



Fredonia Mining Inc.

FREDONIA MINING INC.

**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
EXPRESSED IN US DOLLARS**

Independent Auditor's Report

To the Shareholders of Fredonia Mining Inc.

Opinion

We have audited the consolidated financial statements of Fredonia Mining Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2023, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' (deficit) equity and consolidated statement of cash flows for the year 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 September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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.

Other matter

The consolidated financial statements of the Company for the year ended September 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on January 12, 2023.

We have audited the restatement to the consolidated financial statements as at September 30, 2022 and October 1, 2021, as described in Note 4 to the consolidated financial statements. In our opinion, such restatement is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the 2022 consolidated financial statements (restated) of the Company other than with respect to the restatement described above and accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements (restated) taken as a whole.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has recurring losses and an accumulated deficit as at September 30, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 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 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 judgement 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 risks 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.

McGovern Hurley

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 are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

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

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
January 29, 2024

Fredonia Mining Inc.
Consolidated Statements of Financial Position

Expressed in US Dollars

	September 30, 2023	September 30, 2022	October 1, 2021
		(Restated - Note 4)	(Restated - Note 4)
ASSETS			
Current assets			
Cash and cash equivalents	262,921	2,632,609	3,351,439
Other receivables	154,453	135,942	159,514
Prepaid expenses	1,564	7,146	51,884
Total current assets	418,938	2,775,697	3,562,837
Non-current assets			
Property, plant and equipment (Note 5)	5,394	5,430	2,318
Total non-current assets	5,394	5,430	2,318
Total assets	424,332	2,781,127	3,565,155
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
Current liabilities			
Borrowings	-	-	13,300
Trade and other payables (Notes 6 and 9)	571,644	454,040	1,266,748
Total liabilities	571,644	454,040	1,280,048
Shareholders' (deficit) equity			
Share capital (Note 7a)	11,645,219	11,645,219	9,491,763
Contributed surplus (Note 7b)	1,221,145	1,023,808	1,008,539
Warrants reserve (Note 7c)	2,042,939	2,042,939	696,824
Deficit	(14,937,785)	(12,259,949)	(8,912,740)
Accumulated other comprehensive income	(118,830)	(124,930)	721
Total shareholders' (deficit) equity	(147,312)	2,327,087	2,285,107
Total liabilities and shareholders' (deficit) equity	424,332	2,781,127	3,565,155

Business of the Company and going concern (Note 1)

Commitments and contingencies (Note 13)

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

Approved and authorized by the Board of Directors:

(Signed)

Estanislao Auriemma
Chief Executive Officer

(Signed)

Omar Salas
Chief Financial Officer

Fredonia Mining Inc.**Consolidated Statements of Loss and Comprehensive Loss**

For the years ended September 30,

Expressed in US Dollars

	<u>2023</u>	<u>2022</u> (Restated - Note 4)
Expenses		
Administrative and office expenses	(78,199)	(91,245)
Depreciation	(740)	(944)
Exploration expenses (notes 4 and 10)	(2,638,447)	(4,110,514)
Investor relations	(38,748)	(33,132)
Payroll expenses (Note 9)	(418,831)	(484,130)
Professional fees (Note 9)	(418,169)	(375,584)
Share-based compensation (Note 7b)	(197,337)	(15,269)
Travel expenses	(69,599)	(35,537)
Other expenses	(25,678)	(32,595)
	<u>(3,885,748)</u>	<u>(5,178,950)</u>
Exchange rate differences	5,607	(74,506)
Gain on currency exchange (Note 11)	1,205,130	1,949,055
Net interest expenses	(2,825)	(12,625)
Loss on share issuance (Note 6)	-	(30,183)
	<u>1,207,912</u>	<u>1,831,741</u>
Net loss	<u>(2,677,836)</u>	<u>(3,347,209)</u>
Other comprehensive (loss) income		
Cumulative translation adjustment	6,100	(125,651)
	<u>(2,671,736)</u>	<u>(3,472,860)</u>
Net loss		
Basic and diluted (Note 7d)	<u>(0.015)</u>	<u>(0.021)</u>
Weighted average number of common shares outstanding		
Basic and diluted	<u>177,155,444</u>	<u>162,717,712</u>

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

Fredonia Mining Inc.

