

Lion Rock Resources Inc.
(formerly King's Bay Resources Corp.)

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the Shareholders of Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Opinion

We have audited the consolidated financial statements of Lion Rock Resources Inc. (formerly King's Bay Resources Corp.) (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group'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 judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2023. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. 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.

Asset Retirement Obligation

We draw attention to Notes 4, 5 and 8 to the consolidated financial statements. The Group recognizes an asset retirement obligation ("ARO") for future reclamation efforts related to its Maybrun Property.

Why the Matter is a Key Audit Matter

We identified the Group's ARO as a key audit matter due to: (i) the significant judgment and estimate made by management in determining this obligation, including the assessment of the nature and extent of future work to be performed, the future cost of performing the rehabilitation work, and the timing of when the rehabilitation will take place; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures related to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the subject matter.

How the Key Audit Matter was Addressed in the Audit

In responding to the key audit matter, we performed the following audit procedures, amongst others:

- Obtained an understanding of management's process to develop their ARO estimate;
- Engaged a subject matter expert to assist us in evaluating the assumptions, methodology, and data used by the Group;
- Evaluated the methodology used and tested the significant assumptions used in the ARO calculations;
- Performed recalculation to verify the accuracy of the estimate; and
- Evaluated the adequacy of the Group's disclosures relating to the ARO.

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 identified above 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 Accounting Standards as issued by the International Accounting Standards Board, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and 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 on the audit resulting in this independent auditor's report is Diana Huang.

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
April 26, 2024**

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Consolidated Statements of Financial Position

As at December 31,

Expressed in Canadian Dollars

	2023	2022
Assets		
Current		
Cash	\$ 239,671	\$ 569,785
Goods and Services Tax receivable	13,723	11,806
Prepaid expenses	108,375	-
	361,769	581,591
Exploration and evaluation assets (Note 6)	722,001	1,912,469
	\$ 1,083,770	\$ 2,494,060
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 85,615	\$ 83,088
Loans payable (Note 7)	124,200	179,000
	209,815	262,088
Asset retirement obligation (Note 8)	1,600,000	1,350,000
	1,809,815	1,612,088
Shareholders' Equity (Deficit)		
Share capital (Note 9)	23,517,691	22,089,766
Deficit	(24,243,736)	(21,207,794)
	(726,045)	881,972
	\$ 1,083,770	\$ 2,494,060

Note 2 – Going concern

Note 15 – Subsequent events

Approved and authorized by the Board of Directors on April 26, 2024:

*“Kevin Bottomley”*_____
Director*“Richard Boulay”*_____
Director

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended December 31,

Expressed in Canadian Dollars

	2023	2022
Expenses		
Accounting and audit fees (Note 11)	\$ 107,136	\$ 69,230
Consulting fees (Note 11)	409,000	58,289
Exploration and evaluation expenditures (Notes 6 and 11)	117,506	-
Legal fees	34,653	74,367
Office and general	12,609	9,973
Public company costs	101,842	80,552
Rent (Note 11)	48,000	16,000
Shareholder communications and investor relations	13,883	43,582
Travel and meals	27,629	-
	(872,258)	(351,993)
Other Items		
Impairment of exploration and evaluation assets (Note 6)	(1,913,684)	-
Change in asset retirement obligation (Note 8)	(250,000)	-
	(2,163,684)	-
Net Loss and Comprehensive Loss for the Year	\$ (3,035,942)	\$ (351,993)
Basic and Diluted Loss per Share	\$ (0.13)	\$ (0.03)
Weighted Average Number of Common Shares		
Outstanding – Basic and Diluted	22,966,493	13,506,932

