



# **Fredonia Mining Inc.**

**FREDONIA MINING INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR PERIODS ENDED DECEMBER 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.

**Fredonia Mining Inc.**  
**Interim Condensed Consolidated Statements of Financial Position**

*Expressed in US Dollars*

	December 31, 2023	September, 30 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	105,279	262,921
Other receivables	152,686	154,453
Prepaid expenses	-	1,564
<b>Total current assets</b>	<b>257,965</b>	<b>418,938</b>
<b>Non-current assets</b>		
Property, plant and equipment (Note 4)	5,191	5,394
<b>Total non-current assets</b>	<b>5,191</b>	<b>5,394</b>
<b>Total assets</b>	<b>263,156</b>	<b>424,332</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 5)	722,748	571,644
<b>Total liabilities</b>	<b>722,748</b>	<b>571,644</b>
<b>Shareholders' (deficit) equity</b>		
Share capital (Note 6)	11,645,219	11,645,219
Contributed surplus	1,221,145	1,221,145
Warrants reserve	2,042,939	2,042,939
Deficit	(15,251,003)	(14,937,785)
Accumulated other comprehensive income	(117,892)	(118,830)
<b>Total shareholders' (deficit) equity</b>	<b>(459,592)</b>	<b>(147,312)</b>
<b>Total liabilities and shareholders' (deficit) equity</b>	<b>263,156</b>	<b>424,332</b>

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

## Interim Condensed Consolidated Statements of Loss and Comprehensive (Loss) Income

For the three months ended December 31,

Expressed in US Dollars

	<u>2023</u>	<u>2022</u> (Restated - Note 3)
<b>Expenses</b>		
Administrative and office expenses	(24,908)	(2,730)
Depreciation	(201)	(61)
Exploration expenses (Notes 3 and 8)	(152,092)	(1,605,169)
Investor relations	(3,351)	(11,003)
Payroll expenses (Note 7)	(104,668)	(108,973)
Professional fees (Note 7)	(61,381)	(128,133)
Travel expenses	(302)	(42,887)
Other expenses	(25,313)	(1,014)
	<u>(372,216)</u>	<u>(1,899,970)</u>
Exchange rate differences	(2,252)	(165,431)
Gain on currency exchange	61,307	385,952
Net interest expenses	(57)	(1,027)
	<u>58,998</u>	<u>219,494</u>
<b>Net loss</b>	<u>(313,218)</u>	<u>(1,680,476)</u>
<b>Other comprehensive (loss) income</b>		
Cumulative translation adjustment	938	(91)
	<u>(312,280)</u>	<u>(1,680,567)</u>
<b>Net loss per share</b>		
Basic and Diluted	<u>(0.002)</u>	<u>(0.009)</u>
<b>Weighted average number of common shares outstanding</b>		
Basic and Diluted	<u>177,155,444</u>	<u>177,155,444</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 three months ended December 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, 2023</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,221,145</b>	<b>2,042,939</b>	<b>(14,937,785)</b>	<b>(118,830)</b>	<b>(147,312)</b>
Net loss for the period	-	-	-	-	(313,218)	-	(313,218)
Other comprehensive income	-	-	-	-	-	938	938
<b>Balance - December 31, 2023</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,221,145</b>	<b>2,042,939</b>	<b>(15,251,003)</b>	<b>(117,892)</b>	<b>(459,592)</b>
<b>Balance - September 30, 2022 (Restated)</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,023,808</b>	<b>2,042,939</b>	<b>(12,259,949)</b>	<b>(124,930)</b>	<b>2,327,087</b>
Net loss for the period	-	-	-	-	(1,680,476)	-	(1,680,476)
Other comprehensive loss	-	-	-	-	-	(1,533)	(1,533)
<b>Balance - December 31, 2022 (Restated)</b>	<b>177,155,444</b>	<b>11,645,219</b>	<b>1,023,808</b>	<b>2,042,939</b>	<b>(13,940,425)</b>	<b>(126,463)</b>	<b>645,078</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 three months period ended December 31,

