Reserves** | | |  |
| **Issued and outstanding**: | Number of Shares | Share Capital | Equity Settled Employee Benefits | Foreign exchange differences | Deficit | Total Equity |
|  |  | $ | $ | $ | $ | $ |
| **Balance as at December 31, 2021** | **152,818,670** | **39,331,498** | **2,082,236** | **(196,519)** | **(38,147,178)** | **3,070,037** |
| Share based payments *[note 8]* | - | - | 405,849 | - | - | 405,849 |
| Private Placement | 10,952,310 | 2,299,985 | - | - | - | 2,299,985 |
| Restricted share units *[note 8]* | 356,668 | 78,467 | (78,467) | - | - | - |
| Exercise of stock options *[note 8]* | 690,000 | 155,625 | (59,025) | - | - | 96,000 |
| Exchange difference on translating foreign operations | - | - | - | (90,697) | - | (90,697) |
| Loss for the year | - | - | - | - | (2,687,340) | (2,637,340) |
| Balance as at December 31, 2022 | 164,817,648 | 41,865,575 | 2,350,593 | (287,216) | (40,834,518) | 3,094,434 |
| Share based payments *[note 8]* | - | - | 338,428 | - | - | 338,428 |
| Exchange difference on translating foreign operations | - | - | - | 74,521 | - | 74,521 |
| Loss for the year | - | - | - | - | (2,806,204) | (2,806,204) |
| **Balance as at December 31, 2023** | **164,817,648** | **41,865,575** | **2,689,021** | **(212,695)** | **(43,640,722)** | **701,179** |

*See accompanying notes to the consolidated financial statements*

### NATURE OF BUSINESS

Wolfden Resources Corporation (the "Corporation" or "Wolfden") was incorporated under the laws of the Province of Ontario on August 12, 2009. The principal business activity of the Corporation is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future. The office address of the Corporation is 100 King Street West, Suite 3400, Toronto, Ontario, M5X 1A4.

##### Going concern

The Corporation, being in the exploration stage, is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry, global economics, health concerns and metal price volatility and there is no assurance management will be successful in its endeavors. At December 31, 2023, the Corporation has no ongoing source of operating cash flow. The Corporation incurred a net loss of $2,806,204 for the year ended December 31, 2023, (net loss of $2,637,340 for the year ended December 31, 2022) and has accumulated a deficit of $43,640,722 (December 31, 2022 - $40,834,518) since the inception of the Corporation. As at December 31, 2023, the Corporation had working capital of $700,773 (December 31, 2022 – $3,093,885). The Corporation’s ability to continue as a going concern is largely dependent upon its ability to raise additional capital to continue the development of its mineral properties. Management attempts to raise additional capital whenever favorable market conditions exist.

Although the Corporation to date has been successful in raising sufficient funds with its strategic investors and the capital markets to advance its projects, the capital markets continue to be volatile and are largely out of the Corporation’s control, and therefore, there remains material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern. It is not possible to predict whether financing efforts will be successful or if the Corporation will attain profitable levels of operation. These financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of loss and comprehensive loss classification that would be necessary should the Corporation be unable to continue as a going concern. These adjustments could be material.

### MATERIAL ACCOUNTING POLICIES

##### Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

The consolidated financial statements of the Corporation for the period ended December 31, 2023 were approved and authorized by the Board of Directors on April 16, 2024

##### Basis of consolidation

The Corporation's consolidated financial statements consolidate those of its subsidiaries. The Corporation's subsidiaries are:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Percentage of ownership** | **Jurisdiction** | **Principal activity** |
| Wolfden Resources Canada Inc. | 100% | Canada | Mineral exploration |
| Wolfden USA Inc. | 100% | United States | Mineral exploration |
| Wolfden Mt. Chase LLC | 100% | United States | Mineral exploration |
| Wolfden Big Silver LLC | 100% | United States | Mineral exploration |

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies.

##### Foreign currency translation

The consolidated financial statements are presented in Canadian dollars (CAD), which is also the functional currency of the Corporation, as well as its subsidiary Wolfden Resources Canada Inc. The functional currency of the Corporation's subsidiaries, Wolfden USA Inc, Wolfden Mt. Chase LLC, and Wolfden Big Silver LLC is U.S. dollars (USD).

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporations' subsidiary are translated into CAD upon consolidation. On consolidation, assets and liabilities have been translated into CAD at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

##### Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Corporation become party to the contracts that gives rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Corporation considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of loss and comprehensive loss. The election is available on an investment-by-investment basis. Investments in equity securities, where the Corporation cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and cash equivalents, amounts receivable are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

At each balance sheet date, on a forward-looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Corporation has transferred its rights to receive cash flows from the asset, the Corporation will assess whether it has relinquished control of the asset or not. If the Corporation does not control the asset, then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

**Exploration and Evaluation**

The Corporation is in the process of exploring its mineral properties and chooses to expense acquisition costs for property rights. Mineral property acquisition costs include the cash consideration given, direct legal costs incurred for the acquisition, and issuance of shares for mineral property interests. Where the Corporation has entered into an option agreement for the acquisition of an interest in a mineral property which provides for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the Corporation’s discretion.