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

	Number of Shares	Share Capital \$	Share Subscriptions Received \$	Deficit \$	Total \$
Balance, December 31, 2021	9,588,685	20,980,266	424,250	(21,280,051)	124,465
Shares issued for cash (Note 9b)	6,000,000	750,000	-	-	750,000
Shares issued for exploration and evaluation assets (Note 9b)	2,080,000	364,000	-	-	364,000
Share issuance costs	-	(4,500)	-	-	(4,500)
Expiration of stock options (Note 10)	-	-	(424,250)	424,250	-
Net loss for the year	-	-	-	(351,993)	(351,993)
Balance, December 31, 2022	17,668,685	22,089,766	-	(21,207,794)	881,972
	Number of Shares	Share Capital \$	Share Subscriptions Received \$	Deficit \$	Total \$
Balance, December 31, 2022	17,668,685	22,089,766	-	(21,207,794)	881,972
Shares issued for cash (Note 9b)	10,700,000	1,070,000	-	-	1,070,000
Share issuance costs	-	(14,075)	-	-	(14,075)
Shares issued for exploration and evaluation assets (Note 9b)	3,100,000	372,000	-	-	372,000
Net loss for the year	-	-	-	(3,035,942)	(3,035,942)
Balance, December 31, 2023	31,468,685	23,517,691	-	(24,243,736)	(726,045)

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Consolidated Statements of Cash Flows

For the Years Ended December 31,

Expressed in Canadian Dollars

	2023	2022
Operating Activities		
Net loss for the year	\$ (3,035,942)	\$ (351,993)
Items not involving cash		
Impairment of exploration and evaluation assets	1,913,684	-
Change in asset retirement obligation	250,000	-
Changes in non-cash operating working capital:		
Goods and Services Tax receivable	(1,917)	(10,699)
Prepaid expenses	(108,375)	2,099
Accounts payable and accrued liabilities	2,527	20,103
Net Cash Used in Operating Activities	(980,023)	(340,490)
Investing Activities		
Cash acquisition costs related to exploration and evaluation assets	(351,216)	-
Cash assumed on acquisition of Lion Rock Exploration Inc.	-	1,271
Net Cash Provided by (Used in) Investing Activities	(351,216)	1,271
Financing Activities		
Shares issued for cash	1,070,000	750,000
Share issuance costs	(14,075)	(4,500)
Repayment of loans payable	(54,800)	-
Net Cash Provided by Financing Activities	1,001,125	745,500
Increase (Decrease) in Cash	(330,114)	406,281
Cash, Beginning of Year	569,785	163,504
Cash, End of Year	\$ 239,671	\$ 569,785
Non-cash Investing and Financing Activities and Supplemental Disclosures		
Shares issued for exploration and evaluation assets	\$ 372,000	\$ -
Asset retirement obligation	\$ -	\$ 1,350,000
Shares issued for acquisition of Lion Rock Exploration Inc.	\$ -	\$ 364,000
Loans acquired on acquisition of Lion Rock Exploration Inc.	\$ -	\$ 179,000
Fair value of stock options expired	\$ -	\$ 424,250
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS

Lion Rock Resources Inc. (“Lion Rock” or the “Company”) was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998. On August 11, 2020, the Company continued from being incorporated under Canadian federal jurisdiction to being incorporated under the *Business Corporations Act* of British Columbia. The Company is a public company, and as of July 12, 2022, is listed on the TSX Venture Exchange (“TSX-V”) in Canada with the symbol “ROAR”. The Company is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company changed its name from King’s Bay Resources Corp. to Lion Rock Resources Inc. on July 7, 2022.

The head office, principal address, and registered and records office of the Company are located at 1615 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

2. GOING CONCERN

The Company has not generated any revenues and has a net loss of \$3,035,942 during the year ended December 31, 2023 (2022 - \$351,993) and accumulated deficit of \$24,243,736 (2022 - \$21,207,794) since inception. As at December 31, 2023, the Company has working capital of \$151,954 (2022 - \$319,503). These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively seeking to raise the necessary capital to meet its funding requirements. The conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is not expected to be profitable during the ensuing twelve months, and therefore, must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

3. BASIS OF PRESENTATION

Statement of Compliance

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

3. BASIS OF PRESENTATION – continued

Basis of Measurement and Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary acquired on July 7, 2022, Lion Rock Exploration Inc. (“LRE”), for the periods presented. Intercompany balances and transactions are eliminated in preparation of the Company’s consolidated financial statements.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Approval of the Consolidated Financial Statements

The audited consolidated financial statements of Lion Rock as at December 31, 2023 and for the year then ended were authorized for issue in accordance with a resolution of the directors on April 26, 2024.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Asset Retirement Obligation

The calculations for asset retirement obligation require significant estimates and assumptions, including estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, and the effectiveness of maintenance and restoration measures. Changes to these variables could impact the amounts actually paid by the Company. Additionally, environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions.

