



HOMERUN RESOURCES INC.

Consolidated Financial Statements

Year Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Homerun Resources Inc.

Opinion

We have audited the consolidated financial statements of Homerun Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholder's deficiency for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events and conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the 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 are no other key audit matters to communicate in our report.

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Victoria

320 - 730 View St.
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Other Information

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

Our opinion on the 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 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 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Rakesh Patel.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2024

HOMERUN RESOURCES INC.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash		\$ 18,630	\$ 489
GST receivable		12,053	4,985
Prepaid expenses		229,980	112,542
		260,663	118,016
Exploration and evaluation assets	6	326,396	40,000
TOTAL ASSETS		\$ 587,059	\$ 158,016
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable	7	\$ 648,577	\$ 913,830
Accrued liabilities	7	176,588	138,088
Loans payable	8	94,741	69,750
		919,906	1,121,668
Shareholders' deficiency			
Share capital	8	26,080,781	24,134,820
Share subscription received	8	20,000	-
Accumulated other comprehensive loss		(19,634)	-
Contributed surplus	8	2,327,197	2,067,537
Deficit		(28,741,191)	(27,166,009)
		(332,847)	(963,652)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 587,059	\$ 158,016

Nature of operations and going concern (Note 1)
Subsequent events (Note 11)

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

"Brian Leeners"
Director

"Gregory Pearson"
Director

HOMERUN RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31, 2023 and 2022

		2023	2022
Expenses	Notes		
Consulting and management fees	7	\$ 368,570	\$ 297,000
Exploration and evaluation expenditures	6	201,385	187,234
Foreign exchange (gain) loss		21,042	(6,355)
Investor relations		357,401	187,458
Office and miscellaneous	7	144,619	128,313
Professional fees	7	165,926	114,062
Stock-based compensation	7, 8	270,940	210,713
Transfer agent and filing fees		48,018	35,794
		(1,577,901)	(1,154,219)
Other items			
Interest income		2,719	-
Flow-through premium settlement	8	-	80,000
Impairment of exploration and evaluation assets	6	-	(162,372)
Net loss for the year		(1,575,182)	(1,236,591)
Other comprehensive loss			
Foreign exchange differences on translation of foreign operation		(19,634)	-
Net loss and comprehensive loss for the year		\$ (1,594,816)	\$ (1,236,591)
Basic and diluted loss per share		\$ (0.03)	\$ (0.05)
Weighted average number of common shares outstanding		45,052,727	24,071,558

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

HOMERUN RESOURCES INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (1,575,182)	\$ (1,236,591)
Items not affecting cash:		
Flow-through premium settlement	-	(80,000)
Impairment of exploration and evaluation assets	-	162,372
Stock-based compensation	270,940	210,713
Changes in non-cash working capital items:		
GST receivable	(7,068)	(1,657)
Prepaid expenses	(117,438)	(112,542)
Accounts payable	(265,253)	162,445
Accrued liabilities	38,500	28,073
Loans payable	24,991	(13,634)
Cash used in operating activities	(1,630,510)	(880,821)
Financing activities		
Proceeds from shares issued with cash	751,400	411,164
Proceeds from warrants exercised	1,173,281	395,073
Proceeds from options exercised	30,000	-
Cash provided by financing activities	1,954,681	806,237
Investing activities		
Acquisition of exploration and evaluation assets	(286,396)	(24,474)
Cash used in investing activities	(286,396)	(24,474)
Effect of foreign exchange	(19,634)	-
Net increase (decrease) in cash	18,141	(99,058)
Cash, beginning of the year	489	99,547
Cash, end of the year	\$ 18,630	\$ 489
Supplemental schedule of non-cash activities:		
Shares issued for acquisition of exploration and evaluation assets	\$ -	\$ 32,500

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

HOMERUN RESOURCES INC.