The Corporation has adopted the policy of expensing exploration costs and periodic maintenance costs incurred prior to the determination that a property has economically recoverable reserves.

**Equipment and leaseholds**

Equipment and leaseholds are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in equipment and leaseholds if it is probable that future economic benefits associated with the expenditure will flow to the Corporation.

Depreciation on equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of equipment. Depreciation on leaseholds is recognized on the straight-line basis over the term of the lease, which is 5 years. The rates generally applicable are:

Computer equipment 30%

Vehicles 30%

Leaseholds Straight line over term

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or ‘other expenses’.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**Impairment of non-financial assets**

At each financial position reporting date, the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the assets belong.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Share capital**

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation’s common shares, reserves, share options and share warrants are classified as equity instruments.

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

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation’s investor warrants are equity instruments and not financial liabilities or financial obligations. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

**Share-based payment transactions**

The Corporation has two share-based compensation plans: The Share Option Plan and Restricted Share Unit plan, as noted below, and as further discussed in Note 8 of these consolidated financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

Share Option Plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. Vesting periods range from immediate to five years. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Corporation, together with the amount in contributed surplus, are credited to common shares.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are less than that estimated on vesting.

Restricted Share Unit Plan

Restricted share units ("RSU") are granted to eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs are settled in cash or equity at the option of the Corporation. The RSUs vest subject to an RSU award letter but no later than December 31, of the third calendar year following the service year determined based on date of grant. The RSUs granted are accounted for under the equity method as they expected to be settled in equity.

**Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation provision

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the

increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in the profit and loss.

**Loss per share**

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**Interest**

Interest income and expenses are reported on an accrual basis using the effective interest method.

**Operating expenses**

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

##### Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation's operating segments are its separately identifiable exploration and evaluation properties.

##### Significant accounting judgements and estimates

In the application of the Corporation’s accounting policies, which are described in Note 2 of the audited consolidated financial statements for the year ending December 31, 2023, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which by their nature are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods. Significant estimates include:

* 1. the inputs used in accounting for share based payments in these consolidated statements of loss and comprehensive loss;
  2. the provision for income taxes which is included in these consolidated statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position which have not yet been confirmed by the taxation authorities, and
  3. the estimated useful lives of equipment and leaseholds which are included in the consolidated statement of financial position and the related depreciation included in these consolidated statements of loss and comprehensive loss.

Significant judgement

Functional currency

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

##### Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed though other income in the statement. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

##### Government grants

Government grants are recorded as other income when there is reasonable assurance that the Corporation has complied with and will continue to comply with, all necessary conditions to obtain the grants. These grants are used to reduce the related exploration expenditures.

**Timber sales**

The Corporation engages with third parties for sale of its Royalty on timber. The proceeds from these sales have been recorded as other income.

1. **RECENT ACCOUNTING PRONOUNCEMENTS**

##### Standards adopted during the year

##### Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of these consolidated financial statements make on the basis of these consolidated financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Corporation’s consolidated financial statements.

##### Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Corporation’s consolidated financial statements.

##### Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

The IASB has issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 12 *Income Taxes* which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Corporation’s consolidated financial statements.

**New Standards not yet adopted**

##### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

* 1. clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
  2. clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
  3. make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.
  4. This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

### SEGMENTED INFORMATION

The Corporation’s significant segments are represented by its separately identifiable exploration and evaluation properties (see note 7 for disclosure by property). The Corporation also operates in two distinct geographic areas. The Canadian operations are managed from the Corporation’s head office in Thunder Bay and an office in Ottawa. The U.S. operations are managed from an office in Maine.

