



# **Fredonia Mining Inc.**

**FREDONIA MINING INC.  
(formerly Richmond Road Capital Corp.)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR PERIODS ENDED MARCH 31, 2023 AND 2022  
EXPRESSED IN US DOLLARS**

## **NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of Fredonia Mining Inc. 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 auditors.

## Interim Condensed Consolidated Statements of Financial Position

Expressed in US Dollars

	March 31, 2023	September, 30 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	756,728	2,632,609
Other receivables	157,703	135,942
Prepaid expenses	7,238	7,146
<b>Total current assets</b>	<b>921,669</b>	<b>2,775,697</b>
<b>Non-current assets</b>		
Evaluation and exploration assets (Note 4)	8,068,675	5,859,211
Property, plant and equipment (Note 5)	5,977	5,430
<b>Total non-current assets</b>	<b>8,074,652</b>	<b>5,864,641</b>
<b>Total assets</b>	<b>8,996,321</b>	<b>8,640,338</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 6)	354,279	454,040
<b>Total liabilities</b>	<b>354,279</b>	<b>454,040</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	11,645,219	11,645,219
Contributed surplus	1,023,808	1,023,808
Warrants reserve	2,042,939	2,042,939
Deficit	(5,987,049)	(6,400,738)
Accumulated other comprehensive income	(82,875)	(124,930)
<b>Total shareholders' equity</b>	<b>8,642,042</b>	<b>8,186,298</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,996,321</b>	<b>8,640,338</b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the three and six months ended March 31

Expressed in US Dollars

	Three months ended		Six months ended	
	2023	2022	2023	2022
<b>Expenses</b>				
Administrative and office expenses	(41,710)	(50,076)	(44,440)	(104,772)
Depreciation	(713)	(184)	(774)	(380)
Investor relations	(17,477)	13,069	(28,480)	(16,947)
Payroll expenses	(101,630)	(109,052)	(210,603)	(212,295)
Professional fees	(66,803)	(75,047)	(194,936)	(171,054)
Travel expenses	(25,126)	-	(68,013)	-
Other expenses	(1)	429	(1,015)	25
	<u>(253,460)</u>	<u>(220,861)</u>	<u>(548,261)</u>	<u>(505,423)</u>
Exchange rate differences	174,738	(4,267)	9,307	13,140
Gain on currency exchange	568,504	316,975	954,456	910,673
Interest expenses	(786)	(183)	(1,813)	(541)
	<u>742,456</u>	<u>312,525</u>	<u>961,950</u>	<u>923,272</u>
<b>Net income</b>	<u><b>488,996</b></u>	<u><b>91,664</b></u>	<u><b>413,689</b></u>	<u><b>417,849</b></u>
<b>Other comprehensive income</b>				
Cumulative translation adjustment	<u>42,146</u>	<u>138</u>	<u>42,055</u>	<u>(1,395)</u>
<b>Total comprehensive income</b>	<u><b>531,142</b></u>	<u><b>91,802</b></u>	<u><b>455,744</b></u>	<u><b>416,454</b></u>
<b>Net income per share</b>				
<b>Basic</b>	<u><b>0.003</b></u>	<u><b>0.001</b></u>	<u><b>0.003</b></u>	<u><b>0.003</b></u>
<b>Diluted</b>	<u><b>0.003</b></u>	<u><b>0.001</b></u>	<u><b>0.003</b></u>	<u><b>0.003</b></u>
<b>Weighted average number of common shares outstanding</b>				
<b>Basic</b>	<u><b>177,155,444</b></u>	<u><b>152,494,913</b></u>	<u><b>177,155,444</b></u>	<u><b>151,665,662</b></u>
<b>Diluted</b>	<u><b>177,155,444</b></u>	<u><b>152,494,913</b></u>	<u><b>178,181,760</b></u>	<u><b>151,665,662</b></u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the six months ended March 31

