

**Terra Balcanica Resources Corp.**  
**Consolidated Financial Statements**  
**January 31, 2023**  
**(Expressed in Canadian Dollars)**



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Terra Balcanica Resources Corp.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Terra Balcanica Resources Corp. (the "Company") as of January 31, 2023 and January 31, 2022, and the related consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows for the periods then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2023, and its consolidated financial performance and its consolidated cash flows for the periods then ended, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### Material Uncertainty Related to Going Concern

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

### Basis for Opinion

We conducted our audits 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 audits 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.

### Key Audit Matter

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 current period. These matters were addressed in the context of our audit of the consolidated financial statements, as a whole in forming our opinion thereon, and we do not provide separate opinion on these matters.

#### Assessment of Impairment indicators on mineral property interest

##### *Description of the Matter*

We identified the impairment assessment of mineral property interest as a key audit matter due to significant management judgment required in assessing whether indicators of impairment exist that would necessitate impairment testing. As disclosed in Note 7 to the consolidated financial statements, the carrying value of the Company's mineral properties were approximately \$2.3 million as at January 31, 2023. As discussed in Note 2 to the consolidated financial statements, the carrying value of mineral properties is reviewed each reporting period to determine whether there is any indication of impairment or reversal of impairment.

We considered this a key audit matter due to (i) the significance of the mineral property interest balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.



### *Audit Response*

Our primary procedures to address this key audit matter included evaluation of management's assessment of indicators of impairment, which included the following: i) assessed the completeness of external or internal factors that could be considered indicators of impairment of the Company's mineral property interest; ii) assessed the changes in demand for the recoverable reserves, commodity prices, capital and operating costs, foreign exchange and interest rates by considering external market data, current funding available for the exploration and development of the mineral property interest and evidence obtained in other areas of the audit, as applicable; and iii) evaluating the reasonableness of the significant assumptions used by management. We also assessed the competence, capabilities and objectivity of the Company's personnel involved in preparing the impairment assessment.

### **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 and will 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 Management's Discussion and Analysis 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 it 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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.

The engagement partner on the audit resulting in this independent auditor's report is Spence Walker.

*Kreston GTA LLP*

**Chartered Professional Accountants**

Markham, Canada

May 31, 2023

**Terra Balcanica Resources Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

**As at January 31, 2023 and January 31, 2022**

	Note	January 31, 2023	January 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash	3	70,301	1,652,607
Prepaid expenses	4	36,176	246,212
Receivables	4	32,180	10,919
Short-term deposits	6	1,451	2,850
		<b>140,108</b>	<b>1,912,588</b>
<b>Non-current assets</b>			
Equipment	5	139,208	118,062
Mineral property interests	7	2,339,463	1,071,296
Right-of-use asset	6	-	28,201
		<b>2,478,671</b>	<b>1,217,559</b>
<b>Total assets</b>		<b>2,618,779</b>	<b>3,130,147</b>
<b>Liabilities and shareholders' equity (deficiency)</b>			
<b>Current liabilities</b>			
Accounts payable and accruals		300,276	242,757
Advances payable	8	21,177	20,723
Due to related parties	10	5,818	-
Lease liability	6	-	21,916
<b>Total liabilities</b>		<b>327,271</b>	<b>285,396</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	9	6,472,926	5,836,865
Reserves		949,270	48,200
Foreign currency reserve		(137,486)	28,893
Deficit		(5,015,008)	(3,039,894)
<b>Shareholders' equity (deficiency) attributable to owners of the Company</b>		<b>2,269,702</b>	<b>2,874,064</b>
Non-controlling interest	14	21,806	(29,313)
<b>Total shareholders' equity (deficiency)</b>		<b>2,291,508</b>	<b>2,844,751</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>2,618,779</b>	<b>3,130,147</b>
Nature of operations and going concern	1		
Subsequent event	16		

Approved on behalf of the Board of Directors on May 30, 2023:

"Aleksandar Miskovic" Director

"Brandon Bonifacio" Director

**Terra Balcanica Resources Corp.**

**Consolidated Statement of Changes in Shareholders' Equity (Deficiency)**

**(Expressed in Canadian Dollars)**

**For the year ended January 31, 2023 and the thirteen months ended January 31, 2022**

	Number of common shares #	Number of special warrants #	Share capital \$	Special warrants \$	Reserves \$	Foreign currency reserve \$	Deficit \$	Attributable to owners \$	Non-controlling interests \$	Total shareholders' deficiency \$
January 1, 2021	1	-	3	-	-	-	(156,064)	(156,061)	20,247	(135,814)
Reverse acquisition transactions (Note 14)										
Equity of Terra Balcanica Resources Corp.	27,759,721	-	1,574,672	-	-	-	(1,201,300)	373,372	-	373,372
Elimination of equity of Terra Balcanica Resources Corp.	-	-	(1,251,200)	-	-	-	1,201,300	(49,900)	-	(49,900)
Shares acquired of legal parent	(1)	-	-	-	-	-	-	-	-	-
Issuance of shares pursuant to reverse acquisition	24,525,000	-	2,452,500	-	-	-	-	2,452,500	-	2,452,500
Private placement	7,710,000	-	771,000	-	-	-	-	771,000	-	771,000
Share issuance costs - cash	-	-	(1,600)	-	-	-	-	(1,600)	-	(1,600)
Special warrants	-	11,467,500	-	2,293,510	-	-	-	2,293,510	-	2,293,510
Finders' fees - cash	-	-	-	(78,820)	-	-	-	(78,820)	-	(78,820)
Finders' warrants	-	-	(48,200)	-	48,200	-	-	-	-	-
Shares issued for settlement of debt	1,250,000	-	125,000	-	-	-	-	125,000	-	125,000
Loss and comprehensive loss for the period	-	-	-	-	-	28,893	(2,883,830)	(2,854,937)	(49,560)	(2,904,497)
<b>January 31, 2022</b>	<b>61,244,721</b>	<b>11,467,500</b>	<b>3,622,175</b>	<b>2,214,690</b>	<b>48,200</b>	<b>28,893</b>	<b>(3,039,894)</b>	<b>2,874,064</b>	<b>(29,313)</b>	<b>2,844,751</b>
February 1, 2022	61,244,721	11,467,500	3,622,175	2,214,690	48,200	28,893	(3,039,894)	2,874,064	(29,313)	2,844,751
Conversion of special warrants	12,267,500	(12,267,500)	2,370,840	(2,370,840)	-	-	-	-	-	-
Finders' fees - cash	-	-	(17,689)	(3,850)	-	-	-	(21,539)	-	(21,539)
Finders' warrants	-	-	(2,400)	-	2,400	-	-	-	-	-
Special warrants	-	800,000	-	160,000	-	-	-	160,000	-	160,000
Private placement	5,000,000	-	500,000	-	-	-	-	500,000	-	500,000
Fair value reversal - cancelled stock options	-	-	-	-	(29,750)	-	29,750	-	-	-
Share-based payments	-	-	-	-	928,420	-	-	928,420	-	928,420
Loss and comprehensive loss for the year	-	-	-	-	-	(166,379)	(2,004,864)	(2,171,243)	51,119	(2,120,124)
<b>January 31, 2023</b>	<b>78,512,221</b>	<b>-</b>	<b>6,472,926</b>	<b>-</b>	<b>949,270</b>	<b>(137,486)</b>	<b>(5,015,008)</b>	<b>2,269,702</b>	<b>21,806</b>	<b>2,291,508</b>

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

**Terra Balcanica Resources Corp.**  
**Consolidated Statement of Loss and Comprehensive loss**  
**(Expressed in Canadian Dollars)**

**For the year ended January 31, 2023 and the thirteen months ended January 31, 2022**

	Note	January 31, 2023	January 31, 2022
<b>Expenses</b>			
Administrative		144,290	103,381
Business development		188,328	39,287
Consulting and salaries	10	245,015	170,818
Depreciation	5,6	27,223	57,096
Transaction cost	13	-	1,290,446
Finance costs	6	864	4,405
Investor relations		217,903	-
Miscellaneous		20,102	197,818
Professional fees	10	406,274	324,185
Project costs		-	135,301
Share-based payments		928,420	-
Transportation costs		-	48,825
Wages and salaries		-	393,707
<b>Loss from operating expenses</b>		<b>(2,178,419)</b>	<b>(2,765,269)</b>
Other income		4,158	-
Foreign exchange gain (loss)		160,617	(168,121)
<b>Total loss before tax</b>		<b>(2,013,644)</b>	<b>(2,933,390)</b>
Income tax	11	-	-
<b>Total loss</b>		<b>(2,013,644)</b>	<b>(2,933,390)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation adjustment		(166,379)	28,893
<b>Loss and comprehensive loss for the year/period</b>		<b>(2,180,023)</b>	<b>(2,904,497)</b>
<b>Loss and comprehensive loss for the period attributable to:</b>			
Owners of the Company		(2,006,096)	(2,854,937)
Non-controlling interests		(7,548)	(49,560)
		<b>(2,013,644)</b>	<b>(2,904,497)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding</b>			
- Basic #		70,837,351	48,971,866
- Diluted #		70,837,351	48,971,866
<b>Basic loss per share \$</b>		<b>(0.03)</b>	<b>(0.06)</b>
<b>Diluted loss per share \$</b>		<b>(0.03)</b>	<b>(0.06)</b>

**Terra Balcanica Resources Corp.**  
**Consolidated Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**

**For the year ended January 31, 2023 and thirteen months ended January 31, 2022**

Note	January 31, 2023	January 31, 2022
<b>Operating activities</b>		
Loss for the year/period	(2,013,644)	(2,883,830)
Adjustments for non-cash items:		
Depreciation	27,223	55,511
Share-based payments	928,420	-
Foreign exchange	(95,641)	5,922
Accretion	864	4,405
Transaction cost	-	1,290,446
Changes in non-cash working capital items:		
Receivables	(21,261)	7,063
Prepaid expenses	210,036	(245,734)
Accounts payable and accruals	63,337	847,389
	<b>(900,666)</b>	<b>(918,828)</b>
<b>Financing activities</b>		
Lease payments	(21,855)	(42,029)
Proceeds from common share issuance and special warrants, net of share issuance	638,461	2,984,090
	<b>616,606</b>	<b>2,942,061</b>
<b>Investing activities</b>		
Acquisition of equipment	(35,356)	(129,962)
Expenditures on mineral property interest	(1,253,967)	(715,564)
Cash acquired on Tera Balkanikda acquisition	-	429,925
Lease deposit	-	(3,125)
	<b>(1,289,323)</b>	<b>(418,726)</b>
<b>Effect of foreign exchange on cash</b>	<b>(8,923)</b>	<b>28,893</b>
<b>Change in cash</b>	<b>(1,573,383)</b>	<b>1,633,400</b>
<b>Cash, beginning of year/period</b>	<b>1,652,607</b>	<b>19,207</b>
<b>Cash, end of year/period</b>	<b>70,301</b>	<b>1,652,607</b>

