

**SERRA ENERGY METALS CORP**

(formerly E79 Resources Corp)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Unaudited – Prepared by Management)**

**For the Six Months Ended October 31, 2023 and 2022**

**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

AS AT

	October 31, 2023 (unaudited)	April 30, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 3,222,556	\$ 4,051,553
Prepaid expenses (Note 6)	40,738	100,282
Amounts receivable	99,564	87,787
Short term loan (Note 8)	-	67,890
	<b>3,362,858</b>	<b>4,307,512</b>
<b>Exploration and evaluation assets (Note 3)</b>	<b>11,058,228</b>	<b>10,934,007</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,421,086</b>	<b>\$ 15,241,519</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 139,003	\$ 357,069
<b>TOTAL LIABILITIES</b>	<b>139,003</b>	<b>357,069</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	23,100,595	23,100,595
Reserves (Note 4)	3,268,024	3,230,002
Deficit	(12,086,536)	(11,446,147)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,282,083</b>	<b>14,884,450</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 14,421,086</b>	<b>\$ 15,241,519</b>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on December 21, 2023:

"Steven Butler"

Steven Butler, Director

"Vince Sorace"

Vince Sorace, Director

**SERRA ENERGY METALS CORP**

(formerly E79 Resources Corp)

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2023	2022	2023	2022
<b>EXPENSES</b>				
General and administrative	\$ 69,024	\$ 32,649	\$ 132,708	\$ 117,274
Foreign exchange loss	8,992	13,919	12,276	26,090
Marketing	19,971	108,975	36,707	236,969
Management fees (Note 6)	152,102	212,916	375,629	479,517
Professional fees	7,589	11,624	13,841	37,632
Transfer agent, regulatory and Travel	15,038	3,940	42,400	54,620
Stock-based compensation (Notes 4 and 6)	(9,859)	168,604	38,022	390,056
	\$ (292,165)	\$ (552,627)	\$ (698,140)	\$ (1,342,158)
<b>Other Items</b>				
Recovery of exploration and evaluation assets	-	-	57,751	-
<b>NET AND COMPREHENSIVE LOSS</b>	\$ (292,165)	(552,627)	(640,389)	\$ (1,342,158)
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>	65,111,145	65,111,145	65,111,145	65,111,145

See accompanying notes to the condensed consolidated interim financial statements.

**SERRA ENERGY METALS CORP**

(formerly E79 Resources Corp)

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	<b>Share capital</b>								
	<b>Number of shares</b>		<b>Amount</b>		<b>Reserves</b>		<b>Deficit</b>		<b>Total</b>
Balance at May 1, 2022	65,111,145	\$	23,100,595	\$	2,613,403	\$	(5,902,799)	\$	19,811,199
Stock-based compensation (Note 4)	-		-		390,056		-		390,056
Loss for the period	-		-		-		(1,342,158)		(1,342,158)
<b>Balance at October 31, 2022</b>	<b>65,111,145</b>	<b>\$</b>	<b>23,100,595</b>	<b>\$</b>	<b>3,003,459</b>	<b>\$</b>	<b>(7,244,957)</b>	<b>\$</b>	<b>18,859,097</b>
Balance at May 1, 2023	65,111,145	\$	23,100,595	\$	3,230,002	\$	(11,446,147)	\$	14,884,450
Stock-based compensation (Note 4)	-		-		38,022		-		38,022
Loss for the period	-		-		-		(640,389)		(640,389)
<b>Balance at October 31, 2023</b>	<b>65,111,145</b>	<b>\$</b>	<b>23,100,595</b>	<b>\$</b>	<b>3,268,024</b>	<b>\$</b>	<b>(12,086,536)</b>	<b>\$</b>	<b>14,282,083</b>

See accompanying notes to the condensed consolidated interim financial statements.

# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

	Six Months Ended	
	October 31, 2023	October 31, 2022
<b>OPERATING ACTIVITIES</b>		
<b>Net loss</b>	\$ (640,389)	\$ (1,342,158)
<b>Non-cash items:</b>		
Conversion of short-term loan to investment in subsidiary	67,890	-
Stock-based compensation	38,022	390,056
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	(11,777)	73,787
Prepaid expenses	59,544	200,615
Accounts payable and accrued liabilities	(211,503)	(189,526)
<b>Net cash flows used in operating activities</b>	<b>(698,213)</b>	<b>(867,226)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(130,784)	(2,069,760)
Deposits	-	44,945
<b>Net cash flows used in investing activities</b>	<b>(130,784)</b>	<b>(2,024,815)</b>
<b>Net decrease in cash</b>	<b>(828,997)</b>	<b>(2,892,041)</b>
<b>Cash, beginning</b>	<b>4,051,553</b>	<b>8,056,541</b>
<b>Cash, ending</b>	<b>\$ 3,222,556</b>	<b>\$ 5,164,500</b>
<b>Supplemental disclosure with respect to cashflows</b>		
Exploration and evaluation asset costs in accounts payable and accrued liabilities	\$ 2,245	\$ 343,526

See accompanying notes to the condensed consolidated interim financial statements.

# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

---

### 1. Nature of operations and going concern

E79 Resources Corp. (the “Company”) was incorporated on September 27, 2018, under the laws of the Province of British Columbia, Canada. On October 18, 2023, the Company changed their name to Serra Energy Metals Corp. The Company is a resource exploration company that is acquiring and exploring mineral properties. The head office, principal address and records office of the Company are located at 907-1030 West Georgia Street, Vancouver BC. The Company’s common shares are traded on the Canadian Securities Exchange under the trading symbol SEEM and on the OTCQB under the symbol ESVNF.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At October 31, 2023, the Company had not yet achieved profitable operations, had accumulated losses of \$12,086,536 (April 30, 2023 - \$11,446,147) since its inception and expects to incur further losses in the development of its property. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management estimates that it has sufficient working capital to continue operations for the next twelve months.

### 2. Basis of preparation

The accounting policies followed by the Company are set out in Note 2 to the audited consolidated financial statements for the year ended April 30, 2023 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments – Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information.” Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

# **SERRA ENERGY METALS CORP**

(formerly E79 Resources Corp)

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

**For the Six Months Ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars)

---

### **2. Basis of preparation (continued)**

The amendments were applied effective May 1, 2023 and did not have a material impact on the Company's condensed consolidated interim financial statements.

#### ***Statement of compliance with International Financial Reporting Standards***

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended April 30, 2023, and the significant accounting policies therein.

#### ***Basis of measurement***

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss, which are stated at their fair values. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting and are presented in Canadian dollars unless otherwise specified.

#### ***Basis of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, E79 Resources Pty. Ltd, E79 Services Pty Ltd., and Green Metals do Brasil Ltda. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

#### ***Use of estimates and judgements***

The preparation of the Company's condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Going concern:  
The assessment of the Company's ability to continue as a going concern and to concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations.



# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

---

### 2. Basis of preparation (continued)

- ii) Economic recoverability and probability of future benefits of exploration and evaluation costs:  
Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project. The carrying value and 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.
  
- iii) Valuation of stock-based compensation:  
The Company uses the Black-Scholes option pricing model for valuation of stock-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.
  
- iv) Income taxes:  
The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, 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. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at October 31, 2023, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

## **SERRA ENERGY METALS CORP**

(formerly E79 Resources Corp)

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

**For the Six Months Ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars)

---

#### **3. Exploration and evaluation assets**

##### **Beaufort Property**

Beaufort is a granted exploration tenement located in the southwest of Victoria approximately 145km west of Melbourne, Australia. It is approximately 48km west of the regional town and historic gold mining center of Ballarat. The license consists of a single contiguous parcel covering 120km<sup>2</sup>.

During the year ended April 30, 2023, the carrying cost of the project was reviewed and it has no current plans to further explore the property, the project was impaired to \$1.