|  |  |  |  |
| --- | --- | --- | --- |
| **For the year ended December 31, 2023** | | | |
|  |  |  |  |
|  | **Canada $** | **USA $** | **Total $** |
| **Segmented Assets** | 1,093,108 | 107,940 | **1,201,048** |
| **Segmented Liabilities** | 178,620 | 321,249 | **499,869** |
| **Operating activities** |  |  |  |
| Depreciation | 144 | - | **144** |
| Exchange loss | 31,759 | 38,766 | **70,525** |
| Exploration and evaluation expenses | 341,544 | 924,464 | **1,266,008** |
| General and administrative | 636,432 | 366,611 | **1,003,043** |
| Professional fees | 96,212 | 80,861 | **177,073** |
| Share-based payments | 303,028 | 35,400 | **338,428** |
| **Total** | **1,409,119** | **1,446,102** | **2,855,221** |
| Other items | 48,729 | 288 | **49,017** |
| **Loss for the year** | **(1,360,390)** | **(1,445,814)** | **(2,806,204)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **For the year ended December 31, 2022** | | | |
|  |  |  |  |
|  | **Canada $** | **USA $** | **Total $** |
| **Segmented Assets** | 2,757,217 | 906,013 | 3,663,230 |
| **Segmented Liabilities** | 290,248 | 278,547 | 568,795 |
| **Operating activities** |  |  |  |
| Depreciation | 195 | - | 195 |
| Exchange loss | (114,365) | (86,907) | (201,272) |
| Exploration and evaluation expenses | 1,605,301 | 1,348,397 | 2,953,698 |
| Flow-through interest penalty | 1,853 | - | 1,853 |
| General and administrative | 705,447 | 299,861 | 1,005,308 |
| Professional fees | 75,046 | 1,194 | 76,240 |
| Share-based payments | 405,849 | - | 405,849 |
| Income tax expense | 32,909 | (68,974) | (36,065) |
| **Total** | **2,712,235** | **1,493,570** | 4,205,805 |
| Other items | 246,021 | 1,272,444 | 1,518,465 |
| **Loss for the year** | **(2,466,214)** | **(221,127)** | (2,687,340) |

1. **AMOUNTS RECEIVABLE**

For the years ended December 31, 2023 and 2022

|  |  |  |
| --- | --- | --- |
|  | **2023 $** | 2022 $ |
| **Recoverable taxes (i)** | **88,548** | 134,134 |
| Total | **88,548** | 134,134 |

(i) Recoverable taxes include Canadian harmonized sales tax receivable and a balance of income tax overpayment.

1. **EQUIPMENT**

|  |  |
| --- | --- |
|  | **Computer**  **Equipment** |
|  | **$** |
| **Cost** |  |
| Balance, December 31, 2022 | 13,120 |
| **Balance, December 31, 2023** | **13,120** |
|  |  |
| **Accumulated depreciation** |  |
| Balance, January 1, 2022 | 12,375 |
| Depreciation for the year | 195 |
| Balance, December 31, 2022 | **12,570** |
| Depreciation for the year | 144 |
| **Balance, December 31, 2023** | **12,714** |
| **Carrying amounts** |  |
| December 31, 2022 | 550 |
| **December 31, 2023** | **406** |

1. **EXPLORATION AND EVALUATION**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **For the year ended December 31, 2023** | | | | | | | |
|  | **Manitoba Nickel** | **Teta-**  **gouche** | **Pickett Mountain** | **Big Silver** | **Other** | **Total for**  **2023** | **Total from inception** |
|  | $ | $ | $ | $ | $ | **$** | **$** |
| Analysis | - | 4,101 | - | - | - | **4,101** | **1,002,885** |
| Geological | 36,027 | 115,463 | 66,148 | 1,131 | 2,125 | **220,894** | **4,021,331** |
| Geophysical | 9,631 | 28,968 | - | - | - | **38,599** | **3,276,490** |
| Geochemical | - | 21,154 | - | - | - | **21,154** | **475,159** |
| Travel | 5,205 | 1,413 | 71,824 | 348 | - | **78,790** | **959,723** |
| Drilling | - | 1,212 | - | - | - | **1,212** | **8,788,131** |
| Property Work | - | 13,372 | 16,171 | - | - | **29,543** | **1,043,371** |
| Ops Support | - | 2,437 | 21,633 | 9,727 | - | **33,797** | **639,382** |
| Administration | - | - | - | - | - | **-** | **767,729** |
| General Expense | 154 | 26,353 | - | - | 7,351 | **33,858** | **94,058** |
| Site Acquisition Costs | 50,000 | - | - | - | 10,858 | **60,858** | **228,695** |
| Mine Permitting expense | - | - | 736,415 | - | 6,787 | **743,202** | **1,983,060** |
| Total Exploration | 101,017 | 214,473 | 912,191 | 11,206 | 27,121 | **1,266,008** | **23,280,014** |
| Other costs | - | - | - | - | - | **-** | **21,133,497** |
| **Total** | 51,017 | 214,473 | 912,192 | 11,206 | 27,121 | **1,216,008** | **44,413,511** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **For the year ended December 31, 2022** | | | | | | |
|  | **Manitoba Nickel** | **Pickett Mountain** | **Teta-gouche** | **Big Silver** | **Total for**  **2022** | **Total from inception** |
|  | $ | $ | $ | $ | **$** | $ |
| Analysis | - | 27,915 | 14,487 | - | 42,402 | 998,784 |
| Geological | 71,123 | 32,215 | 22,338 | 30,333 | 156,008 | 3,800,437 |
| Geophysical | 74,440 | - | 47,715 | 107,437 | 229,591 | 3,237,891 |
| Geochemical | 27,188 | 1,570 | 30,468 | 57,189 | 116,414 | 454,005 |
| Travel | 58,755 | 43,088 | 12,455 | 12,434 | 126,732 | 880,933 |
| Drilling | 944,541 | 888 | 780 | 3,883 | 950,091 | 8,786,919 |
| Property Work | - | 16,123 | 175,008 | - | 191,131 | 1,013,828 |
| Ops Support | 5,375 | 17,441 | 21,095 | 37,212 | 81,124 | 605,585 |
| Administration | 5,533 | 832 | 9,242 | - | 15,607 | 767,729 |
| General expense | 5,599 | 399 | 19,232 | 196 | 25,426 | 60,200 |
| Site Acquisition costs | 50,000 | - | - | - | 50,000 | 167,837 |
| Mine Permitting expense | 10,000 | 959,169 | - | - | 969,169 | 1,239,858 |
| Total Exploration | 1,252,553 | 1,099,641 | 352,821 | 248,684 | 2,953,698 | 22,014,009 |
| Other costs | - | - | - | - | - | 21,133,497 |
| **Total** | 1,252,553 | 1,099,641 | 352,821 | 248,684 | **2,953,698** | **43,147,506** |