Supplemental cash flow information

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## 1. Nature of operations and going concern

Terra Balcanica Resources Corp. (formerly 1250598 B.C. Ltd.) ("Terra" or the "Company") was incorporated on May 19, 2020 under the laws of the Province of British Columbia, Canada. In March 2021, the Company changed its name to Terra Balcanica Resources Corp. Head office is located at 910 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The principal business of the Company is the identification, evaluation and acquisition of mineral property assets.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete the exploration of the mineral property interests.

These consolidated financial statements ("financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional sources of revenue, and historically has relied on advances payable to cover its operating expenses. As at January 31, 2023, the Company had an excess of current liabilities over current assets of \$187,163 (as at January 31, 2022 excess of current assets over current liabilities was \$1,627,192) and shareholders' equity of \$2,269,702 (2022 - \$2,874,064). These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

On September 14, 2020, the Company acquired, through acquisition of common shares, a 90% interest in Drina Resources D.O.O. Banja Luka ("Drina") a corporation existing under the laws of Bosnia which holds certain mineral property interests in Bosnia.

On January 25, 2021, the Company entered a definitive Share Purchase Agreement (the "Agreement") closed on March 19, 2021, for Terra Balcanica Resources Corp. (formerly 1250598 B.C. Ltd.) ("Terra Balcanica") to acquire the Company a corporation existing under the laws of the Republic of Serbia mineral exploration company which holds certain mineral property interests in Serbia and Bosnia (Note 13).

## 2. Significant accounting policies

### (a) Use of estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported expenses during the period. Actual results could differ from these estimates. The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

#### *Deferred tax assets and liabilities*

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

#### *Impairment of Mineral property interest*

The application of the accounting policy for Mineral property interest requires judgment in determining whether it is likely that future economic benefits will flow to the Company. The Company undertakes a review of the carrying values of mineral property interest and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Management concluded that there is no indication for the impairment of mineral properties as of January 31, 2023.

2. Significant accounting policies (continued)

*Valuation of share-based compensation*

From time to time the Company may issue a specific number of common shares as compensation for services received where such transaction did not entail the use of cash. The fair value of share-based payments is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options granted.

**(b) Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on the consolidated financial statements are presented in Canadian Dollars (CDN); the functional currency of the Company is Canadian Dollar (CDN). The Company consolidated the operations of Tera Balkanika Doo Beograd ("Tera Balkanika"), which has a functional currency of the Serbian Dinar ("RSD") and Drina Resources D.O.O. ("Drina"), which has a functional currency of the Bosnian Marks ("BAM").

**(c) Basis of consolidation**

These financial statements include the accounts of the Company and its subsidiary. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. 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.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. All information presented as at January 31, 2023 and 2022.

<b>Entity</b>	<b>Incorporation</b>	<b>Status</b>	<b>Functional Currency</b>	<b>Ownership Percentage</b>
Tera Balkanika	Serbia	Active	Serbian Dinar	100%
Drina	Bosnia	Active	Bosnian Mark	90%
Tera Balkanika d.o.o. Sarajevo ("Tera")	Bosnia	Active	Bosnian Mark	100%

**(d) Equipment**

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. No depreciation is recorded in the year of disposal.

Depreciation is recognized over the following terms, intended to depreciate the cost of equipment, less its residual values if any, over its estimated useful lives:

Computer equipment	20% declining balance
Computer software	33% declining balance
Vehicles	15.5% declining balance

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of equipment is recognized in profit or loss.

2. Significant accounting policies (continued)

(e) Financial instruments

The Company classifies its financial instruments in the following categories: as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income (loss) ("FVOCI"), financial assets at amortized cost, and financial liabilities at amortized cost. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Financial assets

**Recognition**

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

**Classification**

The Company classifies its financial assets and financial liabilities using the following measurement categories:

- (a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and
- (b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Cash is classified as FVTPL and are accounted for at fair value. Receivables are at amortized cost.

(ii) Financial liabilities

The Company has the following financial liabilities at amortized cost: accounts payable and accruals, and advances payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

**2. Significant accounting policies (continued)**

**(f) Impairment**

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly 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 Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

**(g) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their fair value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

**(h) Income taxes**

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

2. Significant accounting policies (continued)

(i) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding seed shares which are held in escrow. Diluted LPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares related to outstanding stock options and warrants issued by the Company. For periods in which the Company reports a loss, this calculation proves to be anti-dilutive.

(j) New accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after February 1, 2023. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

(k) Mineral property interests

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

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. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

(l) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense through profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

As at January 31, 2023 and January 31, 2022, there was no material provision for environmental rehabilitation.

**2. Significant accounting policies (continued)**

**(m) Leases**

The Company leases an office premises. Under IFRS 16, the Company assesses whether a contract contains a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable under any residual value guarantees; and
- Exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized cost using the effective interest method.

The lease liability is remeasured in the following circumstances:

- If there is a change in the future lease payments resulting from a change in index or rate;
- If there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and
- If the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company's accounting policy will not recognize any right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets. As at January 31, 2023, the Company does not have any leases that would fall into this category.