Consolidated Statements of Changes in Shareholder's Deficiency For the Years Ended December 31, 2023 and 2022

	Number of common shares outstanding	Share capital	Share subscription received	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2021	28,731,207	\$ 23,195,706	\$ 100,377	\$ 1,856,824	\$ -	\$ (25,929,418)	\$ (776,511)
Shares issued for cash (Note 8)	4,085,406	511,541	(100,377)	-	-	-	411,164
Shares issued – warrants exercise (Note 8)	2,633,820	395,073	-	-	-	-	395,073
Shares issued for finder's share (Note 8)	64,800	6,480	-	-	-	-	6,480
Share issuance cost (Note 8)	-	(6,480)	-	-	-	-	(6,480)
Stock-based compensation (Note 8)	-	-	-	210,713	-	-	210,713
Share issued for acquisition of exploration and evaluation assets (Notes 6 and 8)	250,000	32,500	-	-	-	-	32,500
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,236,591)	(1,236,591)
Balance, December 31, 2022	35,765,233	\$ 24,134,820	\$ -	\$ 2,067,537	\$ -	\$ (27,166,009)	\$ (963,652)
Balance, December 31, 2022	35,765,233	\$ 24,134,820	\$ -	\$ 2,067,537	\$ -	\$ (27,166,009)	\$ (963,652)
Shares issued for cash (Note 8)	7,514,000	751,400	-	-	-	-	751,400
Shares issued – warrants exercise (Note 8)	5,251,406	1,153,281	20,000	-	-	-	1,173,281
Share issued – stock options exercise (Note 8)	300,000	41,280	-	(11,280)	-	-	30,000
Stock-based compensation (Note 8)	-	-	-	270,940	-	-	270,940
Net loss and comprehensive loss for the year	-	-	-	-	(19,634)	(1,575,182)	(1,594,816)
Balance, December 31, 2023	48,830,639	\$ 26,080,781	\$ 20,000	\$ 2,327,197	\$ (19,634)	\$ (28,741,191)	\$ (332,847)

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

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

1. Nature of operations and going concern

Homerun Resources Inc. (the “Company”) was incorporated in British Columbia on October 21, 1980 and is a public company listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol HMR. The principal business activity of the Company is mineral exploration and development. The corporate head office and registered records office of the Company is located at Suite 2110, 650 West Georgia Street, Vancouver, B.C., V6B 4N9.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course of business as they come due for the foreseeable future. As at December 31, 2023, the Company had no source of operating cash flows, its current liabilities exceeded its current assets by \$659,243 (2022 - \$1,003,652), and has an accumulated deficit of \$28,741,191 (2022 - \$27,166,009), and the Company expects to incur further losses in the development of its business. These factors indicate a material uncertainty exist that may cast significant doubt about the Company’s ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company’s ability to complete equity or debt financings. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations as a going concern. Such adjustments could be material.

On May 12, 2022, the Company’s common shares resumed trading on TSX-V as a Tier 2 company. The Company’s listing was upgraded from the NEX to TSX-V, and the trading symbol for the Company was changed from HMR.H to HMR. The Company is classified as a mineral exploration company on the TSX-V.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of consolidated financial statements. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries AKA Ventures USA Inc., which was inactive for the years ended December 31, 2023 and 2022, and Homerun Brasil Mineracao Ltda., which was incorporated during the year ended December 31, 2023. All inter-company transactions and balances have been eliminated upon consolidation.

The Board of Directors approved these consolidated financial statements on April 29, 2024.

b) Functional and presentation currency

Items included in the consolidated financial statements of the Company and its wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company and its subsidiary AKA Ventures USA Inc. is the Canadian dollar. The functional currency of Homerun Brasil Mineracao Ltda. is the Brazilian Real.

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

- Assets and liabilities are translated using exchange rates prevailing at the end of each reporting period;
- Income and expenses for each line item in the consolidated statement of loss and comprehensive loss are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

2. Basis of preparation - *continued*

On consolidation, exchange differences arising from the translation of the net investment in foreign entity are recorded in accumulated other comprehensive loss. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting year. Estimates and judgments 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. Actual results may differ from these estimates.

The key critical judgment and sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Critical judgment in applying accounting policies:

Going concern

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the soundness of this assumption. Refer to note 1 for more details.

