

**STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Stallion Discoveries Corp. (formerly Stallion Gold Corp.)

#### Opinion

We have audited the consolidated financial statements of Stallion Discoveries Corp. (formerly Stallion Gold Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated any revenues and incurred negative cash flow from operations during the year ended December 31, 2022 and, as of that date, the Company has an accumulated deficit of \$10,027,033. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance consolidated conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

A handwritten signature in black ink that reads "Saturna Group LLP". The signature is written in a cursive, flowing style.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 1, 2023

**STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	December 31, 2022 \$	December 31, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,566,955	3,198,029
Amounts receivable (Note 5)	64,005	70,145
Prepaid expenses and deposits	24,990	19,948
<b>Total current assets</b>	<b>1,655,950</b>	<b>3,288,122</b>
<b>Non-current assets</b>		
Exploration and evaluation asset (Note 4)	11,847,354	6,803,889
<b>Total assets</b>	<b>13,503,304</b>	<b>10,092,011</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	175,327	169,187
<b>Total liabilities</b>	<b>175,327</b>	<b>169,187</b>
<b>Shareholders' equity</b>		
Share capital (Note 6)	21,207,761	17,187,761
Share-based payment reserve (Note 7)	1,339,924	1,078,848
Warrants reserve (Note 8)	807,325	807,325
Deficit	(10,027,033)	(9,151,110)
<b>Total shareholders' equity</b>	<b>13,327,977</b>	<b>9,922,824</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,503,304</b>	<b>10,092,011</b>

Nature of business and continuing operations (Note 1)

Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on May 1, 2023:

/s/ "Drew Zimmerman"

Drew Zimmerman, Director

/s/ "Jay Martin"

Jay Martin, Director

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

**STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
Expenses		
Consulting fees (Note 5)	175,800	173,600
Investor relations (Note 5)	83,466	40,830
Management fees (Note 5)	180,000	163,200
Office and miscellaneous	64,233	62,516
Professional fees (Note 5)	103,841	107,897
Project evaluation costs	–	7,267
Rent	4,612	7,259
Salaries	–	1,782
Stock-based compensation (Note 7)	261,076	300,287
Transfer agent and filing fees	41,712	95,265
<b>Total expenses</b>	<b>914,740</b>	<b>959,903</b>
Other income		
Gain on disposal of subsidiaries (Note 3)	–	338,505
Interest income	34,529	6,657
Write-off of accounts payable	4,288	–
<b>Total other income</b>	<b>38,817</b>	<b>345,162</b>
<b>Net loss for the year</b>	<b>(875,923)</b>	<b>(614,741)</b>
Comprehensive income		
Unrealized gain on foreign currency translation	–	6,172
<b>Comprehensive loss for the year</b>	<b>(875,923)</b>	<b>(608,569)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>58,254,283</b>	<b>42,017,707</b>

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

**STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Warrants reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, December 31, 2020	31,060,002	9,223,240	778,561	738,446	(6,172)	(8,536,369)	2,197,706
Shares issued for private placement	5,002,500	2,001,000	—	—	—	—	2,001,000
Shares issued for mineral property	12,000,000	6,120,000	—	—	—	—	6,120,000
Share issuance costs	—	(156,479)	—	68,879	—	—	(87,600)
Share-based compensation	—	—	300,287	—	—	—	300,287
Foreign currency translation gain	—	—	—	—	6,172	—	6,172
Net loss for the year	—	—	—	—	—	(614,741)	(614,741)
Balance, December 31, 2021	48,062,502	17,187,761	1,078,848	807,325	—	(9,151,110)	9,922,824
Shares issued for mineral property	12,000,000	4,020,000	—	—	—	—	4,020,000
Share-based compensation	—	—	261,076	—	—	—	261,076
Net loss for the year	—	—	—	—	—	(875,923)	(875,923)
Balance, December 31, 2022	60,062,502	21,207,761	1,339,924	807,325	—	(10,027,033)	13,327,977

