

**KOOTENAY RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and six months ended**

**June 30, 2024**

**and**

**June 30, 2023**

**(Unaudited)**

**(Expressed in Canadian dollars)**

# **Notice of no Auditor review of Interim Financial Statements**

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

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

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

**Index**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION.....	2
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS .....	3
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY .....	4
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS.....	5
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS .....	6

# KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 377,315	\$ 15,399
Receivables and advances (Note 7)	72,958	59,106
Prepaid expenses	796	1,140
	<b>451,069</b>	<b>75,645</b>
<b>Non-current assets:</b>		
Fixed assets (Note 4)	8,030	9,447
Exploration advances and reclamation deposits	76,150	88,150
Exploration and evaluation assets (Note 5)	4,129,415	4,154,512
	<b>4,664,664</b>	<b>4,327,754</b>
<b>Total assets</b>	<b>\$ 4,664,664</b>	<b>\$ 4,327,754</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 157,740	\$ 158,044
	<b>157,740</b>	<b>158,044</b>
<b>Non-current liabilities:</b>		
Deferred tax liability	64,888	64,888
	<b>222,628</b>	<b>222,932</b>
<b>Total liabilities</b>	<b>\$ 222,628</b>	<b>\$ 222,932</b>
<b>Shareholders' equity:</b>		
Share capital (Note 6)	4,983,482	4,627,985
Reserves	75,985	-
Deficit	(617,431)	(523,163)
	<b>4,442,036</b>	<b>4,104,822</b>
<b>Total shareholders' equity</b>	<b>\$ 4,442,036</b>	<b>\$ 4,104,822</b>
	<b>4,664,664</b>	<b>4,327,754</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,664,664</b>	<b>\$ 4,327,754</b>

Nature of Operations and Going Concern (Note 1)

Approved on Behalf of the Board:

"Raj Kang"  
Director

"James McDonald"  
Director

- See Accompanying Notes -

## KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars except share amounts)

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>General and administrative expenses</b>				
Office and general	\$ 17,882	\$ 19,670	\$ 36,177	\$ 28,441
Professional fees	2,450	2,614	2,450	22,818
Regulatory and filing fees	26,295	2,830	29,802	10,755
Rent	11,500	14,750	21,250	17,750
Depreciation (Note 4)	708	1,012	1,417	2,024
<b>Loss before exploration and other items</b>	<b>58,835</b>	<b>40,876</b>	<b>91,096</b>	<b>81,788</b>
<b>Exploration</b>				
Mineral property investigation (Note 5)	3,172	-	3,172	-
	<b>3,172</b>	<b>-</b>	<b>3,172</b>	<b>-</b>
<b>Loss and comprehensive loss for the period</b>	<b>\$ 62,007</b>	<b>\$ 40,876</b>	<b>\$ 94,268</b>	<b>\$ 81,788</b>
<b>Basic and diluted loss per share (Note 6)</b>				
	<b>\$ (0.002)</b>	<b>\$ (0.001)</b>	<b>\$ (0.003)</b>	<b>\$ (0.003)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>				
	<b>37,063,358</b>	<b>28,305,370</b>	<b>35,600,632</b>	<b>28,305,370</b>

- see accompanying notes -

## KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars except share amounts)

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Capital Stock	Reserves	Subscription Received in Advance	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance, December 31, 2022</b>	28,305,370	\$ 4,186,905	\$ (25,824)	\$ 240,254	\$ -	\$ (295,658)	\$ 4,105,677
Loss for the period	-	-	-	-	-	(81,788)	(81,788)
<b>Balance, June 30, 2023</b>	<b>28,305,370</b>	<b>\$ 4,186,905</b>	<b>\$ (25,824)</b>	<b>\$ 240,254</b>	<b>\$ -</b>	<b>\$ (377,446)</b>	<b>\$ 4,023,889</b>
<b>Balance, December 31, 2023</b>	34,137,906	\$ 4,636,809	\$ (25,824)	\$ 17,000	\$ -	\$ (523,163)	\$ 4,104,822
Shares issued, net of issuance costs	4,095,633	355,497	75,985	-	-	-	\$ 431,482
Loss for the period	-	-	-	-	-	(94,268)	(94,268)
<b>Balance, June 30, 2024</b>	<b>38,233,539</b>	<b>\$ 4,992,306</b>	<b>\$ 50,161</b>	<b>\$ 17,000</b>	<b>\$ -</b>	<b>\$ (617,431)</b>	<b>\$ 4,442,036</b>