**Mineral property acquisitions and agreements**

**Maine, U.S.A.**

***Pickett Mountain Property***

On November 16, 2017, the Corporation acquired a 100% interest in the Pickett Mountain Property (the “Property”), located in Penobscot County, northern Maine, U.S.A for a cash purchase price of $11,292,055 (US$8.5 million) (the “Acquisition”).

To fund the acquisition of the Property, the Corporation entered into a Royalty Agreement that granted a 1.35% gross sales royalty on the Property to Altius Resources Inc. (“Altius”), a wholly owned subsidiary of Altius Minerals Corporation, for cash consideration of $7,663,800 (US$6,000,000) and completed a non-brokered private placement (the "Offering") of 20,200,000 subscription receipts ("Subscription Receipts") at a price of $0.25 per Subscription Receipt for gross proceeds of $5,050,000, with Altius subscribing for 14,200,000 Subscription Receipts. The subscription receipts were converted into 14,200,000 common shares of the Corporation.

Pursuant to the Royalty Agreement, Altius has the option to purchase an additional 0.50% gross sales royalty at any time before the first anniversary of commercial production for US$7,500,000. In addition, the Corporation granted Altius certain rights to convert the Pickett Mountain Royalty to equity under certain terms, or to exchange the royalty for a similar royalty on the Corporation's Orvan Brook property. Furthermore, the Corporation agreed to use its best efforts to sell or transfer the timber from the project for gross proceeds of US$5,000,000 or such other amount as agreed to by Wolfden and Altius, acting reasonably (the "Timber Proceeds"). Wolfden is required to pay Altius 20% of the Timber Proceeds. These terms as shown were amended from the original agreement on October 7, 2020.

On January 22, 2020, the Corporation secured up to US$4.5 million in non-dilutive funding by selling-forward $5 million worth of timber from its Pickett Mountain Property. Under the terms of the agreement the Corporation received US$3 million and is entitled to receive an additional US$1.5 million between the 4th and 5th anniversary of the agreement. The timber company has the right to harvest US$5 million of timber from the property over 5 years. For the year ended December 31, 2020, the Corporation recorded net timber sales proceeds of $3,140,880 (US$ 2,400,000), that are net of 20% (US$600,000) that was passed onto to Altius as per the Royalty Agreement (2019 - $252,326). The entire amount of the proceeds was recognized as no further performance obligation is required by the Corporation.

Pursuant to the Royalty Agreement, Altius has a conversion right and exchange right. The Call Right, which related to Altius’s call option on the Timber Rights, was eliminated in the October 7, 2020 amendment of the Royalty Agreement as a direct result of the Corporations January 22, 2020 $4.5 million timber sale agreement which by effect, eliminated the possibility for any potential call option on those Timber Rights. Each of the other two rights are valid and are summarized below.

*Conversion Right*

At any time after November 14, 2023, Altius will have the right to convert the Pickett Mountain Royalty, in accordance with the terms of the Royalty Agreement, to cash or Common Shares, or a combination thereof (the "Conversion Right"). As December 31, 2023 Altius has not elected to exercise its conversion right. Upon the exercise of the Conversion Right, the Common Share consideration to be received by Altius will be equal to the lesser of: (a) the number of Common Shares that is equal in Royalty Value; and (b) the number of Common Shares that does not exceed 19.99% of all outstanding Common Shares on a partially diluted basis. The remaining balance of the Royalty Value is to be paid to Altius in cash. Under the Royalty Agreement, "Royalty Value" means an amount equal to the aggregate of: (i) all amounts paid by Altius to Wolfden (including the purchase price consideration paid by Altius) in respect of the Pickett Mountain Royalty, minus (ii) all timber Proceeds received by Altius, minus (iii) all other payments received by Altius in respect of the Pickett Mountain Royalty. The Common Share conversion price is the greater of: (i) $0.05 per Common Share; and (ii) the volume weighted average trading price of the Common Shares on the TSXV (or any other principal exchange on which the Common Shares are trading) for the twenty consecutive trading days immediately preceding the date of the exercise of the Conversion Right. Upon the exercise of the Conversion Right and satisfaction of the payment thereof by Wolfden, any remaining Escrowed Proceeds will be released to Wolfden.