Impairment of long-lived assets

The carrying value and the recoverability of long-lived assets, including exploration and evaluation assets, are evaluated at each reporting date. Management assesses for indicators of impairment, which includes assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Key sources of estimation uncertainty:

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Share-based payments

The Company has an equity-settled share-based program for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock-based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

3. Material accounting policy information

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand the financial statements.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiaries. 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 the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

Transactions in currencies other than the Company’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

c) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (“CGU”), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the consolidated statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized in the consolidated statement of comprehensive loss.

d) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes Option Pricing Model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

3. Material accounting policy information - *continued*

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

e) Share capital

Common shares issued are classified as share capital, a component of shareholders' equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from share capital.

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated to the common shares up to their fair value, determined by reference to the quoted market price of the common shares on the issuance date, and the remaining balance, if any, to the reserve for warrants.

f) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS.

g) Income taxes

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

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 tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the 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. Such 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.

Deferred tax liabilities are recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiary where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

3. Material accounting policy information - *continued*

On the issuance of flow-through shares, any premium received in excess of the market price of the Company's common shares is initially recorded as a liability ("flow-through share liability"). Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through tax liability is reduced on a pro-rata basis as the expenditures are incurred. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

h) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities:

<u>Financial assets/liabilities</u>	<u>Classification</u>
Cash	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income ("OCI") and are never reclassified to profit or loss.

(iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

3. Material accounting information - *continued*

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

i) Exploration and evaluation expenditures

Exploration and evaluation assets include the costs of acquiring licenses and properties. Costs associated with exploration and evaluation activity are expensed in profit or loss except for expenditures associated with the acquisition of exploration and evaluation assets, which are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

j) Adoption and future changes in accounting standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. Capital management

The Company classifies its share capital and contributed surplus as capital. When managing capital, the Company's objective is to ensure the Company continues as a going concern as well as to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish qualitative 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 is dependent upon external financing to fund its activities. In order to carry out its business activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

5. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature.

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments are carried at amortized cost with the exception of cash. Cash is measured at fair value using level 1 inputs.

There were no transfers between levels 1 and 2 during the year.

c) Financial risks

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. Therefore, interest rate risk is considered minimal.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

As at December 31, 2023, the Company is exposed to foreign currency risk as it has current assets and liabilities denominated in Brazilian Real as follows:

		December 31, 2023	December 31, 2022
Cash	R\$	54,418	R\$ -
Receivables		751	-
Prepaid expenses		3,996	-
Accounts payable		(33,822)	-
Net exposure		25,343	-
Canadian dollar equivalent	\$	6,909	\$ -

As of December 31, 2023, a 5% change in the exchange rate between Brazilian Real ("R\$") and Canadian dollars would impact the Company's net assets by \$345 (2022 - \$nil). The Company assessed its foreign currency risk as moderate as of December 31, 2023.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

5. Financial instruments and financial risk management - continued

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Credit risk is assessed as minimal.

(v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short-term and long-term obligations. As at December 31, 2023, the Company did not have sufficient cash on hand to pay its short-term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

6. Exploration and evaluation assets

Homathko Gold Project, Caribou, British Columbia

In December 2020, the Company entered into an option agreement for the right to acquire a 100% interest in the Homathko gold project, located in the Caribou regional district of British Columbia. Under the terms of the option agreement, the Company can earn a 100% interest in the claims by making such payments necessary to keep the property in good standing and by completing the following:

- Making the following cash payments and issuing the following common shares:
 - A \$10,000 cash payment on or before December 31, 2020; (paid)
 - 700,000 common shares upon TSX-V acceptance of the option agreement and no later than June 30, 2021; (issued with a fair value of \$49,000).
 - \$40,000 in common shares at a 30-day volume-weighted average price on or before the first anniversary of the option agreement; (issued 470,588 common shares with a fair value of \$40,000).
 - \$50,000 in common shares at a 30-day volume-weighted average price on or before the second anniversary of the option agreement;
 - \$50,000 in common shares at a 30-day volume-weighted average price on or before the third anniversary of the option agreement.
- Completing the following work expenditures on the property:
 - Cumulative \$100,000 by June 30, 2021 (completed);
 - Cumulative \$550,000 by December 31, 2022

The optionor will retain a 1% net smelter royalty on all mineral production, 0.5% of which can be purchased by the Company for \$1,000,000. The property is also subject of a pre-existing 1% royalty in favour of a third party.