- see accompanying notes -

# KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Cash flows from operating activities</b>				
Loss for the period	\$ (62,007)	\$ (40,876)	\$ (94,268)	\$ (81,788)
Add items not involving cash:				
Depreciation	709	1,012	1,417	2,024
	<b>(61,298)</b>	<b>(39,864)</b>	<b>(92,851)</b>	<b>(79,794)</b>
Changes in non-cash working capital balances:				
Receivable and advances	(12,783)	(1,562)	(13,852)	(6,204)
Prepaid expenses	(144)	291	345	728
Accounts payable and accrued liabilities (Note 10)	(8,568)	35,544	(305)	(46,226)
	<b>(82,793)</b>	<b>(5,591)</b>	<b>(106,663)</b>	<b>(131,466)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from private placement net of issuance costs (Note 6)	431,482	-	431,482	-
	<b>431,482</b>	<b>-</b>	<b>431,482</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Receipt of mineral property payment	-	-	100,000	60,000
Exploration Advance	12,000	-	12,000	-
Investment in exploration and evaluation assets	(71,570)	391	(74,903)	(64,098)
	<b>(59,570)</b>	<b>391</b>	<b>37,097</b>	<b>(4,098)</b>
<b>Net change in cash and cash equivalents during the period</b>	<b>289,119</b>	<b>(5,200)</b>	<b>361,916</b>	<b>(135,564)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>88,196</b>	<b>375,200</b>	<b>15,399</b>	<b>505,564</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 377,315</b>	<b>\$ 370,000</b>	<b>\$ 377,315</b>	<b>\$ 370,000</b>

- see accompanying notes -

## KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 1 Nature of Operations and Going Concern

Kootenay Resources Inc. (the "Company") is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. On May 1, 2024, the Company commenced trading on the TSX Venture Exchange under the ticker symbol "KTRI".

The Company was spun out by its then parent Kootenay Silver Inc. ("KSI") and completed a share capital reorganization by way of statutory plan of arrangement ("Arrangement"), whereby KSI reorganized its assets and operations into two separate companies: KSI and the Company. Closing of the Arrangement was effective October 29, 2021.

The Company is focused on acquiring and exploring mineral properties principally located in Canada, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

These condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future, there can be no assurance that it will be able to do so in the future.

The Company has experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated exploration and other programs during the forthcoming year and thereafter. If funds are unavailable terms satisfactory to the Company, some or all planned activities may be cancelled or postponed.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its projects in Canada. There is a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments to the carrying values of assets and liabilities would be necessary. Such adjustment might be material.

# KOOTENAY RESOURCES INC.

(Unaudited - Expressed in Canadian dollars except share amounts)

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

### 2 Basis of Presentation:

#### Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated financial statements were authorized for issue by the Board of Directors of the Company on August 28, 2024.

#### Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company.

### 3 Material Accounting Policies:

The significant accounting policies and critical accounting estimate and judgements made by management applied in the preparation of these consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2023. These condensed consolidated interim statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2023.