*Exchange Right*

Under the Royalty Agreement, Altius has the right to exchange the Pickett Mountain Royalty to a gross sales royalty in respect of the Orvan Brook property, which will be calculated and payable on the same terms as the terms of the Pickett Mountain Royalty in effect on the date of exchange, mutatis mutandis.

In 2019, Altius and Wolfden agreed to an amendment to their Offering and Subscription Agreements, dated November 14, 2017 whereby during any period when the common shares of Wolfden are trading on the Toronto Stock Exchange Venture Exchange at a volume-weighted average trading price of not less than $0.60 per common share for at least 20 consecutive trading days, it will, upon written request by Wolfden during such period, exercise its warrants. Altius currently holds 7,100,000 Wolfden common share purchase warrants priced at $0.35 per share with a termination date of November 15, 2022.

*Timber Agreements*

On January 22, 2020, the Corporation secured up to US$4.5 million in non-dilutive funding for its exploration projects by selling-forward timber from its wholly owned Pickett Mountain Zn-Pb-Cu-Ag-Au Project in Maine, USA. Under the terms of a 5-year stumpage agreement with a privately owned Maine timber company, the Corporation received US$3 million upon closing and is entitled to receive an additional US$1.5 million between the 4th and 5th anniversary of the agreement. The timber company has the right to harvest US$5 million of timber from the property over 5 years. In addition, the timber company also granted Wolfden an option to earn a 100% interest (less an NSR) in the mineral rights of the property that adjoins Pickett Mountain as well as long-term road access rights for the current forest road used to reach the Pickett Mountain deposit from the state highway #11.As part of the Altius Royalty agreement on Pickett Mt., dated November 2017 and as amended on October 7, 2020 and on February 8, 2022, Altius and the Corporation executed an amendment to their Pickett Mountain Royalty Agreement where Altius increased its royalty for the payment of US$1 million to the Corporation on signing. As per the terms of the agreement, Altius will receive the next US$1.2 million in net timber revenues and thereafter increases its future timber royalties from 20% to 30%.The 30% royalty will also apply to any revenue generated from the sale of any timber related carbon credits from the Property.

***Other properties, Maine USA***

On April 6, 2019, the Corporation's U.S. subsidiary entered into a mineral rights earn-in agreement on a property located in Maine, U.S.A. The agreement called first and second year lease payments of $25,000 USD, both of which have been paid. The agreement has been amended such that the annual payments have been reduced to $5,000.

On November 30, 2020, the Corporation’s U.S. subsidiary entered into a mineral rights earn-in agreement on a property in Maine referred to as the Big Silver Project. The agreement called for a first-year payment of $50,000 which has been paid. The Corporation and the Optionee has agreed to place the project and the option agreement on hold until such time the Pickett Project can proceed.

**New Brunswick, Canada**

***Tetagouche Property***

On January 6, 2014, the Corporation closed a definitive purchase agreement (the ""Agreement"") to acquire a large strategic land package (the ""Property"") situated in the Bathurst Mining Camp and surrounding area in northeastern New Brunswick. Wolfden acquired the Property from 8100896 Canada Inc., a wholly owned subsidiary of GeoVenCap Inc. (the “Vendor”). Pursuant to the terms of the Agreement, the Corporation purchased all of the Vendor's right, title and interest to and in the Property for cash consideration of $125,000 and 571,428 common shares of Corporation (the "Consideration Shares") having a value of $100,000. The Consideration Shares were subject to a four month hold period under applicable securities laws in Canada.

***Orvan Brook Property***

On January 3, 2017, the Corporation acquired through claim staking the Orvan Brook property located in the Bathurst Mining Camp, west of the town of Bathurst, New Brunswick. Orvan Brook is included under the Tetagouche Properties.

***Clarence Stream Property Agreements***

On August 2, 2016, the Corporation entered into a definitive option agreement with 2520885 Ontario Inc. and Galway Metals Inc., whereby Galway could earn a 100% interest in the property, located in southwestern New Brunswick.

As per the terms of the agreement, and as of July 9, 2019, Galway successfully completed exploration expenditures and made cash payments to Wolfden totaling $3,250,000 to earn a 100% interest in the property less a 1% Net Smelter Return Royalty held by Wolfden that can purchased at any time for the sum of $2,000,000.

***Brunswick No. 6 West Property***

On April 29, 2015, the Corporation acquired, by claim staking, the Brunswick No. 6 West property (the “Property). The wholly owned Property is located southwest of the City of Bathurst, in the heart of the Bathurst Mining Camp.