On September 12, 2022, the Company terminated the Homathko option agreement. During year ended December 31, 2022, the Company recorded an impairment of \$145,398 in acquisition costs related to the Homathko property.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

6. Exploration and evaluation assets – *continued*

Ze Manoel Project, Goias State, Brazil

On February 8, 2022, the Company entered a letter of intent (the “LOI”) for the option to purchase up to a 100% interest in the Ze Manoel project in Goias state, Brazil by making a cash payment of US\$250,000 and issuing 12,000,000 common shares to the vendor over a period of three years. The non-binding LOI is intended to document the general terms of the purchase option agreement between the Company and Beko Invest Ltd.

At December 31, 2022, the Company recorded an impairment of \$16,974 of costs related to the project as the Company no longer intends to pursue the interest under LOI.

Tatooine Silica Project, Brisco, British Columbia Canada

On September 8, 2022, the Company (the optionee) entered into an Definitive Agreement with ClaimHunt Inc (“CHI”), the optionor. The Company has the option to purchase up to 100% interest in the Tatooine Silica Project in British Columbia, Canada.

Under the terms of the agreement, the Company can earn a 100% interest in the claims if the following cash payments, work expenditures and share issuances are met by the dates specified:

- The Company will pay \$7,500 (paid) and issue 250,000 common shares (issued with a fair value of \$32,500) of the Company to CHI on execution of the Definitive Agreement.
- The Company will issue a further 300,000 common shares of the Company to CHI on or before the 1st anniversary (September 8, 2023) of the Definitive Agreement.
- The Company will spend a cumulative \$100,000 in work expenditures and issue a further 300,000 common shares of the Company to CHI on or before the 2nd anniversary (September 8, 2024) of the Definitive Agreement.
- The Company will issue a further 300,000 common shares of the Company to CHI on or before the 3rd anniversary (September 8, 2025) of the Definitive Agreement.
- The Company will spend a cumulative \$200,000 in work expenditures and issue a further 300,000 common shares of the Company to CHI on or before the 4th anniversary (September 8, 2026) of the Definitive Agreement.

Subsequent to the year ended on March 1, 2024, the Company issued the remaining 1,200,000 shares with a fair value of \$376,800 (Note 11).

Mineral Rights, Brazil

During the year ended December 31, 2023, the Company entered into a complementary research contract and mineral rights lease agreement with Companhia Baiana de Pesquisa Mineral (“CBPM”) to extract high-purity silica sourced from CBPM’s concessions in Santa Maria Eterna, Brazil. For the mineral rights, the Company will pay R\$1,000,000 Brazilian reais (paid \$272,600) and an additional R\$1,000,000 is due upon receipt of Brazilian regulatory approvals of the Company’s extraction plans. Under the agreement, the Company will pay an extraction royalty of R\$50 per tonne of extracted silica sand. Any of the extracted silica sand sold outside of Brazil will be subject to a further 5% gross sales royalty in addition to R\$50 per tonne royalty.

Under the complementary research agreement, the Company must invest a minimum amount of R\$2,500,000 in research work. As at December 31, 2023, the Company has not yet started the research program.

The Company will make minimum annual royalty payments corresponding to the sale of a minimum annual production of 12,000 tones of processed sand. The term of the agreement is for an initial 20-year term with an additional 20-year term if the agreement is in good standing at the end of the initial term. As at December 31, 2023, the carrying value of the mineral rights was \$272,600 (2022 - \$nil) and the Company has not yet extracted any silica sand.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

6. Exploration and evaluation assets – continued

Belmonte Silica Concession, Brazil

On November 1, 2023, the Company entered into a purchase option agreement with Aristoteles Chaves da Silva (“ACS”) for the conditional purchase of the Belmonte silica concession in Belmonte, Bahia, Brazil. The Belmonte silica concession comprises of approximately 69.4 hectares. The terms and conditions of the agreement between the parties are as follows:

- The Company will make a cash payment to ACS of US\$10,000 within 10 days of the execution date (paid \$13,796);
- If the results of the drill program confirms that the same regional quality of silica is contained in over 25% of the area of the project, the Company will make a second payment to ACS of US\$40,000 and ACS will transfer 100% of the project to the Company
- The Company will have until March 31, 2024, to evaluate the concession and that evaluation will consist of a 200-metre percussion drill program. On April 15, 2024, the Company entered into an amending agreement to extend the due date up to September 30, 2024.