### 4 Fixed Assets:

	Vehicle	Equipment	Total
<b>Cost</b>			
Balance December 31, 2022	\$ 1,119	\$ 19,537	\$ 20,656
Addition	-	-	-
Balance December 31, 2023	1,119	19,537	20,656
Addition	-	-	-
Balance June 30, 2024	\$ 1,119	\$ 19,537	\$ 20,656
<b>Accumulated Depreciation</b>			
Balance December 31, 2022	\$ 388	\$ 6,772	\$ 7,160
Depreciation for the year	219	3,830	4,049
Balance December 31, 2023	607	10,602	11,209
Depreciation for the period	77	1,340	1,417
Balance June 30, 2024	\$ 684	\$ 11,942	\$ 12,626
Carrying value			
December 31, 2023	\$ 512	\$ 8,935	\$ 9,447
Carrying value			
June 30, 2024	\$ 435	\$ 7,595	\$ 8,030

**KOOTENAY RESOURCES INC.**  
(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2024 and 2023**

**5 Exploration and evaluation assets:**

	CANADA									June 30, 2024	Dec 31, 2023
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region	Walter the Water Buffalo	Silver Fox	Other	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition Costs</b>											
Balance, beginning	409,877	163,301	144,675	161,453	149,965	22,750	-	59,250	178,443	1,289,714	929,714
Incurred	-	-	-	-	-	-	-	-	-	-	360,000
Balance, ending	<b>409,877</b>	<b>163,301</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>22,750</b>	<b>-</b>	<b>59,250</b>	<b>178,443</b>	<b>1,289,714</b>	1,289,714
<b>Exploration Expenditures</b>											
Balance, beginning	824,258	141,553	444,277	762,691	128,865	1,092,480	158,761	1,838,656	1,952,748	7,344,289	7,093,872
Assaying and Lab	104	-	-	-	-	104	-	-	-	207	-
Camp Costs	-	-	-	-	-	-	-	-	-	-	-
Drafting	567	-	-	-	950	3,800	-	-	-	5,317	4,840
Drilling	-	-	225	900	-	-	-	-	-	1,125	3,375
Geological mapping	-	-	-	-	-	-	-	-	-	-	2,788
Geophysics	-	-	-	-	-	-	-	-	-	-	211,221
Maintenance	-	-	-	-	-	-	-	258	3,900	4,158	9,151
Miscellaneous	-	-	-	-	65	-	-	-	-	65	-
Geological Consulting and Prospecting	27,987	-	-	-	4,344	31,699	-	-	-	64,030	19,042
Rock Sampling	-	-	-	-	-	-	-	-	-	-	-
Incurred	<b>28,658</b>	<b>-</b>	<b>225</b>	<b>900</b>	<b>5,359</b>	<b>35,603</b>	<b>-</b>	<b>258</b>	<b>3,900</b>	<b>74,903</b>	250,417
Balance, ending	852,916	141,553	444,502	763,591	134,224	1,128,082	158,761	1,838,914	1,956,648	7,419,191	7,344,289
Total properties balance	<b>1,262,793</b>	<b>304,854</b>	<b>589,177</b>	<b>925,044</b>	<b>284,189</b>	<b>1,150,832</b>	<b>158,761</b>	<b>1,898,164</b>	<b>2,135,091</b>	<b>8,708,906</b>	8,634,003
Balance, beginning	-	(33,053)	(269,567)	(640,650)	(65,192)	(477,292)	(158,761)	(1,368,003)	(1,466,973)	(4,479,491)	(4,424,204)
Option payment received	-	-	-	(100,000)	-	-	-	-	-	(100,000)	(55,287)
Carrying value mineral properties	<b>1,262,793</b>	<b>271,801</b>	<b>319,610</b>	<b>184,394</b>	<b>218,997</b>	<b>673,540</b>	<b>0</b>	<b>530,161</b>	<b>668,118</b>	<b>4,129,415</b>	4,154,512

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 5 Exploration and evaluation assets *(continued)*:

The Company assumed various obligations that its then parent company KSI had entered into which are outlined below under option agreements, grubstake agreements for various Canadian exploration properties. All interest has been transferred from KSI to the Company.

##### **Copley Property** – Nechako Plateau, British Columbia

On February 23, 2010, KSI entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the KSI made total cash payments of \$80,000; issued an aggregate total of 130,000 common shares with a fair value of \$84,400 and agreed to make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres.