##### **Myrtleford Property**

Myrtleford is a granted exploration license and located in the north-east of Victoria, approximately 290 km northeast of the Victorian capital Melbourne and approximately 40 km south of the Victoria – New South Wales border cities of Albury – Wodonga, Australia. The license consists of a single contiguous parcel covering 418km<sup>2</sup>.

##### **Santa Luz Property**

The Santa Luz Property comprises four mineral tenements covering approximately 8,000 hectares in Bahia state, Brazil. It is located approximately 20km northwest of the city of Santa Luz and 273km from the city of Salvador on the coast of Brazil.

## SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

### Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

#### 3. Exploration and evaluation assets (continued)

	BRAZIL		AUSTRALIA		Total for period ended		Total for period ended		
					October 31, 2023		April 30, 2023		
	Beaufort	Myrtleford	Beaufort	Myrtleford	Beaufort	Myrtleford	Beaufort	Myrtleford	
<b>Property acquisition costs</b>									
Balance, beginning	\$ -	\$ 1	\$ 6,450,700	\$ -	\$ 6,450,701	\$ -	\$ 1,612,675	\$ 6,450,700	\$ 8,063,375
Additions	49,116	-	-	-	49,116	-	-	-	-
<b>Balance, ending</b>	<b>\$ 49,116</b>	<b>\$ 1</b>	<b>\$ 6,450,700</b>	<b>\$ -</b>	<b>\$ 6,499,817</b>	<b>\$ -</b>	<b>\$ 1,612,675</b>	<b>\$ 6,450,700</b>	<b>\$ 8,063,375</b>
<b>Exploration and evaluation costs</b>									
Balance, beginning	\$ -	\$ -	\$ 4,483,305	\$ -	\$ 4,483,305	\$ -	\$ 1,356,305	\$ 2,754,007	\$ 4,110,312
Consulting, management and sub-contractors	12,822	-	28,537	-	41,358	-	28,560	607,930	636,490
Soil sampling and assay	125	-	8,758	-	8,883	-	2,535	109,278	111,813
Geophysics	-	-	-	-	-	-	-	38,108	38,108
Drilling	-	-	536	-	536	-	-	834,928	834,928
Other costs	-	-	24,328	-	24,328	-	(1,373)	139,054	137,682
<b>Balance, ending</b>	<b>\$ 12,947</b>	<b>\$ -</b>	<b>\$ 4,545,464</b>	<b>\$ -</b>	<b>\$ 4,558,411</b>	<b>\$ -</b>	<b>\$ 1,386,027</b>	<b>\$ 4,483,305</b>	<b>\$ 5,869,333</b>
<b>Impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>((2,998,701))</b>	<b>-</b>	<b>(2,998,701)</b>
<b>Total</b>	<b>\$ 62,063</b>	<b>\$ 1</b>	<b>\$ 10,996,164</b>	<b>\$ -</b>	<b>\$ 11,058,228</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 10,934,005</b>	<b>\$ 10,934,007</b>

## SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

### Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

#### 4. Share capital

##### *Authorized share capital*

Unlimited number of common shares without par value (2022 – Unlimited).

##### *Issued share capital*

65,111,145 common shares were issued and outstanding at October 31, 2023 (April 30, 2023 - 65,111,145).

##### *Stock options*

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted, and that the options granted will have an exercise price of not less than market price and an expiry date of not more than ten years from the date of grant.

##### *Stock options*

Stock options transactions are summarized as follows:

	Number of Options	Weighted average exercise price
Outstanding, April 30, 2022	3,775,000	\$ 0.79
Granted	1,250,000	0.50
Expired	(200,000)	0.99
Forfeited	(200,000)	0.99
Outstanding, April 30, 2023	4,625,000	\$ 0.70
Granted	-	-
Forfeited	(350,000)	0.95
Outstanding, October 31, 2023	4,275,000	\$ 0.68

Details of options outstanding as at October 31, 2023 are as follows:

Exercise Price	Expiry Date	Balance, end of period	Exercisable
\$0.75	December 9, 2025	2,950,000	2,950,000
\$0.78	January 29, 2026	75,000	75,000
\$0.50	May 2, 2027	1,250,000	625,000
		4,275,000	3,650,000

At October 31, 2023, the weighted-average remaining contractual life of stock options was 2.52 years (2022 – 3.56 years).