Expressed in US Dollars

	<u>2023</u>	<u>2022</u>
		(Restated - Note 3)
<b>Cash Flows from Operating Activities</b>		
Net loss for the period	(313,218)	(1,680,476)
Items not affecting cash and cash equivalent:		
Depreciation	201	61
Interest expense	57	1,027
Unrealized loss on foreign exchange	39,537	45,856
Change in non-cash working capital:		
Decrease in other receivables	1,767	1,371
Increase in trade and other payables	151,104	580,486
Decrease (increase) in prepaid expenses	1,564	(2,709)
<b>Net cash used in operating activities</b>	<u>(118,988)</u>	<u>(1,054,384)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisitions of property, plant and equipment, net	1	(704)
<b>Net cash provided by (used) in investing activities</b>	<u>1</u>	<u>(704)</u>
<b>Net change in cash and cash equivalents</b>	<u>(118,987)</u>	<u>(1,055,088)</u>
Foreign exchange loss on cash	(38,656)	(46,748)
<b>Change in cash and cash equivalents</b>	<u>(157,643)</u>	<u>(1,101,836)</u>
Cash and cash equivalents, beginning of period	262,922	2,632,609
<b>Cash and cash equivalents, end of period</b>	<u>105,279</u>	<u>1,530,773</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 three months periods ended December 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. 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 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.

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.**

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

### **Expressed in US Dollars**

For the three months periods ended December 31, 2023 and 2022

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## **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 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, 2023, 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, 2023.

These interim condensed consolidated financial statements were approved for issuance by the Company's Board of Directors on February 28, 2024.

### **Basis of measurement**

These interim 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.

### **Gong concern**

The Company is an exploration company which has not yet achieved production, has recurring losses and an accumulated deficit of \$15.25 million as at December 31, 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.

### **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 interim condensed consolidated financial statements are presented in US dollars.

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the three months periods ended December 31, 2023 and 2022

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#### 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, 2023.

### 3. 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 condensed 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 \$7,464,380, an increase in the exploration expenses and net loss for the three months ended December 31, 2022 of \$1,605,169 as well a reduction of net cash used in investing activities of \$1,605,169 and an increase to the net cash used in operating activities of the same amount.

### 4. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment</u>	<u>Total</u>
<b>Cost</b>		
Balance, September 30, 2023	7,213	7,213
Additions, net	<u>(1)</u>	<u>(1)</u>
<b>Balance, December 31, 2023</b>	<b><u>7,212</u></b>	<b><u>7,212</u></b>
<b>Accumulated amortization</b>		
Balance, September 30, 2023	1,819	1,819
Additions	<u>202</u>	<u>202</u>
<b>Balance, December 31, 2023</b>	<b><u>2,021</u></b>	<b><u>2,021</u></b>
<b>Net book value</b>		
Balance, September 30, 2023	5,394	5,394
<b>Balance, December 31, 2023</b>	<b><u>5,191</u></b>	<b><u>5,191</u></b>



# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the three months periods ended December 31, 2023 and 2022

#### 5. TRADE AND OTHER PAYABLES

	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
Trade accounts payable and accruals	463,530	411,116
Related parties (Note 7)	259,218	160,528
	<u>722,748</u>	<u>571,644</u>

#### 6. SHARE CAPITAL

##### a) Common Shares

As at December 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 December 31, 2023 are as follows:

	<u>Common shares</u>	<u>Amount (\$)</u>
<b>Balance, September 30, 2022, 2023 and December 31, 2023</b>	<u>177,155,444</u>	<u>11,645,219</u>

##### 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 December 31, 2023, a total of 12,750,000 (September 30, 2023 – 12,750,000) 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:

	<u>Stock options</u>	<u>Weighted average</u> <u>exercise price (C\$)</u>
Balance, September 30, 2022	10,441,176	0.17
Granted	2,750,000	0.12
Expired	(441,176)	0.14
<b>Balance, September 30, 2023 and December 31, 2023</b>	<u>12,750,000</u>	<u>0.16</u>

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the three months periods ended December 31, 2023 and 2022

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 December 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	2.57	9,750,000
0.11	250,000	3.72	250,000
0.12	2,750,000	4.10	2,750,000
	<b>12,750,000</b>	<b>2.92</b>	<b>12,750,000</b>

#### c) Warrants

As at December 31, 2023, a total of 44,497,122 (September 30, 2023 – 44,397,122 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, 2022	46,671,246	0.26
Broker warrants expired	(2,274,124)	0.17
<b>Balance, September 30, 2023 and December 31, 2023</b>	<b>44,397,122</b>	<b>0.26</b>

The following summarizes information about total purchase and broker warrants outstanding as at December 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	0.33	1,582,475
0.25	18,722,655	0.48	18,722,655
0.28	24,091,992	3.34	24,091,992
	<b>44,397,122</b>	<b>2.03</b>	<b>44,397,122</b>

# **Fredonia Mining Inc.**

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

### **Expressed in US Dollars**

For the three months periods ended December 31, 2023 and 2022

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#### **d) Net Loss per share**

For purposes of the net loss per share calculations for the three months ended December 31, 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 three months ended December 31, 2023 was based on the net loss of \$313,218 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 \$0.002, basic and diluted. In computing diluted net loss per share for the three months ended December 31, 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 loss per share calculations for the three months ended December 31, 2022, 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 three months ended December 31, 2022 was based on the net loss of \$313,218 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 \$0.009, basic and diluted. In computing diluted net loss per share for the three months ended December 31, 2022, all outstanding options and warrants were excluded since they were anti-dilutive as a result of the Company being in a loss position.

#### **7. RELATED PARTY TRANSACTIONS AND BALANCES**

During the three months period ended December 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 December 31, 2023 were \$113,424 (2022: \$34,068).
  - b) Rent expense incurred for the period ended December 31, 2023 charged by a company controlled by Directors of the company were \$4,498 (2022: \$4,500).
  
- ii) Period-end balances:
  - a) As at December 31, 2023, trade and other payables included \$20,000 (September 30, 2023 - \$40,000) payable to a company related to a director for payments made on behalf of the Company.
  - b) As at December 31, 2023, trade and other payables included \$526 (September 30, 2023 - \$1,815) payable to a company related to a director in relation to the rent of the administrative office.
  - c) As at December 31, 2023, trade and other payables included \$206,692 (September 30, 2023 - \$118,713) payable to directors and key management.

# Fredonia Mining Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### Expressed in US Dollars

For the three months periods ended December 31, 2023 and 2022

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

#### 8. 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, 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
Expenditures incurred	-	152,092	152,092
<b>As at December 31, 2023</b>	<b>1</b>	<b>8,649,749</b>	<b>8,649,750</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.

#### 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.

# **Fredonia Mining Inc.**

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

### **Expressed in US Dollars**

For the three months periods ended December 31, 2023 and 2022

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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, 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.

# **Fredonia Mining Inc.**

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

### **Expressed in US Dollars**

For the three months periods ended December 31, 2023 and 2022

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#### **10. SUBSEQUENT EVENT**

On February 16, 2024 the Company announced closing the non-brokered private placement of a total of 17,554,480 units of the Company (the “**Units**”), at a price of \$0.05 per Unit for aggregate gross proceeds of \$877,724 (the “**Offering**”). The Company did not pay bonus, finder’s fees, commission , or agency fee in connection with the Offering.

Each Unit consisted of one common share of the Company (each, a “**Common Share**”, and collectively the “**Common Shares**”) and one-half of one Common Share purchase warrant (each whole warrant, a “**Warrant**” and collectively the “**Warrants**”). Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.10 per Common Share for a period of two years from the closing date of the Offering.