*Expressed in US Dollars*

	Number of Common Shares (Note 8a)	Share Capital	Contributed Surplus	Warrants Reserve	Deficit	AOCL <sup>(1)</sup>	Total Shareholders' Equity
<b>Balance - September 30, 2022</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,023,808</b>	<b>2,042,939</b>	<b>(6,400,738)</b>	<b>(124,930)</b>	<b>8,186,298</b>
Net income for the period	-	-	-	-	413,689	-	413,689
Other comprehensive income	-	-	-	-	-	42,055	42,055
<b>Balance - March 31, 2023</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,023,808</b>	<b>2,042,939</b>	<b>(5,987,049)</b>	<b>(82,875)</b>	<b>8,642,042</b>
<b>Balance - September 30, 2021</b>	<b>150,863,452</b>	<b>9,491,763</b>	<b>1,008,539</b>	<b>696,824</b>	<b>(7,164,043)</b>	<b>721</b>	<b>4,033,804</b>
Debt for shares agreement	2,200,000	500,000	-	-	-	-	500,000
Net income for the period	-	-	-	-	417,849	-	417,849
Other comprehensive loss	-	-	-	-	-	(1,395)	(1,395)
<b>Balance - March 31, 2022</b>	<b>153,063,452</b>	<b>9,991,763</b>	<b>1,008,539</b>	<b>696,824</b>	<b>(6,746,194)</b>	<b>(674)</b>	<b>4,950,258</b>

(1) Accumulated other comprehensive loss

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Cash Flows

For the period ended March 31

Expressed in US Dollars

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Net income for the period	413,689	417,849
Items not affecting cash:		
Depreciation	774	380
Interest expense	1,813	-
Unrealized loss on foreign exchange	118,609	3,064
Change in non-cash working capital:		
(Increase) decrease in prepaid expenses	(92)	49,963
(Increase) decrease in other receivables	(21,761)	40,897
Decrease in trade and other payables	(99,512)	(297,617)
<b>Net cash provided by operating activities</b>	<u><b>413,520</b></u>	<u><b>214,536</b></u>
<b>Cash Flows from Investing Activities</b>		
Evaluation and exploration expenditures	(2,209,464)	(2,037,165)
Purchase of property, plant and equipment	(704)	-
Change in non-cash working capital:		
Decrease in trade and other payables (note 6)	-	(650,000)
Non-cash elimination of debt on issuance of shares (note 6)	-	500,000
<b>Net cash used in investing activities</b>	<u><b>(2,210,168)</b></u>	<u><b>(2,187,165)</b></u>
<b>Cash Flows from Financing Activities</b>		
Cash paid on borrowings	-	(13,300)
<b>Net cash used in financing activities</b>	<u><b>-</b></u>	<u><b>(13,300)</b></u>
<b>Net change in cash</b>	<u><b>(1,796,648)</b></u>	<u><b>(1,985,929)</b></u>
Foreign exchange loss on cash	(79,233)	(4,459)
<b>Change in cash</b>	<u><b>(1,875,881)</b></u>	<u><b>(1,990,388)</b></u>
Cash and cash equivalents, beginning of period	2,632,609	3,351,439
<b>Cash and cash equivalents, end of period</b>	<u><b>756,728</b></u>	<u><b>1,361,051</b></u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

# **Fredonia Mining Inc.**

## **Notes to the Interim Condensed Consolidated Financial Statements Expressed in US Dollars**

For the periods ended March 31, 2023 and 2022

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### **1. BUSINESS OF THE COMPANY**

Fredonia Mining Inc. (the “Company”) is a mining extraction company incorporated under the Business Corporations Act (Alberta) on September 19, 2012, under the name Richmond Road Capital Corporation (“RRCC”). On June 24, 2021, the Company completed a transaction (the “Transaction”) whereby RRCC acquired all of the outstanding shares of Fredonia Management Limited, a private corporation registered under the laws of the territory of the British Virgin Islands with mining assets in the country of Argentina. The Transaction constituted a reverse asset acquisition in accordance with IFRS, whereby the shareholders of Fredonia Management Limited took control of RRCC (Note 3). Following the completion of the Transaction, the Company changed its name from Richmond Road Capital Corporation to Fredonia Mining Inc. References within these financial statements to the “Company” for periods, dates and/or transactions prior to the Transaction are in reference to Fredonia Management Limited, as the corporate entity of interest pre-Transaction. Alternatively, references within these financial statements to the “Company” for periods, dates and/or transactions subsequent to the Transaction are in reference to Fredonia Mining Inc., as the corporate entity of interest post-Transaction. The comparative periods reflected in these financial statements are those of Fredonia Management Limited. The Company is a publicly-traded company with its shares listed on the TSX Venture Exchange (“TSXV”). The Company operates from its primary office in Toronto, Ontario, Canada. Its registered head office is located at 350 Bay St. # 700, Toronto, Ontario, M5H 2S6.