During the six months ended October 31, 2023, the Company recognized total stock-based compensation expense of \$38,022 (2022 - \$390,056).

## SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

### Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

#### 5. Segmented information

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that of acquisition and exploration and evaluation activities in Australia and Brazil. The Company is in the exploration stage and has no reportable segment revenues or operating results.

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

	Australia		Brazil		Total
<b>As at October 31, 2023</b>					
Current assets	\$ 75,192	\$	34,630	\$	109,822
Advances	-		-		-
Exploration and evaluation assets	10,996,165		62,063		11,058,228
	\$ 11,071,357	\$	96,693	\$	11,168,050
<b>As at April 30, 2023</b>					
Current assets	\$ 92,658	\$	-	\$	92,658
Advances	-		-		-
Exploration and evaluation assets	10,934,007		-		10,934,007
	\$ 11,026,665	\$	-	\$	11,026,665

#### 6. Related party transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Key management compensation is as follows:

	Three Months October 31,		Six Months Ended October 31,	
	2023	2022	2023	2022
Management fees	\$ 122,480	\$ 147,812	\$ 259,380	\$ 328,036
Stock based compensation	39,577	187,933	79,399	398,882
	\$ 162,057	\$ 335,745	\$ 338,779	\$ 726,918

As at October 31, 2023, \$Nil (April 30, 2023 - \$30,418) was due to directors of the Company. Amounts owing are non-interest bearing, unsecured and due on demand and are included in accounts payable and accrued liabilities.

As at October 31, 2023, \$9,000 (April 30, 2023 - \$12,500) was included in prepaid expenses to directors of the Company.

#### 7. Financial risk and capital management

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

# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

### 7. Financial risk and capital management (continued)

#### **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 primary exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal. The company's maximum exposure to credit risk is the carrying amount of cash and amounts receivable.

#### **Foreign exchange risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in Australian dollars ("AUD") and Brazilian real ("BRL") while its functional currency is the Canadian dollar ("CAD"). The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Australian dollars:

	As at	
	October 31, 2023	April 30, 2023
Cash	\$ 57,110	\$ 62,040
Amounts Receivables	-	5,684
Accounts payable	(121,832)	(289,446)
	\$ (64,722)	\$ (221,722)

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Brazilian reals:

	As at	
	October 31, 2023	April 30, 2023
Cash	\$ 34,603	\$ -
Accounts payable	-	-
	\$ 34,603	\$ -

Based on the above net exposures, as at October 31, 2023, a 10% change in Australian dollar to the Canadian dollar and Brazilian real to the Canadian dollar would impact the Company's net loss by \$6,500 and \$3,500 respectively (April 30, 2023 - \$22,000 and \$Nil).

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations.

# SERRA ENERGY METALS CORP

(formerly E79 Resources Corp)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

---

### 7. Financial risk and capital management (continued)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can

be no assurance of continued access to significant equity funding. The Company has assessed liquidity risk as low as at October 31, 2023 due to the Company's cash balance.

#### **Market risk**

*The risk that* the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to significant interest or other price risk.

#### **Capital Management**

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the three months ended October 31, 2023.

#### **Fair value**

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities.

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

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

The Company's cash is measured at fair value using level 1 inputs. The fair value of financial instruments recognized at amortized cost approximates their carrying values due to the short-term nature of these investments.

### 8. Short term loan

In June 2023, the Company advanced an amount of \$67,890 to an arms-length party to facilitate the incorporation of a company in Brazil. The loan was interest free, had no terms of repayment and was unsecured. On June 23, 2023, the shares of the Brazilian company were transferred to the Company and the loan converted into equity of the Brazilian company.