On March 21, 2022, the Company signed an option agreement with a wholly owned subsidiary of Centerra Gold Inc. ("Centerra"), whereby Centerra is granted an option to earn a 70% interest in the Copley property. A total of \$4 million in exploration expenditures and C\$400,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The Company received the initial cash payment of \$50,000 upon signing. The first year requires a work expenditure with a minimum commitment of \$250,000. Upon the fulfillment of these conditions, the two companies will enter a standard joint venture agreement with the Company retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners. During the year ended December 31, 2023, the Company received the second anniversary cash payment of \$50,000 and during the six months ended June 30 2024, the Company received the third anniversary cash payment of \$100,000.

##### **Silver Fox** – Southern British Columbia

Under the terms of the Underlying Option Agreement, KSI acquired a 100% interest in Silver Fox by issuing 100,000 common shares (completed December 31, 2018) to the Kennedy Group ("Kennedy Group"). The Silver Fox is subject to a 2.0% net smelter returns royalty in favour of the Kennedy Group (the "Underlying Royalty"). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying \$500,000 for each 0.5% of the Underlying Royalty.

##### **Two Times Fred Properties** – Nechako Plateau, British Columbia

The Two Times Fred property was optioned to KSI effective July 1, 2014, pursuant to a grubstake agreement. Total cash payments of \$80,000 and an issuance of an aggregate total of 230,000 common shares with a fair value of \$58,425 have been made. A cash payment of \$5 per metre drilled to a maximum of 100,000 metres. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by the Company for \$500,000 per each one-half (0.5%) percentile.

On March 30, 2021, KSI announced an option agreement with a wholly owned subsidiary of Centerra, whereby Centerra is granted an option to earn a 70% interest in the property. A total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000 (completed). During the year ended December 31, 2021 and prior to the Plan of Arrangement, KSI received the initial cash payment of \$50,000. During the year ended December 31, 2022, \$33,978 was paid under the terms of the underlying option agreement, being 6,795.55 metres drilled during 2021 by Centerra and the Company received the first anniversary payment of \$75,000 from Centerra. During the year ended December 31, 2023, Centerra terminated its option agreement on the project.

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 5 Exploration and evaluation assets *(continued)*:

##### **The Fox** – Nechako Plateau, British Columbia

On March 1, 2011, KSI optioned the Fox property. KSI made total cash payments of \$80,000; issued an aggregate total of 130,000 common shares and if applicable make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. Under the option agreement, a 2% NSR exists and can be purchased by KRI for \$500,000 per each one-half (0.5%) percentile.

On May 15, 2024, the Company entered into a letter of intent (“LOI”) with Rokmaster Resources Corp. Fox-Coconut and Mystery Properties (the “Properties”), which are both located in the Nechako Plateau of British Columbia. The LOI outlines the terms to be set out in an option agreement (the “Option Agreement”) for RKR to be granted an option to acquire a 60% in the Properties by:

- Incurring \$142,000 of exploration work on the Properties prior to September 18, 2024;
- Commencing on the first anniversary date of the Option Agreement, issuing to the Company 500,000 common shares of RKR each year on or before each of the first, second, third and fourth anniversary dates of the Option Agreement; and
- On or prior to the fourth anniversary date of the Option Agreement, RKR having completed a total of 10,000 metres of diamond drilling on any or all of the Properties.

Once RKR has acquired the initial 60% interest, (the “Initial Interest”), the Company will grant RKR an exclusive option (the “Second Option”) to acquire the remaining 40% interest in the Properties (the “Second Interest”) by issuing an additional 5,000,000 common shares of RKR to the Company within 60 days of having acquired the Initial Interest.

Upon RKR acquiring the Second Interest, RKR would grant the Company a 1.5% net smelter returns royalty (the “Royalty”) in respect of the Mystery and Coconut group of mining claims. The Fox group of mineral claims have an existing underlying 2% net smelter returns royalty (the “Underlying Royalty”), and the Company has the right to buy back the entirety of such Underlying Royalty at any time at a price of \$500,000 per 0.5% (the “Buy Back Right”). Should the Company buy back the entirety of such Underlying Royalty within 90 days after the date of the commencement of commercial production on the Fox group of claims, then RKR would also grant the Company the Royalty on such claims. If the Company does not exercise the Buy Back Right, then the Company would transfer the Buy Back Right to RKR.