**(n) Foreign currency translation**

Foreign currency transactions are translated into the functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction (historical rate).

Assets and liabilities of foreign operations are translated into Canadian Dollars (the presentation currency) at period end exchange rates and any revenue and expenses are translated at the average exchange rate for the period. The resulting exchange differences will be recognized in accumulated other comprehensive income (loss).

**(o) Segments reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker (CODM). The CODM has been identified as the Board of Directors of the Company. For management purposes, the Company uses the same measurement policies as those used in its financial statements. The CODM evaluates the performance of each segment based on net profit (loss). The Company operates in a single reportable operating segment.

**Terra Balcanica Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**

**For the year ended January 31, 2023 and thirteen months ended January 31, 2022**

**2. Significant accounting policies (continued)**

**(p) Valuation of share-based compensation**

From time to time the Company may issue a specific number of common shares as compensation for services received where such transaction did not entail the use of cash. The fair value of share-based payments is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options granted.

**3. Cash**

Cash consist of the following:

	January 31, 2023	January 31, 2022
Cash	70,301	1,652,607

**4. Receivables and prepaid expenses**

Receivable and prepaid expenses consists of the following:

	January 31, 2023	January 31, 2022
VAT Receivable	12,828	10,919
GST Receivable	19,352	-
Prepaid expenses	36,176	246,212
	68,356	257,131

Value Added Tax (VAT) and general sales tax (GST) receivable consists of amounts paid on business related expenses in the year ending January 31, 2023.

**5. Equipment**

Cost	Software	Computer Equipment	Vehicle	Total
<b>Balance - January 31, 2022</b>	<b>44,059</b>	<b>13,829</b>	<b>85,327</b>	<b>143,215</b>
Additions	-	35,356	-	35,356
<b>Balance - January 31, 2023</b>	<b>44,059</b>	<b>49,185</b>	<b>85,327</b>	<b>178,571</b>
<b>Accumulated Depreciation</b>				
<b>Balance - January 31, 2022</b>	<b>10,842</b>	<b>2,816</b>	<b>11,495</b>	<b>25,153</b>
Depreciation	14,182	3,277	14,400	31,859
Foreign currency difference	(7,851)	(1,816)	(7,982)	(17,649)
<b>Balance - January 31, 2023</b>	<b>17,173</b>	<b>4,277</b>	<b>17,913</b>	<b>39,363</b>
<b>Carrying Value</b>				
Balance - January 31, 2022	33,217	11,013	73,832	118,062
<b>Balance - January 31, 2023</b>	<b>26,886</b>	<b>44,908</b>	<b>67,414</b>	<b>139,208</b>

During the year ended January 31, 2023, the depreciation of \$31,859 was capitalized and included in mineral property interests.

**6. Right-of-use asset**

Under IFRS 16 Leases, the Company is required to assess whether a contract is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

The Company had identified one contract that was a lease as defined under IFRS 16. In analysing the agreement, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract. A lease liability was calculated with a discount rate of 10%. Based on all the facts and circumstances at the inception of the contract, the Company had determined that the identified office lease in Belgrade contained a lease as defined by IFRS 16.

A continuity of the carrying amount of the right-of-use asset for the year ended January 31, 2022 and January 31, 2023 is as follows:

	<b>Office Lease</b>
<b>Balance - January 31, 2022</b>	<b>28,201</b>
Additions	-
Depreciation	(27,223)
Foreign currency difference	(978)
<b>Balance - January 31, 2023</b>	<b>-</b>

Right-of-use ("ROU") asset relates to the lease of the Company's head office which commenced on October 1, 2020 and is for the period of two years. Additionally, the Company provided a lease deposit of \$5,415 which was classified as a short-term deposit, as it was refundable at the end of the lease term.

Lease liability

The following is a reconciliation of the carrying amount of the lease liability as at January 31, 2023. The lease commenced on October 1, 2020.

	<b>Office Lease</b>
<b>Balance - January 31, 2022</b>	<b>(21,916)</b>
Additions	-
Interest expense	854
Lease payments	21,855
Foreign currency difference	(793)
<b>Balance - January 31, 2023</b>	<b>-</b>

As at January 31, 2023, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liability over the remaining lease term is Nil Euros for year 2022. As at January 31, 2023, the deposit of \$5,415 represents a security deposit on the office premises, which the Company expects to have refunded. Short-term leases are leases with a lease term of twelve months or less.



## 7. Mineral property interests

### *Kaludra License*

Ministry of Mining and Energy passed approval on September 28, 2017 approving Rockstone Group DOO Kač ("RSG") a company related by virtue of common director, to conduct geological research of lead (Pb), zinc (Zn), copper (Cu), gold (Au), Antimony (Sb) and accompanying metals in the exploration area "Kauldra", municipality Novi Pazar.

On January 25, 2021, Tera entered into an option agreement with RSG to purchase all the interests in the Kaludra License located central Serbia. In order to exercise the option, Tera must make a \$50,000 cash payment within 30 days from the January 25, 2021 (completed March 4, 2021). On January 26, 2022, the Company and RSG amended the option agreement as follows

In addition, the Company must make the following share issuances to RSG:

- 500,000 common shares of Terra on or before the second anniversary of the March 4, 2021 ("Grant Date") which is the date the Ministry of Mining and Energy in the Republic of Serbia grants a new license over the Kaludra License area in the name of the Company.