Consolidated Statements of Changes in Shareholders' (Deficit) Equity

For the years ended September 30, 2023 and 2022

Expressed in US Dollars

	Number of Common Shares (Note 7a)	Share Capital	Contributed Surplus	Warrants Reserve	(Restated) Deficit	AOCI ⁽¹⁾	Total Shareholders' (Deficiency) Equity
Balance - September 30, 2022 (restated)	177,155,444	11,645,219	1,023,808	2,042,939	(12,259,949)	(124,930)	2,327,087
Share-based compensation (Note 7b)	-	-	197,337	-	-	-	197,337
Net loss for the year	-	-	-	-	(2,677,836)	-	(2,677,836)
Other comprehensive income	-	-	-	-	-	6,100	6,100
Balance - September 30, 2023	177,155,444	11,645,219	1,221,145	2,042,939	(14,937,785)	(118,830)	(147,312)
Balance - September 30, 2021 (restated)	150,863,452	9,491,763	1,008,539	696,824	(8,912,740)	721	2,285,107
Shares for debt agreement (Note 6)	2,200,000	530,183	-	-	-	-	530,183
Private placement	22,606,779	1,501,870	-	1,076,248	-	-	2,578,118
Broker units on private placement	1,485,213	121,403	-	86,998	-	-	208,401
Broker warrants on private placement	-	-	-	182,869	-	-	182,869
Share-based compensation	-	-	15,269	-	-	-	15,269
Net loss for the year	-	-	-	-	(3,347,209)	-	(3,347,209)
Other comprehensive loss	-	-	-	-	-	(125,651)	(125,651)
Balance - September 30, 2022 (restated)	177,155,444	11,645,219	1,023,808	2,042,939	(12,259,949)	(124,930)	2,327,087

(1) Accumulated other comprehensive income

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

Fredonia Mining Inc.
Consolidated Statements of Cash Flows

For the years ended September 30,
Expressed in US Dollars

	<u>2023</u>	<u>2022</u>
		(Restated - Note 4)
Cash Flows from Operating Activities		
Net loss for the year	(2,677,836)	(3,347,209)
Items not affecting cash:		
Depreciation	740	944
Interest expense	2,825	12,625
Loss on share issuance for debt (Note 6)	-	30,183
Unrealized income (loss) on foreign exchange	112,814	(163,190)
Share-based compensation	197,337	15,269
Change in non-cash working capital:		
(Increase) decrease in other receivables	(18,531)	23,572
Increase (decrease) in trade and other payables	117,624	(312,708)
Decrease in prepaid expenses	5,582	44,738
Net cash used in operating activities	<u>(2,259,445)</u>	<u>(3,695,776)</u>
Cash Flows from Investing Activities		
Acquisitions of property, plant and equipment	(704)	(4,056)
Net cash used in investing activities	<u>(704)</u>	<u>(4,056)</u>
Cash Flows from Financing Activities		
Increase in capital	-	2,969,388
Cash paid on borrowings	-	(13,300)
Cash paid on interest	-	(12,625)
Net cash from financing activities	<u>-</u>	<u>2,943,463</u>
Net change in cash in cash equivalents	<u>(2,260,149)</u>	<u>(756,369)</u>
Foreign exchange (loss) gain on cash	(109,539)	37,539
Change in cash and cash equivalents	<u>(2,369,688)</u>	<u>(718,830)</u>
Cash and cash equivalents, beginning of year	2,632,609	3,351,439
Cash and cash equivalents, end of year	<u>262,921</u>	<u>2,632,609</u>

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

Fredonia Mining Inc.
Notes to the Consolidated Financial Statements
Expressed in US Dollars
For the years ended September 30, 2023 and 2022