Quartz Silica Sand Supply, Brazil

On July 12, 2023, the Company entered into a material supply agreement with Silica Del Piero Ltda. (“SDP”) detailing the operational terms regarding the supply of high-purity silica sand sourced from SDP’s district-scale, fully permitted project in Bahia, Brazil. Under the agreement, the purchase price has been set at US\$20.00 per tonne, net of the Company’s obligation to cover recoverable costs and applicable taxes. The applicable taxes in Brazil are dependent on customer jurisdiction both domestically and for international shipments. Recoverable costs are dependent on whether the mode of operation is service contractor or internal capital equipment or equipment lease. This is yet to be determined.

The continuity of the Company’s acquisition costs at year ended December 31, 2023, and December 31, 2022 are as follows:

	December 31, 2023			
Acquisition Costs	Belmonte Silica Concession (\$)	Mineral rights (\$)	Tatooine (\$)	Total (\$)
Balance, opening	-	-	40,000	40,000
Option payments	13,796	272,600	-	286,396
Balance, ending	13,796	272,600	40,000	326,396

	December 31, 2022			
Acquisition Costs	Ze Manoel (\$)	Tatooine (\$)	Homathko (\$)	Total (\$)
Balance, opening	-	-	145,398	145,398
Project evaluation	16,974	-	-	16,974
Cash payments	-	7,500	-	7,500
Option payments (Note 8)	-	32,500	-	32,500
Staking fees	-	-	-	-
Impairment	(16,974)	-	(145,398)	(162,372)
Balance, ending	-	40,000	-	40,000

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

6. Exploration and evaluation assets – continued

For the years ended December 31, 2023 and 2022, the Company's exploration and evaluation expenditures recognized on the consolidated statement of loss and comprehensive loss are as follows:

	December 31, 2023			
	Belmonte Silica Concession (\$)	Mineral rights (\$)	Tatooine (\$)	Total (\$)
Exploration expenditures				
Project management fees	-	105,421	111,446	216,867
Project engineer fees	-	-	4,166	4,166
Assays	-	-	474	474
Geophysical survey costs	-	-	9,500	9,500
Project review	-	-	27,569	27,569
Cost recovery	-	-	(57,191)	(57,191)
Total	-	105,421	95,964	201,385

	December 31, 2022			
	Ze Manoel (\$)	Tatooine (\$)	Homathko (\$)	Total (\$)
Exploration expenditures				
Project management fees	-	30,000	60,000	90,000
Assays	11,536	-	-	11,536
Field Supplies	-	-	-	-
Geophysical survey costs	-	46,000	-	46,000
Project review	39,698	-	-	39,698
Total	51,234	76,000	60,000	187,234

7. Related party transactions

The Company's related parties consist of its key management personnel, including its directors and officers.

As at December 31, 2023 and 2022, the following are due to related parties:

Name	Relationship	Nature of Transaction	Balance payable at December 31, 2023	Balance payable at December 31, 2022
Nexvu Services Inc.	Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Rent and corporate services	\$ 39,040	\$ 78,576
Nexvu Capital Corporation	Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Demand loan	2,000	2,000
Brian Leeners	Chief executive officer and director	Management services	54,795	100,480
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Management services	11,980	100,480
Gordon J. Fretwell, Law Corporation	Gordon Fretwell is a shareholder of Nexvu Capital Corporation.	Legal services	100,906	175,906
AE Financial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	40,250	57,588
			\$ 248,971	\$ 515,030

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

7. Related party transactions - *continued*

The amounts payable to related parties summarized below are included in accounts payable and accrued liabilities. Balance owing are unsecured, non-interest bearing and have no specified terms of repayment.