##### **Meachen Bend Project** – British Columbia

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”). Pursuant to the terms of the option agreement, KSI must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years upon receipt of TSXV approval. KSI has made a cash payments of \$65,000 and issued 150,000 shares with a fair value of \$26,750. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 5 Exploration and evaluation assets *(continued)*:

##### **Moyie Anticline Project** – British Columbia

Pursuant to the terms of the option agreement, the KSI must issue 100,000 common shares for each of the six properties for an aggregate total of 600,000 common shares by June 16, 2023. Following completion of the Acquisition, the Kennedy Group will retain an underlying 2% net smelter returns royalty, of which, one and one-half percent (1.5%) can be purchased by the Company, for \$3,000,000. Pursuant to the spin out of assets into KRI, KRI is negotiating that going forward shares of KRI will be paid on a pro rata basis of one KRI for each 6 KSI under this option agreement. During the year ended December 31, 2023 KRI issued 3,600,000 common shares with a fair value of \$0.10 per share to acquire the 100% undivided ownership.

##### **Walter the Water Buffalo Property** – Nechako Region, British Columbia

On June 30, 2015, pursuant to a grubstake agreement, KSI optioned the Walter the Water Buffalo property located in the Nechako region of Central British Columbia. The property is comprised of 4 tenures totaling 1,765.71 hectares. To maintain its option, the KSI issued an aggregate total of 100,000 common shares. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by KRI for \$500,000 per each one-half (0.5%) percentile.

On June 27, 2022, the Company signed an option agreement with a wholly owned subsidiary of Centerra, whereby Centerra is granted an option to earn a 70% interest in the property. A total of C\$500,000 in exploration expenditures and C\$105,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The Company received an initial cash payment of \$5,000 upon signing. The first year requires a work expenditure with a minimum commitment of \$55,000. Upon the fulfillment of these conditions, the two companies will enter a standard joint venture agreement with the Company retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners. During the year ended December 31, 2023, the Company received the first anniversary cash payment of \$10,000 and during the six months ended June 30, 2024, the Company received the second anniversary cash payment of \$10,000. The excess of carrying value was recorded as income for the year ended December 31, 2023.

#### 6 Share Capital and Reserves:

##### **Authorized:**

The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 38,233,539 fully paid common shares on issue as at June 30, 2024.

##### **Issued:**

##### Year ended June 30, 2024

On April 26, 2024, the Company closed the previously announced non-brokered private placement the “Offering”) for aggregate gross proceeds of \$473,094.95. The Offering consisted of:

- 2,825,000 non-flow-through units (the “NFT Units”) at a price of \$0.10 per NFT Unit for aggregate gross proceeds of \$282,500. Each NFT Unit is comprised of one non-flow-through common share (a “Common Share”) of the Company and one-half of one Common Share purchase warrant (a “Warrant”); and
- 1,270,633 flow-through units (the “FT Units”) at a price of \$0.15 per FT Unit for aggregate gross proceeds of \$190,594.95. Each FT Unit is comprised of one “flow-through” common share (as defined under the *Income Tax Act* (Canada)) and one-half of one Warrant.

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

#### 6 Share Capital and Reserves (continued):

Each whole Warrant is exercisable to acquire one Common Share (a "Warrant Share") with 1,412,500 warrants at a price of \$0.15 expiring October 26, 2025 and 635,316 at a price of \$0.20 expiring on April 26, 2025. The net proceeds from the Offering will be used for the development of the Company's Moyie Anticline Project, early-stage Nechako portfolio of gold-silver exploration projects and other resource properties (eligible for "Canadian exploration expenses, which are flow-through mining expenditures) and general working capital requirements

#### Year ended December 31, 2023

During the year ended December 31, 2023, the Company issued 3,600,000 common shares to exercise the Moyie Anticline Project agreement and 2,232,536 common shares pursuant to the settlement of debt with KSI both at a price of \$0.10 per share. During the year ended December 31, 2023, the Company recognized flow-through share premium of \$133,350 on flow-through shares issued in 2022.