#### **Nature of operations**

The Company, directly or indirectly, owns a 100% interest in certain license areas, all within the Deseado Massif geological region in the Province of Santa Cruz, Argentina. The Company’s only material property is the advanced El Dorado-Monserrat Project. The Company also owns the El Aguila, Hornía (Petrificados), and Anita properties.

The Company has not yet established whether its mineral properties contain resources or reserves that are economically recoverable. The recovery of amounts capitalized as mineral properties is dependent upon the discovery of economically recoverable resources or reserves, the ability of the Company to arrange appropriate financing to complete the development of properties, and upon future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

The Company’s interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Report” under International Financial

# **Fredonia Mining Inc.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

### **Expressed in US Dollars**

For the periods ended March 31, 2023 and 2022

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Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee.

These interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company’s annual audited consolidated financial statements for the year ended September 30, 2022, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended September 30, 2022.

The interim condensed consolidated financial statements were approved for issuance by the Company’s Board of Directors on May 31, 2023.

#### **Basis of Measurement**

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value.

The ongoing impact of COVID-19 on the Company’s operations and future financial performance is uncertain. The continued impact of COVID-19 will depend on future developments that are uncertain and unpredictable, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge COVID-19 continues to present uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

#### **Functional and presentation currency**

The Company’s functional currency is determined by the currency of the primary economic environment in which it operates. The Company’s functional currency is the Canadian dollar (“C\$”) and the Company’s subsidiaries have functional currencies in the United States dollar (“US”). The consolidated financial statements are presented in US dollars.

#### **Significant accounting policies**

The Company’s significant accounting policies can be read in Note 3 to the Company’s annual audited consolidated financial statements as at and for the year ended September 30, 2022.

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## **Notes to the Interim Condensed Consolidated Financial Statements Expressed in US Dollars**

For the periods ended March 31, 2023 and 2022

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### **3. REVERSE TAKEOVER TRANSACTION (THE “TRANSACTION”)**

The Qualifying Transaction was completed pursuant to a business combination agreement (the “Agreement”) dated June 24, 2021, between the Company, formerly RRCC, and a corporation existing under the laws of the British Virgin Islands, Fredonia Management Limited (the “Target”). As an initial step to be taken in connection with the Qualifying Transaction, the issued and outstanding RRCC shares and RRCC stock options were consolidated by a factor of 0.73529 (the “Consolidation”), resulting in 4,411,764 post-Consolidation RRCC shares and 441,176 post-Consolidation RRCC stock options. Following the Consolidation of RRCC shares, the Qualifying Transaction was effected by way of a “three-cornered” amalgamation, in which: (a) the BVI subsidiary of RRCC was amalgamated with the Target to form an amalgamated company (“Amalco”); (b) all issued and outstanding shares of the Target were exchanged for 109,006,378 post Consolidation RRCC shares; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed as Fredonia Management Ltd. Following the completion of the Transaction, the Company changed its name to “Fredonia Mining Inc.” and carried on the business previously carried on by the Target.

The Qualifying Transaction constituted a reverse take over and did not constitute a business combination in accordance with IFRS 3. These consolidated financial statements are presented as a continuation of the Target but are issued in the name of the Company as a legal parent. The Qualifying Transaction has been measured at the fair value of the shares and options that are deemed to have been issued to the Company’s historical shareholders. Accordingly, the Qualifying Transaction has been recorded in these consolidated financial statements using a basis of accounting as summarized below:

- a) The historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in net loss for the year;
- b) The accumulated deficit and other equity balances presented in these consolidated financial statements are those of the Target;
- c) The assets and liabilities of the Target are included in these consolidated financial statements on a pre-transaction basis of accounting;
- d) The net assets of RRCC were measured at their estimated fair value on the date of the Qualifying Transaction; and
- e) Comparative information presented in these consolidated financial statements is that of the Target. The following summarizes the basis of accounting for the reverse takeover described above.

Under this basis of accounting, as consideration for 100% of the outstanding shares of RRCC by way of reverse acquisition, Target issued 4,411,764 shares on a one for one basis to the shareholders of RRCC, and 441,176 stock option to replace RRCC stock options. The shares were assigned a value of \$0.20 (C\$0.25) per share, the value of the recent financing realized through concurrent financing, and the stock options were assigned a value of \$0.14 (C\$0.17) based on a Black-Scholes valuation, for total consideration of \$950,412 (C\$1,177,941) before transaction costs, which has been allocated first to the fair value of the net assets acquired, with any excess to a non-cash cost of acquisition as follows:



# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the periods ended March 31, 2023 and 2022