During the years ended December 31, 2023 and 2022, the Company entered into transactions with the related parties as below:

Name	Nature of Transaction	Stock Option Compensation- for year ended December 31, 2023	Stock Option Compensation- for year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Nexvu Services Inc.	Rent and corporate services	\$ -	\$ -	\$ 120,000	\$ 120,000
Brian Leeners	Management services	20,280	55,000	207,030	120,000
Greg Pearson	Management services	10,140	27,500	-	-
Global Link Capital	Management services	-	-	144,000	120,000
Gordon Fretwell, Law Corporation	Legal services	-	-	20,000	69,364
Gordon Fretwell	Legal services	4,056	11,000	-	-
Lewis Dillman	Management services	8,112	22,000	-	-
Hugh Callaghan	Management services	8,112	22,000	-	-
Dr. Mauro Cesar Terence	Management services	-	-	8,147	-
AE Financial Management Ltd.	Accounting services	-	-	42,000	42,000
Edward Low	Accounting services	2,028	5,500	-	-
		\$ 52,728	\$ 143,000	\$ 541,177	\$ 471,364

- On August 16, 2022, the Company completed the first tranche of a non-brokered private placement for gross proceeds of \$300,000 by issuing 2,000,000 units at a price of \$0.15 per unit. A company owned by a director subscribed for 1,000,000 units (Note 8).
- On June 15, 2022, the Company granted incentive stock options to officers, directors, and consultants. The stock-based compensation related to officers and directors is \$52,728 (2022 - 143,000) (Note 8).

8. Share capital

Authorized: Unlimited common voting shares, without par value.

a. Share issuance - Private placement

Year Ended 2023

On March 2, 2023, the Company completed a non-brokered private placement for gross proceeds of \$751,400 by issuing 7,514,000 units at a price of \$0.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant being exercisable at \$0.20 per common share for a period of 24 months from the date of issuance. The warrants will be subject to the right of the Company to accelerate the exercise period of the warrants if shares of the Company trade at or above \$0.50 for a period of 10 consecutive trading days.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

8. Share capital - *continued*

Year Ended 2022

On January 25, 2022, the Company completed a non-brokered private placement for gross proceeds of \$202,541 by issuing 2,025,406 units at a price of \$0.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price \$0.20 per share for 12 months. The warrants are subject to the right of the Company to accelerate the exercise period of the warrant if shares of the Company trade at or above \$0.50 for a period of 10 consecutive trading days. The Company incurred share issuance costs of \$6,480 by issuing 64,800 broker units (one common share and one common share purchase warrant) at a price of \$0.10 per unit for 12 months. The Company transferred \$100,377 from share subscription account to share capital.

On August 16, 2022, the Company completed a non-brokered private placement for gross proceeds of \$309,000 by issuing 2,060,000 units at a price of \$0.15 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price \$0.25 per share for 12 months. The warrants are subject to the right of the Company to accelerate the exercise period of the warrant if shares of the Company trade at or above \$0.50 for a period of 10 consecutive trading days.

b. Share issuance – Warrants exercised

Year Ended 2023

During the year ended December 31, 2023, the Company issued 3,191,406 common shares, pursuant to warrants exercised at a price of \$0.20, for total proceeds of \$638,281 and issued 2,060,000 common shares, pursuant to warrants exercised at a price of \$0.25, for total proceeds of \$515,000.

During the year ended December 31, 2023, the Company received \$20,000 for warrants exercised, the shares were issued subsequent to the year ended (Note 11).

Year Ended 2022

During the year ended December 31, 2022, the Company issued 2,633,820 common shares, pursuant to warrants exercised at a price of \$0.15, for total proceeds of \$395,073.

c. Share issuance – Options exercised

Year Ended 2023

During the year ended December 31, 2023, the Company issued 300,000 common shares, pursuant to options exercised at a price of \$0.10, for gross proceeds of \$30,000. A fair value of \$11,280 was reclassified from contributed surplus to share capital.

d. Share issuance – Acquisition of Exploration and Evaluation assets

Year Ended 2022

On September 9, 2022, the Company issued 250,000 common shares with a fair value of \$32,500 for an option payment on the Tatoonie Project (Note 6).