#### Options and Warrants:

Stock option and share purchase warrant transactions are summarized as follows:	Warrants		Options	
	Number	Weighted Average	Number	Weighted Average Exercise
		Exercise Price		Price
Outstanding, December 31, 2023	-	\$ -	7,230,000	\$ 0.0013
Granted	2,047,816	0.17	-	-
Cancelled	-	-	(7,230,000)	0.0013
<b>Outstanding, June 30, 2024</b>	<b>2,047,816</b>	<b>\$ 0.17</b>	<b>-</b>	<b>\$ -</b>

#### Options

Stock options were issued pursuant to the Arrangement (see Note 1) (the "Spinout Options"). No material value was determined in relation to the Spinout Options. Following the Arrangement, the Spinout Options totalling 14,225,000 were issued and exercisable into 569,000 common shares of the Company with identical remaining lives and vesting terms to the original KSI options.

As at June 30, 2024, no options were outstanding. The Company has adopted an incentive stock option plan pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

#### Warrants

As at June 30, 2024, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
1,412,500	0.15	October 26, 2025
635,316	0.20	April 23, 2025
<b>2,047,816</b>		

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

#### 6 Share Capital and Reserves(continued):

The weighted average remaining life of the outstanding warrants is 1.17 years. The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

The following assumptions were used for the Black-Scholes valuation of warrants for the period ended June 30, 2024:

	<b>2024</b>
Risk-free interest rate	<b>4.38%</b>
Expected life of warrants	<b>18 months</b>
Fair value per warrant issued	<b>\$0.04</b>
Annualized volatility	<b>112%</b>
Dividend rate	<b>0.00%</b>

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

#### Loss per share

The calculation of basic loss per share for the year ended June 30, 2024 was based on the loss of \$94,268 (2023 - \$81,788), and the weighted average number of common shares outstanding of 35,600,632 (2023 - 28,305,370), respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2024. As at June 30, 2024, the Company has nil options (2023 - 7,230,000) and 2,047,816 warrants (2023 - nil) that are anti-dilutive and thus, not included in diluted loss per share.

#### 7 Receivables:

The Company's receivables are as follows:

		<b>June 30, 2024</b>		December 31, 2023
GST receivable	\$	<b>61,824</b>	\$	47,972
Exploration advances		<b>11,134</b>		11,134
Total	\$	<b>72,958</b>	\$	59,106

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 8 Financial Instruments and Financial Risk Management:

The Company's financial instruments include cash and cash equivalents, accounts payable, receivables and advances and accrued liabilities. The carrying values of these financial instruments are measured at amortized cost. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

##### (a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company maintains its cash with high-credit quality financial institutions. Accordingly, the Company views credit risk on accounts receivable as minimal.

##### (b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual work programs, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at June 30, 2024 and 2023, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

##### (c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 8 Financial Instruments and Financial Risk Management *(continued)*:

##### (i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar. The Company's transactions are denominated in Canadian dollars. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars will be exchanged when needed to meet any foreign denominated liabilities.

##### (ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

##### (iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's consolidated financial statements.

##### d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

**Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** – inputs other than quoted prices included in 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** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no change between levels during the period. The Company's carrying values of cash and cash equivalent and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

## KOOTENAY RESOURCES INC.

(unaudited - Expressed in Canadian dollars except share amounts)

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2024 and 2023

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#### 9 Capital 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 pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the

Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management since its inception.

#### 10 Related Party Transactions and Balances:

- a) Key management personnel comprise the Company's Board of Directors and executive officers. There was no remuneration of key management personnel during the six months ended June 30, 2024 (2023 - \$nil).