**Manitoba Nickel Properties, Canada**

***Rice Island Property***

On September 15, 2015, the Corporation acquired a 100% interest in the Rice Island nickel-copper deposit situated on the Rice Island property (the "Property") through claim staking. The Property is located in west-central Manitoba at Wekusko Lake, just east of the Snow Lake concentrator complex owned by Hudbay Minerals Inc.

During the fourth quarter of 2015, a Notice of Dispute (the "Notice") was filed with the Province of Manitoba with respect to the Rice Island, Manitoba claims. Specifically, the Notice states that an individual (the "Disputant") has taken the position that one of the claims recorded in favour of Wolfden is invalid due to the existence of the Disputant's claims on the land prior to Wolfden's staking of the claim. Wolfden has responded to the Notice and is confident that it has clear and legal title to the subject claim as confirmed by the issuing of the recording certificate by the Manitoba Mining Recorder. This matter was brought to a resolution in conjunction with the signing of the Rice Island Tie-On Property ("RITOP") agreement described below. On September 21, 2016, the Corporation entered into an option agreement to expand the Rice Island property by earning a 100% interest in the Rice Island Tie-On Property, located adjacent to Wolfden's existing Rice Island property. Under terms of the option agreement with the Vendor, to earn a 100% interest in the RITOP, the Corporation must make cash payments totaling $250,000 and issue 500,000 common shares of Wolfden annually over a five-year period, on or before the anniversary date of the signing of the agreement. A $25,000 cash payment and the issuance of 100,000 common shares was completed on signing. In addition, the Corporation must incur $1,000,000 in exploration expenditures over the same five year period including $100,000 in the first year. As at December 31, 2019, the exploration commitments have been completed and, in 2021 the cash annual cash payments to earn into the project were completed. Starting in September 2022, a cash payment of $50,000 as an advance royalty payment, shall be paid to a maximum of $250,000. Under amendments to the original agreement, the first and second payments were deferred to January 2023 and January 2024

Upon earning a 100% interest in the RITOP, the Vendor retains a 2.5% Net Smelter Royalty on the RITOP as well as on the Rice Island property; of which, Wolfden can purchase 1.5% of the Net Smelter Royalty for the sum of $1,500,000 (0.5% increments at $500,000 per each increment) for each of the properties. Wolfden also retains the right of first refusal on the remaining 1.0% Net Smelter Royalty held by the Vendor for each of the RITOP and Rice Island property.

**8. SHARE CAPITAL AND RESERVES**

**i. Authorized**

The Corporation is authorized to issue an unlimited number of common shares.

**ii. Details of share issuances**

**2022**

**Private Placement**

On December 16, 2022, the Corporation completed a non-brokered (no agent) private placement of 10,952,310 Common shares of the Corporation at a price of $0.21 per Common Share for gross proceeds of $2,299,985.

**iii. Warrants**

**The following table reflects the continuity of warrants as at December 31, 2023:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expiry Date** | **Exercise Price** | **2023 Opening Balance** | **Warrants Issued** | **Warrants Exercised** | **Warrants Expired** | **2023 Closing Balance** |
|  | **$** | **#** | **#** | **#** | **#** | **#** |
| January 15, 2023 | 0.61 | 375,000 | - | - | (375,000) | **-** |
| March 30,2023 | 0.45 | 6,362,500 | - | - | (6,362,500) | **-** |
| Total |  | 6,737,500 | - | - | (6,737,500) | **-** |
| Weighted average exercise price |  | 0.46 | - | - | 0.46 | **-** |

**The following table reflects the continuity of warrants as at December 31, 2022:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expiry Date** | **Exercise Price** | **2022 Opening Balance** | **Warrants Issued** | **Warrants Exercised** | **Warrants Expired** | **2022 Closing Balance** |
|  | **$** | **#** | **#** | **#** | **#** | **#** |
| November 15, 2022 | 0.35 | 10,100,000 | - | - | (10,100,000) | - |
| January 15, 2023 | 0.61 | 375,000 | - | - | - | 375,000 |
| March 30, 2023 | 0.45 | 6,362,500 | - | - | - | 6,362,500 |
| Total |  | 16,837,500 | - | - | - | 6,737,500 |
| Weighted average exercise price |  | 0.39 | - | - | 0.35 | 0.46 |

**iv. Share purchase option compensation plan**

Share-based payments consists of the following amounts:

|  |  |  |
| --- | --- | --- |
|  | For the year ended | |
| **Share Based Payments** | **2023**  **$** | 2022  $ |
| Share purchase Options | **338,428** | 393,813 |
| Restricted Share Units (RSU’s) | **-** | 12,036 |
| Total | **338,428** | 405,849 |

The Corporation has a share incentive plan (the "Plan"), which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans including RSU’s) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