Management Judgments

The critical judgments that the Company’s management has made in the process of applying the Company’s accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

- The assessment of the Company’s ability to continue as a going concern requires significant judgment. The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.
- The application of the Company’s accounting policy for exploration and evaluation assets and impairment of the capitalized costs requires judgment in determining whether there are indicators of impairment under IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
- The determination of the acquisition of LRE as an asset acquisition rather than a business combination requires management judgment whether LRE met the definition of business, as disclosed in Note 6.
- The determination of the asset retirement obligation on the Maybrun Property requires management judgment on the timing and amount of remediation costs, as disclosed in Note 8.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Exploration and Evaluation Assets

- *Exploration and evaluation expenditures*

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Proceeds received for farm-out arrangements or recoveries of costs are credited against the cost of the related claims. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Exploration and evaluation assets are classified as intangible assets.

- *Impairment*

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount, and at least annually. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period.

Under IFRS 6, one or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- i. The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- ii. Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- iii. Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- iv. Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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5. MATERIAL ACCOUNTING POLICIES – continued

Asset Retirement Obligations

Future obligations to retire an asset, including site closure, dismantling, remediation and on-going treatment and monitoring, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk-free rate. The measurement determination is based on estimated future cash flows, the current risk-free discount rate and an estimated inflation factor. The value of restoration provisions is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free interest rate. The liability is accreted to full value over time through periodic charges to earnings. This unwinding of the discount is expensed in profit or loss. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Share-based Payment Transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the Company.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

For those options that expire or are forfeited after vesting, the recorded value is transferred from reserves to deficit.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Income Taxes – continued

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share Capital

The Company records proceeds from share issuances, net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the common shares are issued.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Financial Instruments

Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income (“FVTOCI”); or (iii) at fair value through profit or loss (“FVTPL”).

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company’s financial instruments:

	Classification
Financial Asset	
Cash	FVTPL
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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5. MATERIAL ACCOUNTING POLICIES – continued

New Accounting Standards

Disclosure of Accounting Policies (Amendments to International Accounting Standard (“IAS”) 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments)

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments were adopted for the year ended December 31, 2023. These amendments reduced the disclosure of accounting policies for the Company.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

These amendments clarify how companies account for deferred taxes on transactions, such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

These amendments to IAS 12 were adopted for the year ended December 31, 2023. There was no impact for the Company.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

These amendments to IAS 8 were adopted for the year ended December 31, 2023. There was no impact for the Company.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Accounting Standards Issued but not yet Effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements)

IAS 1 has been amended to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

These amendments to IAS 1 are effective for years beginning on or after January 1, 2024. Management does not expect any significant impact on the consolidated financial statements.

6. EXPLORATION AND EVALUATION ASSETS

Maybrun Property

On July 7, 2022, the Company acquired all of the issued and outstanding common shares of LRE in exchange for the issuance of 2,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 80,000 common shares (valued at \$14,000) to the former vendors of the Maybrun Property.

The acquisition of LRE has been accounted for as an acquisition of assets and liabilities, as LRE does not meet the definition of a business under IFRS 3 *Business Combinations*. The acquisition of the net assets of LRE was recorded at the fair value of the consideration transferred of \$364,000, as detailed above.

Net Assets Acquired	
Cash	\$ 1,271
Goods and Services Tax and other receivables	6,066
Exploration and evaluation assets	1,912,469
Accounts payable and accrued liabilities	(26,806)
Loans payable	(179,000)
Asset retirement obligation	(1,350,000)
	<hr/>
	\$ 364,000

As a result of the acquisition of LRE, the Company acquired 100% of the interest in the Maybrun Property, a mineral exploration property located in Ontario, Canada.