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

**STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
Operating activities		
Net loss for the year	(875,923)	(614,741)
Items not involving cash:		
Gain on disposal of subsidiaries	–	(338,505)
Share-based compensation	261,076	300,287
Write-off of accounts payable	(4,288)	–
Changes in non-cash operating working capital:		
Amounts receivable	6,140	(19,961)
Prepaid expenses and deposits	(5,042)	(19,948)
Accounts payable and accrued liabilities	1,852	20,539
Net cash used in operating activities	(607,609)	(672,329)
Investing activities		
Exploration and evaluation asset expenditures	(1,023,465)	(623,889)
Net cash used in investing activities	(1,023,465)	(623,889)
Financing activities		
Proceeds from issuance of shares	–	2,001,000
Share issuance costs	–	(87,600)
Net cash provided by financing activities	–	1,913,400
Effects of foreign exchange rate changes on cash	–	6,172
Change in cash and cash equivalents	(1,631,074)	623,354
Cash and cash equivalents, beginning of year	3,198,029	2,574,675
Cash and cash equivalents, end of year	1,566,955	3,198,029
Cash and cash equivalents consist of:		
Cash in bank	562,322	3,198,029
Cashable guaranteed investment certificate	1,004,633	–
Total cash and cash equivalents	1,566,955	3,198,029
Non-cash investing and financing activities:		
Shares issued for acquisition of exploration and evaluation asset	4,020,000	6,120,000
Fair value of agent's warrants recorded as share issuance costs and warrants reserve	–	68,879
Prepaid deposit applied to exploration and evaluation asset expenditures	–	60,000

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

# **STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

## **1. Nature of Business and Continuing Operations**

Stallion Discoveries Corp. (formerly Stallion Gold Corp., Hybrid Minerals Inc., and Savoy Ventures Inc.) (the “Company”) was incorporated on November 7, 2011 under the Business Corporations Act (British Columbia). The head office of the Company is located at Suite 700, 838 West Hastings Street, Vancouver, British Columbia, V6C 0A6.

The Company’s principal business activities include the acquisition and exploration of mineral property assets.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on the 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 year ended December 31, 2022, the Company has not generated any revenues and incurred negative cash flow from operating activities. As at December 31, 2022, the Company has an accumulated deficit of \$10,027,033. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Statement of compliance and basis of presentation**

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

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stallion Gold Idaho Corp. (“Stallion Idaho”). All significant inter-company balances and transactions have been eliminated on consolidation. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of operations from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for the part of the year during which control exists.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

### **(b) Use of estimates and judgments**

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

## **STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (b) Use of estimates and judgments (continued)

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

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

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

#### (c) Cash and cash equivalents

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

#### (d) Exploration and evaluation expenditures

##### (i) Exploration and evaluation expenditures

Asset acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of asset acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to assets acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the consolidated financial statements upon payment.

Option payments received are treated as a reduction of the carrying value of the related asset until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to income.

All expenditures related to the cost of exploration and evaluation of assets including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be depreciated over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned, or determined to be impaired.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (d) Exploration and evaluation expenditures (continued)

##### (i) Exploration and evaluation expenditures (continued)

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

##### (ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carry amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 consolidated statement of operations.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where 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 to an amount that 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 the consolidated statement of operations.

#### (e) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (e) Restoration, rehabilitation, and environmental obligations (continued)

Discount rates using a pre-tax rate that reflects the time value of money and risks specific to the liability are used to calculate the net present value. These costs are charged to the consolidated statement of operations over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of operations. The Company has no restoration, rehabilitation, and environmental obligations as at December 31, 2022 and 2021.

#### (f) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash and cash equivalents	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

#### Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets which are 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. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

##### Financial Assets (continued)

##### *Financial assets at amortized cost* (continued)

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

##### *Impairment of financial assets*

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### Financial Liabilities and Equity Instruments

##### *Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

##### *Other financial liabilities*

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (g) Income taxes

##### *Current income tax*

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

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (h) Foreign Currency Translation

Items included in the consolidated financial statements of each of the group's entities are measuring using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Realized foreign exchange gains and losses are included in the consolidated statement of operations.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the that statement of financial position;
- income and expenses for each statement of operations are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income.