<b>Consideration</b>	
4,411,764 shares at a value of \$0.20 (C\$0.25) per share	889,899
441,176 stock options at a value of \$0.14 (C\$0.17) per share	60,513
Transaction costs	277,236
<b>Total Consideration</b>	<b>1,227,648</b>

<b>Net assets (liabilities) of RRCC</b>	
Accounts payable	(171,573)
<b>Total net assets (liabilities) acquired at fair value</b>	<b>(171,573)</b>

<b>Listing Expense</b>	<b>1,399,221</b>
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In parallel with the Qualifying Transaction, the Company completed a concurrent financing (the “Concurrent Financing”) of 37,445,310 subscription receipts for aggregate gross proceeds of \$5,136,117 (C\$6,365,703). Upon completion of the Qualifying Transaction, the units were automatically exchanged for 37,445,310 common shares and 18,722,655 warrants, exercisable at C\$0.25 per warrant to purchase one common share. Broker warrants are exercisable at C\$0.17 per warrant to purchase one common share.

#### 4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation (“E&E”) assets consist of the following amounts:

	<u>El Aguila</u>	<u>El Dorado</u>	<u>Total</u>
As at September 30, 2021	1	1,748,696	1,748,697
Additions	-	4,110,514	4,110,514
As at September 30, 2022	1	5,859,210	5,859,211
Additions	-	2,209,464	2,209,464
<b>As at March 31, 2023</b>	<b>1</b>	<b>8,068,674</b>	<b>8,068,675</b>

The Company’s primary exploration project is the El Dorado-Monserrat Project located in Santa Cruz Province, Argentina assessing for gold-silver mineralization. There is a 1.5% net smelter return royalty on the project.

The Company also has a secondary exploration project being the El Aguila project located in Santa Cruz Province, Argentina. The project is subject to a 1% net profit interest royalty. In addition, the Company had certain amounts owing to the original sellers (Note 6).

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements Expressed in US Dollars

For the periods ended March 31, 2023 and 2022

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### 5. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment</u>	<u>Total</u>
<b>Cost</b>		
Balance, September 30, 2022	6,509	6,509
Additions	704	704
<b>Balance, March 31, 2023</b>	<b><u>7,213</u></b>	<b><u>7,213</u></b>
<b>Accumulated amortization</b>		
Balance, September 30, 2022	1,079	1,079
Additions	774	774
Disposals	(617)	(617)
<b>Balance, March 31, 2023</b>	<b><u>1,236</u></b>	<b><u>1,236</u></b>
<b>Net book value</b>		
Balance, September 30, 2022	5,430	5,430
<b>Balance, March 31, 2023</b>	<b><u>5,977</u></b>	<b><u>5,977</u></b>

### 6. TRADE AND OTHER PAYABLES

	<u>March 31, 2023</u>	<u>September 30, 2022</u>
Trade accounts payable and accruals	331,611	428,977
Related parties (Note 8)	22,668	25,063
	<b><u>354,279</u></b>	<b><u>454,040</u></b>

On January 24, 2022, the Company completed a debt for shares agreement with the seller wherein the Company eliminated the consideration payable balance of \$650,000 by way of a lump sum cash payment of \$150,000 and the issuance of 2,200,000 Common Shares (Note 7a) to satisfy the remaining obligation of \$500,000.

### 7. SHARE CAPITAL

#### a) Common Shares

As at March 31, 2023, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share. Outstanding common shares as of March 31, 2023 are as follows:

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the periods ended March 31, 2023 and 2022

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	<u>Common shares</u>	<u>Amount (\$)</u>
Balance, September 30, 2021	150,863,452	9,491,763
Shares issued to satisfy debt repayment	2,200,000	530,183
Shares issued with private placement	24,091,992	1,623,273
<b>Balance, September 30, 2022 and March 31, 2023</b>	<b><u>177,155,444</u></b>	<b><u>11,645,219</u></b>

As mentioned in Note 3, as consideration for 100% of the outstanding shares of RRCC, Fredonia Management Limited issued 4,411,764 shares on a one for one basis to the shareholders of RRCC. The assessed value of the shares issued was \$889,899.

In accordance with the terms of the debt for shares agreement, the Company issued 2,200,000 shares to satisfy the remaining \$500,000 of outstanding debt.