e. Stock options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options, as amended, to executive officers, directors, employees and consultants.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

8. Share capital - *continued*

Year Ended 2023

On March 13, 2023, the Company granted 500,000 stock options to a consultant, of which, 25% vested upon grant date, and thereafter vest 25% every 6 months. These options are exercisable for up to five years at a price of \$0.20 per share. The Company calculated the stock-based compensation using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rates of 3.12-4.32%, volatility of 144.86-164.94%, annual rate of dividend of 0% and an expected life of the option of 5 years. The Company recorded stock-based compensation of \$134,223 for the year ended December 31, 2023.

On July 23, 2023, the Company granted 250,000 stock options to its employees, of which, 25% vested upon grant date, and thereafter vest 25% every 6 months. The options are exercisable for up to five years at a price of \$0.50 per share. The Company calculated the stock-based compensation using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate 3.80%, volatility of 147.15%, annual rate of dividend of 0% and an expected life of the option of 5 years. The total fair value of the options granted is \$87,500. The Company recorded stock-based compensation of \$57,625 for options that vested during the year ended December 31, 2023.

For the year ended December 31, 2023, the Company recorded stock-based compensation of \$270,940 for options that vested.

Year Ended 2022

On June 15, 2022, the Company granted 1,950,000 stock options, of which, 25% vested upon grant date, and thereafter vest 25% every 6 months. The options are exercisable for up to five years at a price of \$0.20 per share. The Company calculated the stock-based compensation using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate 3.37%, volatility of 113.14%, annual rate of dividend of 0% and an expected life of the option of 5 years. The total fair value of the options granted is \$289,805.

For the year ended December 31, 2022, the Company recorded stock-based compensation of \$210,713 for options that vested and recorded \$79,092 for options that vested in 2023.

The Continuity of the Company's outstanding options is as below:

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price
Balance, December 31, 2021	3,500,000	3,500,000	\$0.10
Granted	1,950,000	1,950,000	\$0.20
Balance, December 31, 2022	5,450,000	5,150,000	\$0.14
Granted	750,000	612,500	\$0.30
Exercised	(300,000)	(300,000)	\$0.10
Balance, December 31, 2023	5,900,000	5,462,500	\$0.16

At December 31, 2023, the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Years
September 14, 2026	\$0.10	3,200,000	3,200,000	2.71
June 16, 2027	\$0.20	1,950,000	1,950,000	3.46
March 13, 2028	\$0.20	500,000	250,000	4.20
July 7, 2028	\$0.50	250,000	62,500	4.54
		5,900,000	5,462,500	

f. Warrants

On January 12, 2023, the Company extended the expiry date of 2,025,406 warrants with an exercise price of \$0.20 by 3 months to April 30, 2023. All of the warrants were exercised during the year ended December 31, 2023.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

8. Share capital - continued

The continuity of the Company's outstanding warrants is as follows:

	Number	Weighted Average Price
Balance, December 31, 2021	4,058,820	\$0.18
Issued	4,085,406	\$0.23
Exercised	(2,633,820)	\$0.15
Expired	(1,425,000)	\$0.22
Balance, December 31, 2022	4,085,406	\$0.23
Issued	7,514,000	\$0.20
Exercised	(5,251,406)	\$0.22
Balance, December 31, 2023	6,348,000	\$0.20

At December 31, 2023, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise price	Number of warrants outstanding	Weighted Average Remaining Years
March 2, 2025	\$ 0.20	6,348,000	1.17

g. Broker warrants

For the year ended December 31, 2022, the Company issued 64,800 broker warrants at a price of \$0.20 issued (Note 8a). The continuity of the Company's outstanding warrants is as follows:

	Number	Weighted Average Price
Balance, December 31, 2021	20,000	\$0.25
Issued	64,800	\$0.20
Expired	(20,000)	\$0.25
Balance, December 31, 2022	64,800	\$0.20
Expired	(64,800)	\$0.20
Balance, at December 31, 2023	-	-

h. Subscriptions received – Loan payable

The share subscriptions received are classified as loans payable based on the terms of the share subscription agreement. As at December 31, 2023, the balance of the share subscriptions is \$94,741 (2022 – \$69,750).