RSG is eligible to receive bonus payments as follows from the Company:

- \$1,000,000 within 90 days of the commencement of commercial production.

Upon commencement of commercial production, the Company will pay RSG a Net Smelter Royalty ("NSR") being equal to 0.5% of the Net Smelter Returns.

### *Ceovishte License*

On March 2, 2020, Tera applied for the right to conduct geological research of lead (Pb), zinc (Zn), silver (Ag), copper (Cu), gold (Au) at the Ceovishte site in southwestern Serbia. On October 14, 2022, the Ceovishte licence has been officially granted by the Serbian Ministry of Energy and Mines to the Company's subsidiary Tera Balkanika doo Belgrade.

On January 25, 2021, Tera entered into a finders' fee agreement with RSG whereby RSG had previously located and introduced the Company to the Ceovishte Project. On January 26, 2022, the Company amended the agreement as follows:

The finder's fee obligated Tera to make a \$50,000 cash payment within 30 days of the closing of the Company's first equity financing after February 1, 2022. On or before the second anniversary, issue 500,000 common shares of Terra and grant a 0.5% NSR within 30 days from which the Ministry of Mines and Energy of the Republic of Serbia grants the licenses.

### *Drina Licenses*

On April 2, 2019, Drina received approval to conduct detailed geological research of lead (Pb), zinc (Zn), copper (Cu) and accompanying metals in the exploration area "Olovine". On August 5, 2019, Drina received approval to conduct detailed geological research of lead (Pb), zinc (Zn), copper (Cu) and accompanying metals in the exploration area "Čumavići". The deadline for completion of the research is December 5, 2023 at the site "Čumavići" and October 2, 2023, at the site "Olovine" with an option to extend for 3.5 years.

Drina paid 7,758 BAM (\$5,756 CDN equivalent), for the site "Čumavići" (paid in fiscal 2019) and 8,941 BAM (\$6,634 CDN equivalent), for the site "Olovine" (paid in fiscal 2019).

On March 26, 2021, the Company received approval to conduct detailed geological research of lead (Pb), zinc (Zn), copper (Cu) and accompanying metals in the exploration area "Caus" for 11,368 BAM (\$8,435 CDN equivalent). The deadline for completion of the research is March 26, 2024 with an option to extend for 4 years.

On February 2, 2022, Drina received approval to annex the license hence increase scope of work and extend deadline on conducting detailed geological research of lead (Pb), zinc (Zn), copper (Cu) and accompanying metals in the exploration area "Olovine". Drina paid 12,519 BAM (\$9,289 CDN equivalent), for the site "Olovine" (paid in fiscal 2022), with deadline for completion of the research October 2, 2023.

7. Mineral property interests (continued)

On June 5, 2022, Drina received approval to annex the license hence increase scope of work and extend deadline on conducting detailed geological research of lead (Pb), zinc (Zn), copper (Cu) and accompanying metals in the exploration area "Čumavići". Drina paid 6,863.60 BAM (\$5,092 CDN equivalent), for the site "Čumavići" (paid in fiscal 2022), with deadline for completion of the research February 5, 2024.

	Ceoviste Property \$	Kaludra Property \$	Olovine Property \$	Cumavici Property \$	Caus Property \$	Total \$
<b>Balance, January 1, 2021</b>	-	-	117,436	231,313	7,117	355,866
Administration	-	34,009	18,750	36,932	1,136	90,828
Assay testing	-	36,728	23,367	46,027	1,416	107,538
Equipment rentals	-	1,020	12,717	25,048	771	39,556
Geologist and consulting	-	93,374	38,350	75,538	2,324	209,587
Geophysics	-	-	88,414	174,149	5,358	267,921
<b>Balance, January 31, 2022</b>	-	165,131	299,035	589,008	18,123	1,071,296
<b>Balance, February 1, 2022</b>	-	165,131	299,035	589,008	18,123	1,071,296
Acquisition	-	-	-	138,549	4,263	142,812
Administration	2,238	143,305	37,343	73,553	2,263	258,702
Assay testing	-	3,503	54,357	107,068	3,294	168,222
Depreciation	-	26,018	2,536	4,994	154	33,702
Drilling	-	-	111,506	219,633	6,758	337,897
Equipment rental	-	1,130	109	215	7	1,461
Geologist and consulting	-	15,509	-	-	-	15,509
Licenses	-	-	4,673	9,204	283	14,160
Maintenance	-	5,106	-	-	-	5,106
Road construction	-	-	6,672	13,142	404	20,218
Supplies	-	760	6,382	12,571	387	20,100
Transportation	-	17,850	14,614	28,786	886	62,136
Foreign currency difference	196	33,085	46,983	104,658	3,220	188,142
<b>Balance, January 31, 2023</b>	<b>2,434</b>	<b>411,397</b>	<b>584,210</b>	<b>1,301,381</b>	<b>40,042</b>	<b>2,339,463</b>

8. Advances payable

During the year ended January 31, 2022, the Company entered into a Share Exchange Agreement ("SEA") with Terra. Terra agreed to purchase all the shares in the capital of the Company by issuing 24,525,000 common shares of Terra representing approximately 46.95% of Terra total issued and outstanding shares on March 19, 2021. The Company has subsequently accounted for this transaction as an acquisition of assets, under the guidance of IFRS 2 and the Company is now a consolidated subsidiary of Terra. All advances payable were classified to intercompany payables and eliminated upon consolidation. Total advances from Terra to the Company amount to \$740,000 Canadian dollars as at the acquisition date March 19, 2021.