## **STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the consolidated statement of operations with a pro-rata portion of the deferred premium.

(j) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(k) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. As at December 31, 2022, the Company has 1,650,000 (2021 – 5,090,917) potentially dilutive shares outstanding.

(l) Comprehensive loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. During the years ended December 31, 2022 and 2021, other comprehensive loss includes foreign currency translation gains and losses.

(m) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(n) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2022, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 3. Disposition of Subsidiaries

On January 1, 2021, the Company disposed of its wholly owned Canadian subsidiary, Hybrid USA, and Mineral One, which is a wholly-owned US. subsidiary of Hybrid USA. On January 1, 2021, the Company derecognized the assets and liabilities of Hybrid USA and Mineral One which resulted in a gain of \$338,505 summarized as follows:

	\$
Assets and liabilities derecognized	
Accounts receivable	1,324
Accounts payable	(40,627)
Due to related party	(299,202)
Net liabilities derecognized	338,505
Gain on disposal	338,505

### 4. Exploration and Evaluation Assets

	Horse Heaven \$	Richmond Mountain \$	Total \$
<i>Acquisition costs:</i>			
Balance, December 31, 2020	–	–	–
Cash payment	400,000	–	400,000
Share payment	6,120,000	–	6,120,000
Balance, December 31, 2021	6,520,000	–	6,520,000
Cash payment	400,000	32,063	432,063
Share payment	4,020,000	–	4,020,000
Balance, December 31, 2022	10,940,000	32,063	10,972,063
<i>Exploration costs:</i>			
Balance, December 31, 2020	–	–	–
Geological consulting and fieldwork	283,889	–	283,889
Balance, December 31, 2021	283,889	–	283,889
Assay and claim fees	149,105	27,167	176,272
Geological consulting and fieldwork (Note 5)	415,130	–	415,130
Balance, December 31, 2022	848,124	27,167	875,291
<i>Carrying amounts:</i>			
As at December 31, 2021	6,803,889	–	6,803,889
As at December 31, 2022	11,788,124	59,230	11,847,354

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 4. Exploration and Evaluation Assets (continued)

#### Horse Heaven Property

On March 1, 2021, the Company entered into a Share Option Agreement (“Agreement”) pursuant to which the Company has been granted the option to acquire all the shares outstanding in 1262446 B.C. Ltd. (“Horse Heaven Parent”), a private mineral exploration company. Horse Heaven Parent is the sole owner of Horse Heaven Holdings Inc. which holds a 100% interest in the Horse Heaven mineral property located in Idaho, USA. As consideration, the Company has agreed to pay a total of \$1,200,000 and issue an aggregate 36,000,000 common shares as follows:

- \$200,000 as a non-refundable deposit on the letter of intent and execution and delivery of the agreement (paid).
- \$200,000 and 12,000,000 common shares following the satisfaction or waiver of all of the conditions precedent in the Agreement (the “Effective Date”) (paid and issued) (Note 6);
- \$400,000 and 12,000,000 common shares on the first anniversary of the Effective Date (paid and issued) (Note 6); and
- \$400,000 and 12,000,000 common shares on the second anniversary of the Effective Date.

The Company holds the right to accelerate any of these payments at its discretion and, upon all payments and share issuances being made, the option will be exercised.