On April 27, 2022, the Company announced the closing of a brokered private placement (the "Offering"), consisting of a total of 22,606,779 units of the Company at a price of C\$0.18 per unit for aggregate gross proceeds to the Company of approximately \$3,172,139. Each unit consisted of one common share of the Company and one common share purchase warrant. This resulted in net proceeds of \$2,578,118, after issuance costs. Of those net proceeds, \$1,501,870 has been attributed to common shares.

As part of the Offering on April 27, 2022, and pursuant to the terms of the agency agreement, the Agent received 1,485,213 units ("Broker Units") at a price of C\$0.18 per unit as compensation in lieu of cash. Each Broker Unit consisted of one common share of the Company and one warrant. The aggregate unit value of \$208,402 was accounted for as a transaction cost in conjunction with the Offering. Of the gross unit value, \$121,403 has been attributed to common shares.

#### **b) Stock Options**

The Company has 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 Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

At March 31, 2023, a total of 10,000,000 (September 30, 2022 – 10,441,176) options were issued and outstanding under this plan. Options which are forfeited/expired are available for reissue.

A summary of the changes in stock options is presented below:

## Fredonia Mining Inc.

### Notes to the Interim Condensed Consolidated Financial Statements Expressed in US Dollars

For the periods ended March 31, 2023 and 2022

	<u>Stock options</u>	<u>Weighted average exercise price (C\$)</u>
Balance, September 30, 2021	10,191,176	0.17
Granted	250,000	0.11
Balance, September 30, 2022	10,441,176	0.17
Expired	(441,176)	0.14
<b>Balance, March 31, 2023</b>	<b>10,000,000</b>	<b>0.17</b>

On September 16, 2022, the Company granted 250,000 options to acquire common shares to certain directors, officers, and consultants of the Company at a price of C\$0.11 per common share, vesting immediately on the date of grant. The options were for a five-year term, expiring on September 16, 2027.

For the stock options issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 95%, risk-free interest rate of 3.39%, expected dividend yield of 0%, and an expected option life of 5 years, resulting in an assessed fair value per option of C\$0.08.

The following summarizes information about stock options outstanding as at March 31, 2023:

<u>Exercise prices (C\$)</u>	<u>Number of options outstanding</u>	<u>Weighted average term to expiry (years)</u>	<u>Number of options exercisable</u>
0.17	9,750,000	3.33	9,750,000
0.11	250,000	4.47	250,000
	<b>10,000,000</b>	<b>3.36</b>	<b>10,000,000</b>

#### c) Warrants

As at March 31, 2023, a total of 46,671,246 (September 30, 2022 – 46,671,246) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

	<u>Warrants</u>	<u>Weighted average exercise price (C\$)</u>
Balance, September 30, 2021	20,996,779	0.24
Purchase warrants issued on private placement (\$0.28)	24,091,992	0.28
Broker warrants issued on private placement (\$0.18)	1,582,475	0.18
<b>Balance, September 30, 2022</b>	<b>46,671,246</b>	<b>0.26</b>
Broker warrants expired	(2,274,124)	0.17
<b>Balance, March 31, 2023</b>	<b>44,397,122</b>	<b>0.26</b>

# **Fredonia Mining Inc.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

### **Expressed in US Dollars**

For the periods ended March 31, 2023 and 2022

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#### ***Purchase Warrants***

Pursuant to the Concurrent Financing, the Company issued a total of 18,722,655 warrants, each exercisable into one additional common share at a price of C\$0.25 per share until June 24, 2024 (the "Purchase Warrants"). As mentioned previously, a fair value of \$452,788, net of issue costs, was recognized for the issuance of the Purchase Warrants.

On April 27, 2022, the Company announced the closing of the Offering, consisting of a total of 22,606,779 units of the Company, with each unit consisting of one common share of the Company and one purchase warrant. Each purchase warrant entitles the holder to acquire one common share at a price of C\$0.28 per common share for a period of five years from the closing date of the Offering. Of the net proceeds from the Offering, \$1,076,248 has been attributed to these purchase warrants. Furthermore, in conjunction with the Offering, the agent received compensation consisting of 1,485,213 units ("Broker Units") in lieu of cash with a fair value of \$208,401, which was included in the share issuance costs on the Offering. Each Broker Unit consists of one common share and one purchase warrant with the same terms as the units issued under the Offering. For the aforementioned fair value recognized for these Broker Units, \$121,403 was attributed to the common shares and \$86,998 was attributed to the purchase warrants.

For the purchase warrants issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 95%, risk-free interest rate of 2.64%, expected dividend yield of 0%, and an expected warrant life of 5 years, resulting in an assessed fair value per warrant of C\$0.18.