The Company has no further exploration plans for the Maybrun Property. Accordingly, at December 31, 2023, the Maybrun Property was deemed to be impaired and written down to \$1.

Revell Property

On June 8, 2023, the Company entered into an option agreement to acquire a 100% interest in the Revell Property located in Ontario, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,600,000 common shares of the Company within five days of approval by the TSX-V, which was received on June 21, 2023 (issued and valued at \$192,000);
- Pay \$150,000 on or before December 21, 2023 (paid); and
- Pay \$100,000 (paid) and issue 2,000,000 common shares of the Company on or before June 21, 2024.

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6. EXPLORATION AND EVALUATION ASSETS – continued

Revell Property - continued

The claims are subject to a 2% net smelter return (“NSR”) royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

Fleuron Property

On June 13, 2023, the Company entered into an option agreement to acquire a 100% interest in the Fleuron Property, located in Québec, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,500,000 common shares of the Company within five days of approval by the TSX-V, which was received on July 19, 2023 (issued and valued at \$180,000);
- Pay \$100,000 on or before January 19, 2024 (paid);
- Pay \$150,000 and issue 2,000,000 common shares of the Company on or before July 19, 2024; and
- Pay \$150,000 and issue 2,000,000 common shares of the Company on or before July 19, 2025.

The claims are subject to a 2% NSR royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

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6. EXPLORATION AND EVALUATION ASSETS – continued

A summary of exploration and evaluation assets for the years ended December 31, 2023 and 2022 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Other	Total
Balance, December 31, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition Costs					
Acquisition	1,912,469	-	-	-	1,912,469
Balance, December 31, 2022	1,912,469	-	-	-	1,912,469
Acquisition Costs					
Acquisition - cash	-	250,000	100,000	-	350,000
Acquisition - shares	-	192,000	180,000	-	372,000
Claim costs	1,216	-	-	-	1,216
	1,216	442,000	280,000	-	723,216
Impairment	(1,913,684)	-	-	-	(1,913,684)
Balance, December 31, 2023	\$ 1	\$ 442,000	\$ 280,000	\$ -	\$ 722,001

A summary of exploration and evaluation expenditures for the year ended December 31, 2023 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Other	Total
Exploration Costs					
Environmental	\$ 13,745	\$ -	\$ -	\$ -	\$ 13,745
Geological	37,167	10,000	40,000	16,147	103,314
Mineralogy	149	149	149	-	447
Balance, December 31, 2023	\$ 51,061	\$ 10,149	\$ 40,149	\$ 16,147	\$ 117,506

There was \$nil of exploration and evaluation expenditures incurred for the year ended December 31, 2022.

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7. LOANS PAYABLE

Upon the acquisition of LRE, the Company assumed loans payable of \$179,000. The amounts are unsecured, non-interest-bearing and due on demand. On September 7, 2023, the Company repaid loans payable of \$54,800.

8. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation provision consists of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthworks, revegetation, water treatment, waste management and demolition.

The Company estimated the fair value of the asset retirement obligation for the Maybrun Property to be \$1,600,000 at December 31, 2023 (2022 - \$1,350,000). The fair value of the liability was determined to be equal to the estimated remediation costs. The Company is still in the early stages of developing a remediation plan, which will then require approval from the relevant governmental authorities. Due to the early stages of the remediation plan, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities. The Company anticipates the reclamation activities and related costs to occur over a significant period of time, with the majority of the expenditures expected to occur from 2025 onwards.

9. SHARE CAPITAL

a) Authorized

Unlimited number of Class A common voting shares with no par value

Unlimited number of Class B common non-voting shares with no par value

b) Issued and outstanding

On March 6, 2023, the Company consolidated its shares on a 2.5:1 basis. All shares shown in these consolidated financial statements are at their post-consolidated value.