**The following table reflects the stock options outstanding as at December 31, 2023:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expiry Date** | **Exercise Price** | **2023 Opening Balance** | **Granted** | **Exercised** | **Expired/ Cancelled** | **2023 Closing Balance** |
|  | **$** | **#** | **#** | **#** | **#** | **#** |
| July 10, 2023 | 0.30 | 2,320,000 | - | - | (2,320,000) | **-** |
| April 29, 2024 | 0.30 | 600,000 | - | - | - | **600,000** |
| June 26, 2024 | 0.20 | 200,000 | - | - | - | **200,000** |
| September 1, 2024 | 0.20 | 200,000 | - | - | - | **200,000** |
| July 13, 2025 | 0.20 | 200,000 | - | - | - | **200,000** |
| February 4, 2026 | 0.32 | 1,750,000 | - | - | - | **1,750,000** |
| April 27, 2026 | 0.32 | 200,000 | - | - | - | **200,000** |
| September 1, 2027 | 0.25 | 3,155,000 | - | - | - | **3,155,000** |
| May 3, 2028 | 0.21 | - | 2,480,000 | - | - | **2,480,000** |
| Total |  | 8,625,000 | 2,480,000 | - | (2,320,000) | **8,785,000** |
| Weighted Average exercise price |  | 0.28 | 0.21 | - | 0.30 | **0.25** |

**The following table reflects the stock options outstanding as at December 31, 2022:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expiry Date** | **Exercise Price** | **2022 Opening Balance** | **Granted** | **Exercised** | **Expired/ Cancelled** | **2022 Closing Balance** |
|  | **$** | **#** | **#** | **#** | **#** | **#** |
| March 09, 2022 | 0.75 | 1,000,000 | - | - | (1,000,000) | **-** |
| July 20, 2022 | 0.14 | 690,000 | - | (690,000) | - | **-** |
| December 29, 2022 | 0.53 | 600,000 | - | - | (600,000) | **-** |
| July 10, 2023 | 0.30 | 2,320,000 | - | - | - | 2,320,000 |
| April 29, 2024 | 0.30 | 600,000 | - | - | - | 600,000 |
| June 26, 2024 | 0.20 | 200,000 | - | - | - | 200,000 |
| September 1, 2024 | 0.20 | 200,000 | - | - | - | 200,000 |
| July 13, 2025 | 0.20 | 200,000 | - | - | - | 200,000 |
| February 4, 2026 | 0.32 | 1,750,000 | - | - | - | 1,750,000 |
| April 27, 2026 | 0.32 | 200,000 | - | - | - | 200,000 |
| September 1, 2027 | 0.25 | - | 3,155,000 | - | - | 3,155,000 |
| Total |  | 7,760,000 | 3,155,000 | (690,000) | (1,600,000) | 8,625,000 |
| Weighted Average exercise price |  | 0.36 | 0.25 | 0.14 | 0.67 | 0.28 |

The Corporation applies the fair value method of accounting for all stock-based compensation awards. During the year 2,480,000 stock options were granted, which vested immediately and related compensation of $ 338,428 was recorded (2022 - $393,813 was recorded as compensation for the September 01, 2027 options that vested during the period). As of December 31, 2023, there were no unvested stock options (December 31, 2022, -100,000 unvested stock options).

\* No options were exercised during the year (December 31, 2022 - 690,000 options were exercised during the year with a weighted average share price of $0.14 and $155,625 was credited to the share capital in respect of these issued shares).

\*\* The weighted average remaining life of the outstanding stock options is 1.93 years (December 31, 2022 – 2.33 years).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

|  |  |  |
| --- | --- | --- |
|  | **2023** | 2022 |
| Risk-free interest rate | **2.77%** | 0.95%-3.23% |
| Annualized volatility | **87.47%** | 86.87% |
| Expected dividend | **Nil** | Nil |
| Expected option life | **5 years** | 5 years |
| Forfeiture rate | **Nil** | Nil |

**v. Restricted Share Units**

1,070,000 Restricted Share Units ("RSUs") were issued in 2020 under the restricted share unit plan of the Corporation. The RSUs vest equally over a three-year period, vesting on August 31, 2020, April 29, 2021, and April 29, 2022. Each RSU has the same value as one Wolfden Resources Corporation common share. Additional, 1,208,750 Restricted Share Units ("RSUs") were issued under the restricted share unit plan of the Corporation in 2019. The RSUs vest equally over a three-year period, vesting on June 26, 2019, April 29, 2020 and April 29, 2021.The RSUs are expected to be settled in equity and are therefore accounted for as equity instruments.

A share-based payment expense of $12,036 was recorded for the year ended December 31, 2022. During the year, 356,668 shares vested at $0.22 per share and the Corporation credited $78,467 to share capital in respect of the shares issued. As at December 31, 2022, there were no RSU's outstanding. The RSU’s may be converted into common shares of the Corporation, at the option of the Corporation.