1. BUSINESS OF THE COMPANY AND GOING CONCERN

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. Following the completion of the Transaction, the Company changed its name from Richmond Road Capital Corporation to Fredonia Mining Inc. 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 Company’s continued existence 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.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, social licensing requirements and non-compliance with regulatory requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

Fredonia Mining Inc.
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Going concern

The Company is an exploration company which has not yet achieved production, has recurring losses and an accumulated deficit of \$14.94 million as at September 30, 2023. The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to be able to further explore its mineral properties, retain mining rights and to meet ongoing requirements for general operations. Even if the Company has been successful in the past in doing so, there can be no assurance that additional debt or equity financings will be available to meet these requirements or available on terms acceptable to the Company. These matters represent a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee. The policies applied in the Company's consolidated financial statements are based on IFRS effective for the year ended September 30, 2023.

These consolidated financial statements were approved for issuance by the Company's Board of Directors on January 29, 2024.

Basis of Measurement

These 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Fredonia Mining Inc.
Notes to the Consolidated Financial Statements
Expressed in US Dollars
For the years ended September 30, 2023 and 2022

a) Basis of consolidation

Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The wholly owned subsidiaries of Fredonia Mining Inc. are as follows:

Fredonia Management Ltd. ("FML") (British Virgin Islands)

Seis R Assets, S.A. ("6R") (British Virgin Islands)

Minera Fredonia, S.A. ("MFSA") (Argentina)

5R, S.A. ("5R") (Argentina)

Transactions eliminated on consolidation

All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements.

b) Financial Instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

Fredonia Mining Inc.
Notes to the Consolidated Financial Statements
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- Amortized Cost: Includes assets that 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 represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at September 30, 2023, all of the Company's receivables were deemed collectible. The average expected credit loss on the Company's trade accounts receivable was not estimated to be significant.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Fredonia Mining Inc.
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Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash held at banks and short-term deposits with an original maturity of three months or less.

c) Foreign currency

Transactions in currencies other than each entity's functional currency are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate as at the date of the consolidated statement of financial position. Non-monetary items are translated using the historical exchange rates prevailing at the dates of the initial transactions. All differences are recorded in net earnings or loss and comprehensive income or loss.

The results of operation and financial position of all the Company's entities that have a functional currency different from the presentation currency (United States dollar) are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- b) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates or the transactions); and
- c) All resulting exchange differences are recognized in other comprehensive (loss) income.

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d) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statements of loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

e) Exploration & evaluation assets

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as exploration expenses until it has been established that a mineral property is commercially viable and technically feasible. Refer to Note 4.

f) Property, plant and equipment

The Company's property, plant and equipment is comprised of equipment. Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance method to write off the cost of these assets, less estimated residual values, over their useful lives.

g) Impairment of non-financial assets

The Company reviews and evaluates impairment of non-financial assets whenever events or changes in circumstances occur that indicates that the carrying amount of the asset will not be recovered from its use or sale. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the higher of its fair value and value in use. Fair value is the amount that can be obtained from the sale of an asset in a open market. The value of in use corresponds to the present value of the estimated future cash flows expected to be obtained from the continuing use of the asset and from its sale at the

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end of its useful life. Impairment losses recognized in previous years are reversed if there is a change in the estimates used from the last time an impairment loss was recognized.

h) Share-based compensation

Share-based compensation expense for transactions with employees is determined based on the estimated fair value of shares on the date of grant. Transactions with non-employees are measured at the date when goods and services are received. Where the fair value of goods and services received cannot be reliably measured, the measure of the goods and services received and the corresponding increase in equity is estimated indirectly by reference to the fair value of the equity instruments granted, measured at the date goods are obtained or services rendered. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized over the service period, with a corresponding increase to contributed surplus. At the time the stock options or warrants are exercised, the issuance of common shares is recorded as an increase to share capital and a corresponding decrease to contributed surplus.

i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Common shares, stock options and warrants are classified as equity instruments.