During the year ended December 31, 2023:

On June 22, 2023, the Company issued 1,600,000 common shares valued at \$192,000 for the Revell Property (Note 6).

On July 27, 2023, the Company issued 1,500,000 common shares valued at \$180,000 for the Fleuron Property (Note 6).

On August 23, 2023, Company closed a non-brokered private placement of 10,700,000 units at a price of \$0.10 per unit for gross proceeds of \$1,070,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing. The warrants are subject to an accelerated expiry if the common shares of the Company trade on the TSX-V at a price of \$0.40 per unit or more for five consecutive trading days. The accelerated expiry date would be 30 days after the Company provides notice to the holders. The Company incurred share issuance costs of \$14,075.

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9. SHARE CAPITAL – continued

b) Issued and outstanding – continued

During the year ended December 31, 2022:

On July 7, 2022, Company closed a non-brokered private placement of 6,000,000 units at a price of \$0.125 per unit for gross proceeds of \$750,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.25 for a period of two years from closing. The Company incurred share issuance costs of \$4,500.

Concurrently, the Company closed its acquisition of LRE. The Company acquired all of the issued and outstanding common shares of LRE in exchange for the issuance of 2,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 80,000 common shares (valued at \$14,000) to the former vendors of the Maybrun Property.

c) Warrants

A summary of the Company's outstanding and exercisable warrants movements for the years ended December 31, 2023 and 2022 is as follows:

	December 31, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of year	3,000,000	0.25	4,920,000	0.25
Issued	10,700,000	0.20	3,000,000	0.25
Expired	-	-	(4,920,000)	0.25
Balance, end of year	13,700,000	0.21	3,000,000	0.25

The following warrants were outstanding and exercisable at December 31, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Warrants
July 8, 2024	0.52	0.25	3,000,000
August 23, 2025	1.65	0.20	10,700,000
	1.40	0.21	13,700,000

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10. SHARE-BASED PAYMENTS

Options

The Company has a stock option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers for a maximum term of ten years. The Plan is based on the maximum number of eligible shares equalling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over twelve months with one-quarter of the options vesting in any three-month period.

The following is a summary of movements in the number of share options outstanding and their related weighted average exercise prices under the Company's Plan for the years ended December 31, 2023 and 2022:

	2023		2022	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	-	-	53,000	2.50
Expired	-	-	(53,000)	2.50
Balance, end of year	-	-	-	-

During the year ended December 31, 2022, the Company transferred \$424,250 from reserves to deficit upon the expiry of 53,000 stock options granted to consultants.

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023 and 2022:

	2023		2022	
Short-term compensation				
Accounting fees	\$	36,000	\$	43,000
Consulting fees		133,000		37,500
Exploration and evaluation expenditures (geological)		20,000		-
	\$	189,000	\$	80,500

During the year ended December 31, 2023, the Company incurred \$48,000 (2022 - \$16,000) in rent to a company with a common officer.

As at December 31, 2023, the Company has outstanding amounts payable to an officer of the Company of \$5,250 (2022 - \$3,150) and to a company with a common officer of \$nil (2022 - \$4,200).

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11. RELATED PARTY TRANSACTIONS – continued

At December 31, 2023, the Company has an amount payable of \$14,945 to a private company in which an officer and director is a director. The balance was outstanding at December 31, 2022, but the private company was not a related party at the time.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest-bearing and have no specific terms of repayment.

12. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of resource properties. All assets of the Company are located in Canada.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balance. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has a cash balance and is not exposed to any significant interest rate risk.

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13. FINANCIAL RISK MANAGEMENT – continued

d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at December 31, 2023, the Company's shareholders' deficit was \$726,045 (2022 – equity of \$881,972). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

e) Fair value

The fair values of the Company's financial assets and liabilities measured at amortized cost approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Cash is grouped into Level 1 as at December 31, 2023 and 2022.