#### Richmond Mountain Property

On May 20, 2022, the Company entered into an earn-in option agreement to acquire 100% of the membership interest in Richmond Mountain LLC (“Richmond”). Richmond is the sole owner of the Richmond Mountain gold project (the “Project”) from Bronco Creek Exploration Inc., a wholly-owned subsidiary of EMX Royalty Corporation (“EMX”). As consideration, the Company has agreed to pay a total of US\$500,000 and incur US\$1,500,000 in exploration expenditures as follows:

- Cash payments to be made:
  - US\$25,000 upon execution and delivery of the agreement (paid).
  - US\$25,000 on or before the first anniversary of the Effective Date;
  - US\$50,000 on or before the second anniversary of the Effective Date;
  - US\$50,000 on or before the third anniversary of the Effective Date;
  - US\$100,000 on or before the fourth anniversary of the Effective Date; and
  - US\$250,000 on or before the fifth anniversary of the Effective Date.
- Exploration expenditures to be incurred:
  - US\$200,000 on or before the first anniversary of the Effective Date;
  - US\$200,000 on or before the second anniversary of the Effective Date;
  - US\$300,000 on or before the third anniversary of the Effective Date;
  - US\$350,000 on or before the fourth anniversary of the Effective Date; and
  - US\$450,000 on or before the fifth anniversary of the Effective Date.

Upon completing the option earn-in, EMX will retain a 4% NSR royalty interest on the Project. The Company has the ability to buy down the NSR to 2.5% by:

- completing an initial half-percent (0.5%) royalty buyback for a payment of US\$750,000 prior to the third anniversary of the option exercise.
- If the first buyback is completed, an additional half percent (0.5%) can be bought back for US\$1,000,000, and a third half percent (0.5%) increment for US\$1,200,000 at any time prior to commercial production.

## **STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### **4. Exploration and Evaluation Assets (continued)**

Beginning on the first anniversary of the option exercise, the Company will also make annual advance royalty ("AAR") payments of US\$100,000. Additionally, after the option has been exercised, the Company will make payments in gold ounces (or the US\$ equivalent) at the following Project milestones:

- 200 ounces of gold upon completion of a preliminary economic assessment;
- 400 ounces of gold upon completion of a prefeasibility study; and
- 650 ounces of gold upon completion of a feasibility study.

### **5. Related Party Transactions**

- As at December 31, 2022, the amount of \$nil (2021 – \$8,538) is owed to a company controlled by the VP Exploration of the Company. During the year ended December 31, 2022, consulting fees of \$108,000 (2021 – \$136,900) and fieldwork expenses of \$26,205 (2021 – \$nil) was incurred to a company controlled by the VP Exploration of the Company.
- During the year ended December 31, 2022, the amount of \$144,000 (2021 – \$127,200) was incurred to a company controlled by the Chief Executive Officer of the Company for management fees.
- During the year ended December 31, 2022, the amounts of \$36,000 (2021 – \$36,000) and \$29,000 (2021 – \$24,000) were incurred to companies controlled by the Chief Financial Officer of the Company for management fees and professional fees, respectively.
- As at December 31, 2022, the balance owing of \$nil (2021 - \$3,150) to a company controlled by the Corporate Secretary of the Company was included in accounts payable and accrued liabilities. During the year ended December 31, 2022, the amount of \$36,000 (2021 - \$36,000) was incurred to a company controlled by the Corporate Secretary of the Company for consulting fees.
- During the year ended December 31, 2022, the Company granted stock options with a fair value of \$245,720 (2021 – \$nil) to directors and officers of the Company.
- As at December 31, 2022, the amount of \$9,398 (2021 – \$nil) is owed to a company where a director of the Company is the President and CEO. During the year ended December 31, 2022, the amount of \$8,950 (2021 - \$10,400) was incurred to this company for investor relations.

### **6. Share Capital**

Authorized: Unlimited common shares without par value

- On February 24, 2022, the Company issued 12,000,000 common shares with a fair value of \$4,020,000 pursuant to the Agreement to acquire Horse Heaven Parent (Note 4).
- On June 2, 2021, the Company issued 12,000,000 common shares with a fair value of \$6,120,000 pursuant to the Agreement to acquire Horse Heaven Parent (Note 4).
- On July 15, 2021, the Company issued 5,002,500 common shares at a price of \$0.40 per share for gross proceeds of \$2,001,000. Each unit consisted of one common share and one-half of one transferable share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$0.50 expiring on July 15, 2022. In connection with this private placement, the Company paid finders' fees of \$87,600. The Company also issued 219,000 finder's warrants with a fair value of \$68,879. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.50 per share expiring on July 15, 2022. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with an expected life of one year, volatility of 202%, risk-free rate of 0.25%, and dividend yield of 0%.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 7. Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2020	933,333	1.20
Granted	900,000	0.345
Expired	(1,033,333)	1.12
Outstanding, December 31, 2021	800,000	0.345
Granted	850,000	0.345
Outstanding, December 31, 2022	1,650,000	0.345