## 9. Share Capital

### Transactions for the issue of share capital during the year ended January 31, 2023:

On February 7, 2022 for a total of 900,000 Special Warrants of at a price of \$0.20 per Special Warrant for gross proceeds of \$180,000 were issued. Each Special Warrant will be deemed exercised for one Common Share upon satisfaction of the conditions contained in the Special Warrant Certificate. The Company paid \$3,850 in finders fees and issued 19,250 finders' warrants, exercisable at \$0.20 convertible into one common share of the Company for two years from the date of issuance.

The Company measured the fair value of the finders' warrants using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of warrants – two years, stock price volatility – 120%, no dividend yield, and a risk-free interest rate yield – 2%.

On April 24, 2022, the 6,742,500 Special Warrants issued on December 23, 2021 were converted into 6,742,500 common shares.

On May 27, 2022, the 4,625,000 Special Warrants issued on January 26, 2022 were converted into 4,625,000 common shares.

On June 8, 2022, the 900,000 Special Warrants issued on February 8, 2022 were converted into 4,625,000 common shares.

On December 15, 2022, the Company closed a non-brokered private placement financing of units for gross proceeds of \$500,000. The Company issued 5,000,000 units at a price of \$0.10 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.15 until December 15, 2025. The Company incurred \$17,689 in finders' fees in connection with the offering.

### Transactions for the issue of share capital during the year ended January 31, 2022:

On January 25, 2021, the Company entered into a Share Exchange Agreement ("SEA") with Terra. The Company agreed to purchase all the shares in the capital of Tera ("TB Shares") by issuing 24,525,000 common shares of the Company representing approximately 46.95% of the Company total issued and outstanding shares on March 19, 2021.

In multiple tranches on February 2, 2021, February 11, 2021, March 16, 2021, April 22, 2021, June 24, 2021, August 30, 2021 and October 18, 2021, the Company completed a non-brokered private placement of 17,094,722 common shares at \$0.10 per common share for gross aggregate proceeds of \$1,709,472. Subscriptions received in advance of \$139,972 as at January 31, 2021 were part of the February 2, 2021 tranche of financing.

6,742,500 Special Warrants were issued on December 23, 2021, 4,625,000 Special Warrants of the Company issued on January 26, 2022 for a total of 11,467,500 Special Warrants of at a price of \$0.20 per Special Warrant for gross proceeds of \$2,293,510. Each Special Warrant will be deemed exercised for one Common Share upon satisfaction of the conditions contained in the Special Warrant Certificate. The Company paid \$78,820 in finders fees and issued 394,100 finders' warrants, exercisable at \$0.20 convertible into one common share of the Company for two years from the date of issuance.

The Company measured the fair value of the finders' warrants using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of warrants – two years, stock price volatility – 120%, no dividend yield, and a risk-free interest rate yield – 2%.

**Terra Balcanica Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
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**For the year ended January 31, 2023 and thirteen months ended January 31, 2022**

**9. Share Capital (continued)**

**Warrants**

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at January 31, 2023 and January 31, 2022 and changes during the year then ended is as follows:

	Year ended January 31, 2023		Year ended January 31, 2022	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	11,467,500	0.20	-	-
Issued - special warrants	800,000	0.20	11,467,500	0.20
Issued - unit offering	5,000,000	0.15	-	-
Exercised - special warrants	(12,267,500)	0.20	-	-
Warrants outstanding, end of year	<b>5,000,000</b>	<b>0.15</b>	11,467,500	0.20

A summary of the status of the Company's brokers warrants as at January 31, 2023 and January 31, 2022 and changes during the year then ended is as follows:

	Year ended January 31, 2023		Period ended January 31, 2022	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	394,100	0.20	-	-
Issued	19,250	0.20	394,100	0.20
Warrants outstanding, end of year	<b>413,350</b>	<b>0.20</b>	394,100	0.20

As at January 31, 2023, the Company had warrants ad brokers warrants outstanding and exercisable as follows:

Warrants outstanding #	Warrants exercisable #	Exercise price \$	Expiry date
5,000,000	5,000,000	0.15	December 15, 2025
135,100	135,100	0.20	December 23, 2023
259,000	259,000	0.20	January 26, 2024
19,250	19,250	0.20	February 7, 2024
<b>5,413,350</b>	<b>5,413,350</b>		

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended January 31, 2023 and thirteen months ended January 31, 2022

9. Share Capital (continued)

Stock options

On February 4, 2021, the Company adopted a formal Stock Option Plan (the "Option Plan"). Under the Option Plan, the exercise price of each option must not be less than the greater of the closing market price of the underlying securities on (a) the trading day prior to the date of grant and (b) the date of the grant of the stock options. The options can be granted for a maximum term of five years. The maximum number of options that can be issued may not exceed 10% of the issued and outstanding common share capital. The options vest at the discretion of the Board of Directors. The terms of the existing stock options remain in accordance with the stock option plan in place at the time the options were granted.