1. **LOSS PER SHARE**

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator. No adjustments to loss were necessary in 2023 or 2022.

|  |  |  |
| --- | --- | --- |
| **For the year ended December 31** | **2023**  **$** | 2022  $ |
| Numerator: Loss for the year | **(2,806,204)** | (2,687,340) |
| Denominator: Weighted average number of common shares | **164,817,648** | 164,817,648 |
| Basic and diluted loss per share | **(0.02)** | (0.02) |

**10. RELATED PARTY TRANSACTIONS**

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below. There were no related party transactions in 2023 and 2022.

**Key management personnel remuneration includes the following amounts:**

|  |  |  |
| --- | --- | --- |
| **For the years ended December 31** | **2023 $** | 2022 $ |
| Salary and wages | **452,646** | 429,921 |
| Share-based payments | **296,636** | 376,116 |
| Other compensation | **20,647** | 28,630 |
| Directors’ fees | **71,535** | 72,861 |
| Total | **841,464** | 907,528 |

### 11. COMMITMENTS

There are no commitments to disclose.

### 12. INCOME TAX EXPENSE

### The Corporation's income tax expense differs from the amount computed by applying the combined federal and provincial income tax rates to loss before income taxes as a result of the following:

|  |  |  |
| --- | --- | --- |
|  | **2023 $** | 2022 $ |
| Loss for the year | **(2,806,204)** | (2,687,340) |
|  |  |  |
| Statutory rates | **26.50%** | 26.50 % |
| Income tax recovery computed at statutory rates | **(743,644)** | (712,145) |
| Non-deductible items | **89,835** | 9,061 |
| Value of tax benefits unrecognized | **653,809** | 699,391 |
| Tax refund due to change in policy | **-** | (38,000) |
| Income tax expense | **-** | (38,000) |

### Deferred tax assets not recognized

### Management believes that it is not likely to be sufficient taxable profits in the next few years to allow the benefit of the following deferred tax assets to be utilized:

|  |  |  |
| --- | --- | --- |
|  | **2023 $** | 2022 $ |
| Non - capital losses | **5,720,710** | 5,188,383 |
| Equipment and leaseholds | **33,902** | 33,863 |
| Exploration and evaluation | **4,678,296** | 5,389,205 |
| Deferred tax assets not recognized | **10,432,908** | 10,611,452 |
|  |  |  |
| Unused operating tax losses expiring 2030 to 2041 | **15,073,804** | 14,494,264 |
| Unused operating tax losses with indefinite expiration | **7,263,421** | 5,628,356 |
| Deductible temporary differences | **19,078,778** | 21,864,469 |
| Total unused operating tax losses | **41,416,004** | 41,987,089 |

**13. INCOME**

The Corporation invested in Guaranteed Investment Certificates during the year and earned $34,123 as interest income.

**Other Income**

Other income for the year ended December 31, 2023, includes a grant received from the Government of New Brunswick.

|  |  |  |
| --- | --- | --- |
|  | **2023**  **$** | 2022  **$** |
| Manitoba Mineral Development Fund | **-** | 207,000 |
| Government of New Brunswick Grant | **15,000** | 36,900 |
| Proceeds from Timber Sales from Pickett Mt. project | **-** | 1,267,430 |
| Other Items | **-** | 4,170 |
| Total Other Income | **15,000** | 1,515,500 |

### FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Canada and the United States. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include

credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

*Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements. The Corporation manages the credit risk of cash by maintaining bank accounts and term deposits with Schedule 1 Canadian Banks based in Canada and the United States.

*Trade credit risk*

The Corporation closely monitors its financial assets and does not have any significant concentration of trade credit risk. The historical level of defaults is negligible and, as a result, the credit risk associated with trade receivables is considered to be negligible. Accounts receivable is made up of recoverable taxes which is deemed collectable and minimal risk.

*Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value is limited as the Corporation holds all of its funds in cash and guaranteed investment certificates.

*Foreign currency exchange risk*

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar; however, it has operations located in the United States, and as such is subject to fluctuations in that currency. Changes in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations.

The following table illustrates the sensitivity of expenses and equity in relation to fluctuations in the US dollar for the years ended December 31,2023 and 2022, with all other variables being constant.

|  |  |  |
| --- | --- | --- |
| Sensitivity analysis | Change | Impact |
| 2023 | +/-10% | $ (104,000) |
| 2022 | +/-10% | $ (126,277) |

The Corporation does not invest in derivatives to mitigate these risks.

### MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital, that as at December 31, 2023 totaled $44,554,596 (December 31,2022 - $44,216,168). The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. There has been no changes to how the Corporation manages capital in the current year compared to prior year.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

1. **SUBSEQUENT EVENTS**

On February 14, 2024 the Maine Land Use Planning Commission (the “LUPC” or “Commission”) denied the request by Wolfden and Franklin County to delay final action on the Company’s Pickett Project rezoning application until all 9 of the LUPC Commissioners could participate. Instead, 5 of the 7 commissioners in attendance at the meeting voted to deny the application. The vote is contrary to the comprehensive assessment prepared by LUPC staff in support of the deliberative session held on December 13, 2023.