i. Flow-through liability

The flow-through premium of \$80,000 was recognized as a liability from the issuance of 1,000,000 flow-through units during the year ended December 31, 2021. During the year ended December 31, 2022, the Company settled the flow-through premium of \$80,000.

j. Contributed surplus

The contributed surplus records items recognized as stock-based compensation expense until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

9. Income taxes

The following table reconciles the expected income tax payable at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023 and 2022:

	2023	2022
Loss before income taxes	\$ (1,575,182)	\$ (1,236,591)
Statutory tax rate	26%	27%
Expected income tax recovery	(412,961)	(333,880)
Differences due to recognition of items for tax purposes:		
Functional currency adjustments	14,658	(40,900)
Foreign tax rate difference	(3,189)	8,707
Others	106,457	(116,317)
Change in deferred tax asset not recognized	295,035	482,390
Total income tax recovery	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences are as follows:

Canada	2023	2022
Property and Equipment	\$ 8,111	\$ 8,111
Mineral Properties	7,677,515	7,581,552
Capital Losses	4,375,934	4,375,934
Non-capital Losses	6,992,286	6,008,462
Share issuance costs	5,680	8,520
Unrecognized deductible temporary differences	\$ 19,059,526	\$ 17,982,579

US	2023	2022
Net operating loss	\$ 2,216,525	\$ 2,269,683
Unrecognized deductible temporary differences	\$ 2,216,525	\$ 2,269,683

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

9. Income taxes - *continued*

As at December 31, 2023, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards of approximately \$6,992,286 which may be carried forward to apply against future income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		
2034	\$	1,256,157
2037		1,366,091
2038		700,715
2039		698,684
2040		615,636
2041		487,103
2042		760,597
2043		1,107,303
Total	\$	6,992,286

The Company has net operating loss carry forwards of \$2,216,525 which may be carried forward to apply against future income tax for US tax purposes, as follows:

Expiry		
2032	\$	56,498
2032		189,777
2033		1,967,252
2034		2,998
Total	\$	2,216,525

The Company has net operating loss carry forwards of \$102,816 which may be carried forward indefinitely to apply against future income tax for Brazil tax purposes.

10. Segmented information

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that its corporate headquarters located in Canada and of its operations in Brazil. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets and expenditures are segmented geographically as follows:

	Assets		Expenditures	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Brazil	\$ 302,524	\$ -	\$ 102,702	\$ -
Canada	284,535	158,016	1,472,480	1,236,591
	\$ 587,059	\$ 158,016	\$ 1,575,182	\$ 1,236,591

HOMERUN RESOURCES INC.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022

11. Subsequent events

On January 24, 2024, the Company signed a non-binding memorandum of understanding (“MOU”) with Minerals Development Oman SAOC (“MDO”). Under the terms of the MOU, MDO and the Company agree to jointly explore the options available to improve the quality of the quartzite available in the quartzite concessions owed by MDO in the Quarayat region of Sultanate of Oman.

On February 7, 2024, the Company announced the approval of 4 applications in the Belmonte silica district in Belmonte, Bahia, Brazil (Note 6).

On March 1, 2024, the Company issued 1,200,000 common shares with a fair value of \$376,800 for the Tatoonie Silica Project (Note 6).

On March 12, 2024, the Company granted 3,300,000 incentive stock options to directors, officers and consultants of the Company. The incentive stock options are exercisable at \$0.75 per option for five years.

The Company issued 555,000 common shares for warrants exercised for total proceeds of \$111,000.

The Company entered into a non-brokered private placement financing for gross proceeds up to \$1,000,650. The financing consists of 2,001,300 units at \$0.50 per unit, each unit consisting of one common share and one common share purchase warrant with each warrant being exercisable for an additional common share at an exercise price of \$0.75 for 24 months. The warrants will be subject to the right of the Company to accelerate the exercise of the warrants if the shares of the Company trade at or above \$1.50 for a period of 10 consecutive trading days. To date, the Company received proceeds of \$45,000.