A summary of the status of the Company's stock options as at January 31, 2023 and January 31, 2022, and changes during the year then ended is as follows:

	Year ended January 31, 2023		Year ended January 31, 2022	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of year	-	-	-	-
Granted	5,995,000	0.20	-	-
Expired/cancelled	(175,000)	0.20	-	-
Options outstanding, end of year	<b>5,820,000</b>	<b>0.20</b>	-	-

As at January 31, 2023, the Company had options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
3,900,000	3,900,000	0.20	June 8, 2027
920,000	920,000	0.20	June 22, 2027
250,000	250,000	0.20	June 22, 2024
500,000	250,000	0.20	June 16, 2025
250,000	250,000	0.10	October 12, 2024
<b>5,820,000</b>	<b>5,570,000</b>	<b>0.20</b>	

On June 8, 2022, the Company granted 3,900,000 incentive stock options to certain directors and corporate secretary. The options have an exercise price of \$0.20 per common share and are exercisable until June 16, 2027. These options granted had a fair value of \$646,777 using the Black Scholes option pricing model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.20; iii) term: 5 years; iv) expected volatility: 120%; v) discount rate: 2.0%.

**9. Share Capital** (continued)

**Stock options** (continued)

On June 22, 2022, the Company announced a voluntary Escrow. In addition to the Canadian Securities Exchange (“CSE”) and British Columbia Securities Exchange (“BCSC”) escrow provisions, the Company has executed further voluntary escrow agreements for an additional 5,430,625 shares with 12-month or 36-month release schedules from key strategic shareholders and close associates. The Company currently has 73,512,223 issued and outstanding common shares, with 34,800,001 shares, or 47.3%, escrowed or voluntarily escrowed with 12-month or 36-month release schedules.

The Company granted 1,345,000 incentive stock options to certain advisors, employees, and consultants. The options are exercisable for \$0.20 per common share for periods ranging from 2 years to 5 years from date of issuance. These options granted had a fair value of \$212,200 using the Black Scholes option pricing model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.20; iii) term: 5 & 2 years; iv) expected volatility: 120%; v) discount rate: 2.0%.

During the year ended January 31, 2023, 175,000 options were cancelled. As a result, the original share-based payments expense of \$29,750 was reversed from reserves and credited to deficit.

The Company has engaged Paradox Public Relations Inc. (“Paradox”) for a 36 month period that began on June 22, 2022 and ends on June 22, 2025 and may be terminated at any time without charge by either party by giving 30 days’ notice in writing. Paradox will provide marketing and investor relation services to the company to increase public awareness. Paradox has been granted 500,000 options, with 125,000 options vesting quarterly for the next year, eligible to be exercised at a price of \$0.20 per common share for a period of 36 months from the date of issuance. Paradox is being paid a monthly fee of \$10,000. These options granted had a fair value of \$71,000 using the Black Scholes option pricing model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.20; iii) term: 3 years; iv) expected volatility: 120%; v) discount rate: 2.0%.

The Company has engaged Crowthorn Capital Corp. (“Crowthorn”) for a 24 month period that began on October 12, 2022 and ends on October 12, 2024 and may be terminated at any time without charge by either party by giving 30 days’ notice in writing. Crowthorn will provide capital market consultancy services to the company. Crowthorn has been granted 250,000 options, which vest immediately, which are eligible to be exercised at a price of \$0.10 per common share for a period of 24 months from the date of issuance. These options granted had a fair value of \$13,300 using the Black Scholes option pricing model with the following inputs: i) exercise price: \$0.10; ii) share price: \$0.09; iii) term: 2 years; iv) expected volatility: 120%; v) discount rate: 2.0%.

**10. Related party payables and transactions**

The Company’s related parties include key management personnel and Directors and companies in which they have control or significant influence over the financial or operating policies. There were no loans to management personnel or Directors, or entities over which they have control or significant influence for the year ended January 31, 2023 and Directors receive no salaries, non-cash benefits, or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on a thirty-day advance notice.

Key management personnel and Directors can participate in the Company’s stock option plan. During the year ended January 31, 2023, 3,900,000 stock options were granted to Directors and corporate secretary with a fair value of \$646,800. No stock options were granted to related parties during the year ended January 31, 2022.

As at January 31, 2023, upon acquisition of Tera, Rockstone Group D.O.O. is wholly held by Aleksandar Ilić, who was the project vendor pursuant to the option agreements on mineral property interests. Mr. Ilić is a current director of the Company. Mr. Ilić was paid \$50,000 on March 4, 2021 for the option of the Kaludra License. (see Note 7) Mr. Ilić is also due another \$50,000 as a finder’s fee for the Ceovishte License once granted by the Serbian Ministry of Energy and Mines within a calendar year following the licence grant. (see Note 7).

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended January 31, 2023 and thirteen months ended January 31, 2022

10. Related party payables and transactions (continued)

- (a) Brandon Bonifacio is a Company Director. Mr. Bonifacio provides the Company with management and administrative services.
- (b) Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services (included within professional fees).
- (c) Kim Oishi is a Company Director. He is a shareholder and has significant influence over Grand Rock Capital Corp. ("Grand Rock Capital") which is a professional services firm. Grand Rock Capital provides the Company with professional services.
- (d) Alex Miskovic is a Company Director and the Company's CEO. He is a shareholder and has significant influence over Geotarget Solutions Inc. ("Geotarget Solutions") which is a geological consulting firm. Geotarget Solutions provides the Company with geological consulting services and CEO services (included within professional fees).
- (e) Catherine Cox is the Company's Corporate Secretary. She provides the Company with Corporate Secretary services (included within consulting fees).