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

j) Earnings per share, basic and diluted

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net profit or loss by the weighted average number of shares outstanding during the year. Diluted earnings per share is determined by adjusting the net profit or loss and the weighted average number of shares outstanding, for all dilutive potential shares, which comprises warrants, convertible debt and options issued. Items with an anti-dilutive impact are excluded from the calculation.

k) Use of estimates and judgements

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, 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 estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

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Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

i) Impairment of property, plant and equipment

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future precious metals prices, future costs, discount rates, market value of land and other relevant assumptions.

ii) Income taxes

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

i) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at their estimated fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

ii) Tax provisions

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

iii) Determination of functional currency

As the Company has entities in multiple jurisdictions, the determination of functional currency involves certain judgements in establishing the primary economic environment in which these entities operate. In Argentina, the transactions may be denominated in Argentine pesos or USD. The functional currency is determined by the currency, being presently USD, wherein management's judgement the majority of the operating expenditures are denominated in.

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iv) Estimation of restoration, rehabilitation and environmental obligations and timing of expenditure

Restoration, rehabilitation and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation or similar liabilities that may occur. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

l) New accounting standards adopted

Disclosure of Accounting Policies (Amendments to IAS 1) is effective for fiscal years ending after January 1, 2023. This amendment:

- requires companies to disclose material accounting policies rather than their significant policies
- clarifies that accounting policies relating to immaterial transactions need not to be disclosed
- clarifies not all accounting policies that relate to material transactions are material to a company's financial statements.

The Company adopted the amendment to IAS 1 on October 1, 2022, and it did not have a material impact on the consolidated financial statements.

m) Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after October 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on October 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023. IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after October 1, 2023.

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IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after October 1, 2023.

4. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

During the year ended September 30, 2023, the Company changed its accounting policy to expense all exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Under this new policy, cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts.

The consolidated statement of financial position as at September 30, 2022 and October 1, 2021 have been restated to reflect adjustments made as a result of this change in accounting policy. The restatement resulted in a reduction of exploration and evaluation assets of \$5,859,211, an increase to deficit of the same amount of \$5,859,211 an increase in the exploration expenses and net loss for the year ended September 30, 2022 of \$4,110,514, as well a reduction of net cash used in investing activities of \$4,110,514 and an increase to the net cash used in operating activities of the same amount. The restatement resulted in a reduction of exploration and evaluation assets of \$1,748,697 and increase to deficit as at October 1, 2021 for the same amount.

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment</u>	<u>Total</u>
Cost		
Balance, September 30, 2022	6,509	6,509
Additions	704	704
Balance, September 30, 2023	<u>7,213</u>	<u>7,213</u>
Accumulated amortization		
Balance, September 30, 2022	1,079	1,079
Additions	740	740
Balance, September 30, 2023	<u>1,819</u>	<u>1,819</u>
Net book value		
Balance, September 30, 2022	5,430	5,430
Balance, September 30, 2023	<u>5,394</u>	<u>5,394</u>

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	<u>Equipment</u>	<u>Total</u>
Cost		
Balance, September 30, 2021	2,453	2,453
Additions	4,056	4,056
Balance, September 30, 2022	6,509	6,509
Accumulated amortization		
Balance, September 30, 2021	135	135
Additions	944	944
Balance, September 30, 2022	1,079	1,079
Net book value		
Balance, September 30, 2021	2,318	2,318
Balance, September 30, 2022	5,430	5,430

6. TRADE AND OTHER PAYABLES

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Trade accounts payable and accruals	411,116	428,977
Related parties (Note 9)	160,528	25,063
	571,644	454,040

On January 24, 2022, the Company completed a debt for shares agreement with the seller of one of its E&E properties 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 to satisfy the remaining obligation of \$500,000. The Common shares issued to settle the remaining debt had a fair value of \$530,183. This resulted in a loss on the issuance of shares of \$30,183 for the year ended September 30, 2022.