#### ***Broker Warrants***

Pursuant to the Concurrent Financing, the Company issued 2,274,124 broker warrants to agents of the Concurrent Financing based on the terms of the agency agreement. These broker warrants are for a three-year term, exercisable immediately at a price of C\$0.17 per share and expire February 24, 2023. A fair value of \$244,036 was recognized for the issuance of these broker warrants, which was included in share issuance costs on the Concurrent Financing, and is recorded as contributed surplus.

In conjunction with the Offering, the Company also granted the agent 1,582,475 broker warrants entitling the agent to acquire one common share at a price of C\$0.18 per common share for a period of 24 months from the closing date of the Offering. A fair value of \$182,869 was recognized for the issuance of the broker warrants, which was included in the share issuance costs on the Offering.

For the broker warrants issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 95%, risk-free interest rate of 2.50%, expected dividend yield of 0%, and an expected warrant life of 2 years, resulting in an assessed fair value per warrant of C\$0.15.

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the periods ended March 31, 2023 and 2022

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The following summarizes information about total purchase and broker warrants outstanding as at March 31, 2023:

<u>Exercise prices (C\$)</u>	<u>Number of warrants outstanding</u>	<u>Weighted average term to expiry (years)</u>	<u>Number of warrants exercisable</u>
0.18	1,582,475	1.23	1,582,475
0.25	18,722,655	1.23	18,722,655
0.28	24,091,992	4.09	24,091,992
	<b>44,397,122</b>	<b>2.78</b>	<b>44,397,122</b>

#### d) Net income per share

For purposes of the net income per share calculations for the period ended March 31, 2023, the calculation of basic and diluted were based on the net income of \$455,744 against each of basic weighted average number of common shares outstanding of 177,545,444 and diluted weighted average number of common shares outstanding of 178,181,760, resulting in a net loss per share of \$0.003 basic and diluted. In computing diluted net income per share for the three months period ended March 31, 2023, 44,397,122 warrants and 10,000,000 options were excluded as they were not in-the-money based on the volume weighted average trading price of the Company's common shares of C\$0.11 during the three months period ended March 31, 2023, and therefore antidilutive.

For purposes of the income per share calculations for the period ended March 31, 2022, there is no difference between the basic loss per share and the diluted loss per share amounts. For the Three months ended March 31, 2022, stock options, broker warrants, and purchase warrants were excluded as their impact was anti-dilutive.

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

During the periods ended March 31, 2023 and 2022, there were separate related party transactions as follows:

- i) Transactions:
  - a) Professional services charged by key management personnel and directors for the period ended March 31, 2023 were \$204,200 (2022: \$8,167) and are included as part of professional fees on the consolidated statement of loss.
  - b) Interest expense incurred for the period ended March 31, 2023 from a loan payable to a director and shareholder were \$nil (2022: \$370 of interest income).
  - c) Rent expense incurred for the period ended March 31, 2023 charged by a company controlled by Directors of the company were \$4,500 (2022: \$9,000).

# **Fredonia Mining Inc.**

## **Notes to the Interim Condensed Consolidated Financial Statements Expressed in US Dollars**

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- ii) Period-end balances:
  - a) As at March 31, 2023, trade and other receivables included \$751 (September 30, 2022 - \$nil) receivable from a director of the Company.
  - b) As at March 31, 2023, trade and other payables included \$20,000 (September 30, 2022 - \$20,000) payable to a company related to a director for payments made on behalf of the Company.
  - c) As at March 31, 2023, trade and other payables included \$2,668 (September 30, 2022 - \$5,063) payable to a company related to a director in relation to the rent of the administrative office.

All related party transactions were in the normal course of operations.

### **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's activities are exposed to various financial risks, market risks (including foreign exchange rate risk), credit risk, liquidity risk and capital risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

#### **a) Market Risk**

##### ***Foreign exchange risk***

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company primarily operates in Argentina. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-dollar forecasts operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in US dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

#### **b) Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises from cash and cash equivalents with banks and financial institutions as well as credit exposures to outstanding receivables.

It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments.

# **Fredonia Mining Inc.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

### **Expressed in US Dollars**

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#### **c) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash at all times and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. All of the company's liabilities were due in the next 12 months.

#### **d) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying values of cash and cash equivalents, accounts receivables, borrowings and payables are assumed to approximate their fair values due to their short-term nature.

#### **e) Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and provide increased shareholder value. The Company is not exposed to any externally imposed capital requirements.