	Transactions Year ended January 31, 2023 \$	Transactions Year ended January 31, 2022 \$	Balances outstanding January 31, 2023 \$	Balances outstanding January 31, 2022 \$
Brandon Bonifacio	63,000	35,000	-	-
Grand Rock Capital	-	35,000	-	-
Geotarget Solutions	150,125	108,512	-	-
Catherine Cox	38,600	50,450	-	-
DBM CPA	107,440	42,260	5,818	24,373
Aleksandar Ilić	-	-	-	22,913
	<b>359,165</b>	<b>271,222</b>	<b>5,818</b>	<b>47,286</b>

11. Income taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	January 31, 2023	January 31, 2022
Loss for the year before income taxes	(2,013,644)	(2,904,497)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	(543,684)	(784,214)
Change in tax resulting from:		
Change in statutory, foreign tax, foreign exchange rates and other	8,196	159,095
Permanent differences	251,489	(7,801)
Change in unrecognized deductible temporary difference	283,999	632,920
<b>Net deferred income tax recovery</b>	<b>-</b>	<b>-</b>

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**Terra Balcanica Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**

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**For the year ended January 31, 2023 and thirteen months ended January 31, 2022**

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**11. Income taxes** (continued)

The significant components of the Company's net deferred income tax asset/(liability) are as follows:

	<b>January 31, 2023</b>	<b>January 31, 2022</b>
Mineral property interests	(90,006)	(45,414)
Share issue costs	28,894	1,445
Property and equipment	-	(4,366)
Lease	-	3,393
Non-capital loss carry forwards	747,124	719,934

As at January 31, 2023, the Company has non-capital loss carry forwards of approximately \$3,608,822 (January 31, 2022 – \$3,484,284) which expire five to twenty years from initial recognition.

Tax attributes are subject to review, and potential adjustment by tax authorities.

**12. Supplemental cash flow information**

The Company did not incur any non-cash investing activities during the year ended January 31, 2023 and January 31, 2022.

During the year ended January 31, 2023, and January 31, 2022 there were no amounts paid on account of interest or income taxes.

**13. Financial risk management**

**Capital management**

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. As at January 31, 2023 the Company's capital structure is comprised of shareholders' equity of \$2,269,702.

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets.



**13. Financial risk management** (continued)

**Financial instruments – fair value**

The Company's financial instruments consist of cash, receivables, accounts payable and accruals..

The carrying value of receivables, accounts payable and accruals, lease liabilities, short-term deposits, due to related parties and advances payable approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statements of financial position are summarized into the following fair value hierarchy levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices).

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

The Company's financial assets and liabilities are carried at amortized cost and belong to Level 2 of the fair value hierarchy. During the year ended January 31, 2023 there were no transfers between the level of fair value hierarchy.

**Financial instruments – risk**

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, and liquidity risk.

**a) Credit risk**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company has minimal receivables exposure as its refundable credits are due from the Serbian government.

**b) Interest rate risk**

The Company is not exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity.

**c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources (Note 1). The Company's contractual cash outflows of its financial liabilities is approximate their carrying values and due within 0 to 12 month as at January 31, 2023 and January 31, 2022.

**d) Currency risk**

As at January 31, 2023 all of the Company's cash was held either in Canadian dollars, Bosnian Mark or Serbian Dinar. The Company incurs expenditures in Canada, Bosnia and Serbia, and as such is exposed to currency risk associated with these costs.

A change in the value of the Bosnian Mark and Serbian Dinar by 10% relative to the Canadian dollar would not have a significant impact on the Company's working capital and net loss for the year ended January 31, 2023 and January 31, 2022.

**14. Purchase price allocation**

As described in Note 1, on March 19, 2021, the Company completed a Transaction which constituted a reverse acquisition.

The Transaction resulted in the shareholders of the Company obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entities.

The Transaction constitutes an RTO of the Company and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As the Company did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of common shares by the Company for the net assets Tera Balkanidka, with the Company as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, the Company is treated as the accounting subsidiary (legal parent) and Tera Balkanidka as the accounting parent (legal subsidiary) in these financial statements. As Tera Balkanidka was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. The Company's results of operations have been included from March 19, 2021.

	<b>March 19, 2021</b>
<b>Net assets (liabilities) of Tera acquired:</b>	<b>\$</b>
Cash	429,925
Accounts receivable	10,000
Advances	1,065,000
Accounts payable	(19,399)
<b>Net assets acquired</b>	<b>1,485,526</b>
<b>Consideration paid for reverse acquisition of the Company:</b>	<b>\$</b>
Common shares issued (27,759,721 fair value price per share \$0.10)	2,775,972
<b>Total consideration paid</b>	<b>2,775,972</b>
<b>Transaction cost</b>	<b>1,290,446</b>

**15. Segment information**

All assets are located in Canada except property and equipment, deposits and mineral property interests for \$1,550,857 (2022 - \$809,853) which is located in Bosnia and \$699,102 (2022 - \$382,355) which is located in Serbia

**16. Events after the reporting period**

On April 4, 2023, the Company announced a non-brokered private placement financing of units for gross proceeds of up to \$1,000,000. The Company will issue up to 11,764,706 units at a price of \$0.085 per unit. Each unit will consist of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.13 for a period of 36 months from the closing date of the private placement.

The Company has closed a first tranche of their non-brokered private placement financing of units for gross proceeds of \$404,650.