Financial instruments that are not measured at fair value on the consolidated statement of financial position are represented by accounts payable and accrued liabilities and loans payable. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

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14. DEFERRED TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023 and 2022:

	2023	2022
Loss before income tax	\$ (3,035,942)	\$ (351,993)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(819,704)	(95,038)
Non-deductible and other items	98,212	-
Change in deferred tax asset not recognized	721,492	95,038
Total income tax expense (recovery)	\$ -	\$ -

The unrecognized deductible temporary differences as at December 31, 2023 and 2022 are comprised of the following:

	2023	Expiry date	2022	Expiry date
Exploration and evaluation assets and capital cost allowance	\$ 1,658,000	None	\$ 1,457,000	None
Asset retirement obligation	1,600,000	None	-	-
Marketable securities	108,000	None	108,000	None
Financing costs	18,000	2024-2027	20,000	2023-2026
Capital losses	219,000	None	219,000	None
Non-capital losses	8,866,000	2026-2043	7,976,000	2026-2042
Unrecognized deductible temporary differences	\$ 12,469,000		\$ 9,780,000	

As of December 31, 2023, the Company has unrecognized deferred tax liability of \$nil (2022 - \$98,000) due to temporary differences arising on the initial recognition of the acquisition of all of the issued and outstanding shares of LRE.

15. SUBSEQUENT EVENTS

- On March 11, 2024, the Company closed a non-brokered private placement of 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing. The Company issued 400,000 common shares and 400,000 share purchase warrants with the same terms as the unit warrants as finder's fees.
- On January 26, 2024, the Company entered into a non-binding letter of intent ("LOI") to acquire the Volney lithium property, located in South Dakota. The LOI provides for the parties to enter into a formal option agreement under which the Company will be granted the sole and exclusive right and option to acquire the Volney lithium property.

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15. SUBSEQUENT EVENTS – continued

b) (continued)

Under the terms of the LOI, in order to acquire a 100% interest in the property, the Company will be required to make cash payments and issue common shares of the Company as follows:

- Pay US\$25,000 upon execution of the LOI (paid);
- Pay US\$475,000 within five business days of TSX-V approval;
- Issue common shares of the Company equal to 9.9% of the issued and outstanding common shares of the Company on an undiluted, post-transaction basis and post-financing basis to the extent that the Company undertakes financing in connection with the LOI or the option agreement within five business days of TSX-V approval;
- Pay US\$1,250,000 within 10 business days of the first anniversary of TSX-V approval;
- Issue common shares of the Company within 10 business days of the first anniversary of TSX-V approval equal to the greater of:
 - The number of shares required for the vendors to maintain their shareholdings at an amount equal to 9.9% of the then issued and outstanding common shares of the Company; or
 - the amount equal to a value of US\$500,000 based on the 20-day volume-weighted average price of the Company's common shares;
- Pay US\$2,250,000 within 10 business days of the second anniversary of TSX-V approval; and
- Issue common shares of the Company within 10 business days of the second anniversary of TSX-V approval equal to the greater of:
 - The number of shares required for the vendors to maintain their shareholdings at an amount equal to 9.9% of the then issued and outstanding common shares of the Company; or
 - the amount equal to a value of US\$750,000 based on the 20-day volume-weighted average price of the Company's common shares.

The share issuances described above will be subject to the prior approval of the TSX-V.

Also under the LOI, the Company will be required to incur exploration expenditures as follows:

- Incur US\$1,800,000 of exploration expenditures on the property on or before the first anniversary of TSX-V approval; and
- Incur US\$3,500,000 of exploration expenditures on the property on or before the second anniversary of TSX-V approval.

The parties will also enter into:

- A gross smelter returns (“GSR”) royalty agreement, other than for gold, under which the Company will grant the vendor a 2% GSR royalty on the property subject to a buy-back option exercisable upon the commencement of commercial production for a period of five years in favour of the Company equal to 1% of the GSR royalty for US\$1,000,000; and
- A NSR royalty agreement for gold under which the Company will grant the vendor a 2% NSR royalty on the property subject to a buy-back option exercisable upon the commencement of commercial production for a period of five years in favour of the Company equal to 1% of the NSR royalty for US\$1,000,000.