Additional information regarding stock options outstanding as at December 31, 2022, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.345	1,650,000	3.68	0.345

During the year ended December 31, 2022, the Company recognized share-based compensation expense of \$261,076 (2021 – \$300,287) in share-based payment reserve. The weighted average grant date fair value was \$0.31 (2021 - \$0.33) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2022	2021
Risk-free interest rate	1.64%	0.82%
Expected volatility	154%	190%
Expected option life (in years)	5	5

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 8. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2020	1,570,667	0.15
Issued	2,720,250	0.50
Balance, December 31, 2021	4,290,917	0.37
Expired	(4,290,917)	0.37
Balance, December 31, 2022	–	–

### 9. Capital Management

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2021.

### 10. Financial Instruments and Risk Management

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash and cash equivalents, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits the exposure to credit risk by only investing its cash and cash equivalents with high-credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 10. Financial Instruments and Risk Management (continued)

#### (c) Liquidity Risk

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

#### (d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

#### (e) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and United States, but has the majority of its cash held in Canada in Canadian dollars. Current exploration programs and option payments are denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

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

#### (f) Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

### 11. Income Taxes

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

	2022	2021
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(236,499)	(165,980)
Tax effect of:		
Permanent differences and other	280,638	79,766
Change in unrecognized deferred income tax assets	(44,139)	86,214
Income tax provision	—	—

## STALLION DISCOVERIES CORP.

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### 11. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2022	2021
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	903,381	929,339
Resource properties	142,991	144,203
Share issuance costs	42,215	59,184
Total gross deferred income tax assets	1,088,587	1,132,726
Unrecognized deferred income tax assets	(1,088,587)	(1,132,726)
Net deferred income tax asset	–	–

As at December 31, 2022, the Company has non-capital losses carried forward of \$3,345,856, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	31
2032	34,387
2033	103,654
2034	187,647
2035	194,032
2036	111,943
2037	343,257
2038	744,687
2039	134,893
2040	270,239
2041	526,841
2042	694,245
	3,345,856

The Company also has available mineral resource related expenditure pools totalling 12,376,950, which may be deducted against future taxable income on a discretionary basis.

### 12. Subsequent Events

- On January 18, 2023, the Company closed the acquisition of all outstanding shares, representing a 100% interest, in Hathor Exploration Ltd. ("Hathor") and U92 Exploration Limited ("U92"). In consideration of the acquisition of Hathor, the Company paid the shareholders of Hathor the sum of \$400,000 and paid a finder's fee of \$39,375. In consideration of the acquisition of U92, the Company paid the shareholders of U92 the sum of \$300,000 and issued an aggregate of 3,000,000 common shares of the Company.
- On February 15, 2023, the Company issued 16,000,000 units at a price of \$0.25 per unit for proceeds of \$4,000,000. Each unit consisted of one common share and one-half of one transferable share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$0.50 per share expiring on February 15, 2024. The Company paid finder's fees of \$300,000 in connection with this private placement.

## **STALLION DISCOVERIES CORP.**

(formerly Stallion Gold Corp.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

### **12. Subsequent Events** (continued)

- (c) On March 2, 2023, the Company granted 650,000 stock options to officers, directors, and consultants of the Company. 600,000 options granted vest immediately and are exercisable at \$0.40 per common share expiring on March 2, 2028. 50,000 stock options were granted to an investor relations provider which vest 25% every three months from the grant date and are exercisable at \$0.40 per common share expiring on March 2, 2025.