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7. SHARE CAPITAL

a) Common Shares

As at September 30, 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 September 30, 2023 are as follows:

	<u>Common shares</u>	<u>Amount (\$)</u>
Balance, September 30, 2021	150,863,452	9,491,763
Shares issued to satisfy debt repayment (Note 6)	2,200,000	530,183
Shares issued with private placement	24,091,992	1,623,273
Balance, September 30, 2022 and 2023	<u>177,155,444</u>	<u>11,645,219</u>

In accordance with the terms of the debt for shares agreement, on January 24, 2022, 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 September 30, 2023, a total of 12,750,000 (September 30, 2022 – 10,441,176) options were issued and outstanding under this plan. Options which are forfeited/expired are available for reissue.

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

	Stock options	Weighted average exercise price (C\$)
Balance, September 30, 2021	10,191,176	0.17
Options granted	250,000	0.11
Balance, September 30, 2022	10,441,176	0.17
Options granted	2,750,000	0.12
Options expired	(441,176)	0.14
Balance, September 30, 2023	12,750,000	0.16

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.

On February 3, 2023, the Company granted 2,750,000 options to acquire common shares to certain directors, officers, and consultants of the Company at a price of C\$0.12 per common share, vesting immediately on the date of grant. The options were for a five-year term, expiring on February 3, 2028.

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 137%, risk-free interest rate of 3.05%, expected dividend yield of 0%, and an expected option life of 5 years, resulting in an assessed fair value per option of C\$0.10.

The value of the stock options granted on February 3, 2023, was \$197,337, which was expensed as share-based compensation in the year ended September 30, 2023.

The following summarizes information about stock options outstanding as at September 30, 2023:

Exercise prices (C\$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.17	9,750,000	2.82	9,750,000
0.11	250,000	3.97	250,000
0.12	2,750,000	4.35	2,750,000
	12,750,000	3.18	12,750,000

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c) Warrants

As at September 30, 2023, a total of 44,397,122 (September 30, 2022 – 46,671,246) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

	Warrants	Weighted average exercise price (C\$)
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
Balance, September 30, 2022	46,671,246	0.26
Broker warrants expired	(2,274,124)	0.17
Balance, September 30, 2023	44,397,122	0.26

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

In conjunction with the Offering, on April 27, 2022, 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.

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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.

The following summarizes information about total purchase and broker warrants outstanding as at September 30, 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	0.58	1,582,475
0.25	18,722,655	0.73	18,722,655
0.28	24,091,992	3.59	24,091,992
	44,397,122	2.28	44,397,122

d) Net Income/Loss per share

For purposes of the Net Income/loss per share calculations for the year ended September 30, 2023, there is no difference between the basic loss per share and the diluted loss per share amounts. The calculation of basic and diluted loss per share for the year ended September 30, 2023 was based on the net loss of \$2,677,836 against each of basic weighted average number of common shares outstanding of 177,155,444 and diluted weighted average number of common shares outstanding of 177,155,444, resulting in net loss per share of \$0.015, basic and diluted. In computing diluted net loss per share for the year ended September 30, 2023, all outstanding options and warrants were excluded since they were anti-dilutive as a result of the Company being in a loss position.

For purposes of the net income per share calculations for the year ended September 30, 2022, the calculation of basic and diluted income per share were based on the net loss of \$3,347,209 against each of basic weighted average number of common shares outstanding of 162,717,712 and diluted weighted average number of common shares outstanding of 162,717,712, resulting in net loss per share of \$0.021, basic and diluted. In computing diluted net loss per share for the year ended September 30, 2022, all outstanding options and warrants were excluded since they were anti-dilutive as a result of the Company being in a loss position.

8. INCOME TAXES

The reconciliation of the Company's expected recovery of income taxes at the statutory rate of 26.5% (2022 – 26.5%) to the Company's provision for income taxes is as follows:

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a) Provision for Income Taxes

	2023	2022
	<u>\$</u>	<u>\$</u>
Loss before income taxes	<u>(2,671,736)</u>	<u>(3,472,860)</u>
Expected income tax recovery	(708,000)	(920,000)
Share-based compensation	52,000	4,000
Expenses not defuctible for tax purposes	452,000	916,000
Other	(1,000)	-
Change in tax benefits not recognized	<u>205,000</u>	<u>-</u>
	<u>-</u>	<u>-</u>

b) Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2023	2022
	<u>\$</u>	<u>\$</u>
Non-capital loss carry-forwards	2,282,000	1,356,000
Share issue costs	152,000	610,000
Mineral property costs	<u>207,000</u>	<u>207,000</u>
	<u>2,641,000</u>	<u>2,173,000</u>

The Company's unused tax losses expire from 2041 to 2043 as follows:

Year of Expiry	Loss Carry-Forward
	<u>\$</u>
2041	509,000
2042	847,000
2043	926,000
	<u>2,282,000</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company also has available losses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions. These losses have not been recognized in these financial statements as their realization is uncertain.

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9. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended September 30, 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 year ended September 30, 2023 were \$237,126 (2022: \$28,688) and are included as part of professional fees on the consolidated statement of loss.
 - b) Rent expense incurred for the year ended September 30, 2023 charged by a company controlled by Directors of the company were \$18,000 (2022: \$18,000).
- ii) Year-end balances:
 - a) As at September 30, 2023, trade and other payables included \$40,000 (September 30, 2022 - \$20,000) payable to a company related to a director for payments made on behalf of the Company.
 - b) As at September 30, 2023, trade and other payables included \$1,815 (September 30, 2022 - \$5,063) payable to a company related to a director in relation to the rent of the administrative office.
 - c) As at September 30, 2023, trade and other payables included \$118,713 (September 30, 2022 - \$nil) payable to directors and key management.

All amounts owing to related parties are non-interest bearing and due on demand.

Compensation of Key Management

The Company has determined that key management personnel consist of its managers, officers and directors. In addition to salaries and fees paid to key management personnel, these groups also participate in the stock option plan. The total compensation expense, including salaries, fees and stock-based compensation relating to key management personnel for the years ended September 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Salary, fees and other benefits	356,854	600,586
Share-based compensation	197,337	15,269
	<u>554,191</u>	<u>615,855</u>

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10. EXPLORATION AND EVALUATION PROPERTIES

Cumulative historical exploration and evaluation (“E&E”) expenditures that have been expensed are as follows:

	<u>El Aguila</u>	<u>El Dorado</u>	<u>Total</u>
As at September 30, 2021	1	1,748,696	1,748,697
Expenditures incurred	-	4,110,514	4,110,514
As at September 30, 2022	1	5,859,210	5,859,211
Expenditures incurred	-	2,638,447	2,638,447
As at September 30, 2023	1	8,497,657	8,497,658

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.

11. GAIN ON CURRENCY EXCHANGE

The Company realized gains on the exchange of US dollar contributions to the Argentine subsidiaries for Argentine pesos through third-party financial markets in contrast to the Argentina national posted currency rates. The difference between the official bank rate and the market rate obtained resulted in gain of \$1,205,130 for the year ended September 30, 2023 (\$1,949,055 – September 30, 2022).

12. 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.

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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. The carrying amount of the Company's foreign currency denominated monetary assets and liabilities are as follows in US dollars:

	As at September 30, 2023	
	Assets	Liabilities
Argentine Pesos	29,624	34,481

	As at September 30, 2022	
	Assets	Liabilities
Argentine Pesos	293,142	160,853

Sensitivity

Based on the financial instruments held at September 30, 2023, had the US dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the period would have been \$486 higher/lower as a result of foreign exchange gains/losses on translation of non-US dollar denominated financial instruments as detailed above. At September 30, 2022, the Company's deficit would have been \$13,229 higher/lower had the US dollar weakened/strengthened by 10% as a result of foreign exchange gains/losses on translation of non-US dollar denominated financial instruments.

Cash flow fair value interest rate risk

The Company estimates that, other factors being constant, a 1% increase in floating rates at year-end would increase net loss before income tax for the years ended September 30, 2023 and 2022 in the amount of \$nil and \$nil, respectively.

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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.

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, other receivables, borrowings and trade and other 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 subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSV Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at September 30, 2023, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

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13. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.