CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022. Expressed in Thousands of Canadian Dollars Unless Otherwise Stated

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

Independent auditor's report

To the Shareholders of CoTec Holdings Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CoTec Holdings Corp. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of income and other comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Fair value of equity investments in private companies *Refer to note 3 – Summary of material accounting policies, financial assets and investments, note 4 – Critical accounting estimates and judgments and note 6 – Equity investments to the consolidated financial statements.* As at December 31, 2023, equity investments in private companies amounted to $23.1 million. These investments are measured at fair value through profit or loss (FVTPL). Management exercises significant judgment when determining the fair value of the equity investment in private companies at the end of each reporting period. Management applies the price of recent investment valuation technique where it uses the initial cost of the investment or, where there has been subsequent investment, the price at which a significant amount of new investment into the investee was made, to estimate the enterprise value, but only if deemed to represent fair value and only for a limited period following the date of the relevant transaction. During the year ended December 31, 2023, management used external transactions to support the valuation of the Company's investments into MagIron LLC, Binding Solutions Limited and Ceibo and further considered changes or events subsequent to the relevant transaction that would imply a change in the equity investments' fair value. The valuation of the equity investment in MagIron LLC required significant	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value for the equity investments in private companies, which included the following: – Tested the reasonableness of the discount rate and investees' valuation by (i) inspecting supporting documentation for subsequent financing equity transactions entered into by the investees and third parties and (ii) considering external market data, as applicable. – Tested the reasonableness of the success factor by considering the financial information of the investee to confirm the milestones achieved in the current year. – Professionals with specialized skill and knowledge assisted with evaluating the appropriateness of the methodology applied by management. – Tested the underlying data used by management. – Assessed management judgment in determining the changes or events subsequent to the relevant transaction that would imply a change in the equity investments' fair value by considering the financial information of the investees and external information with respect to

judgment in that the fundraise was supported by existing shareholders based on the valuation determined by MagIron's management by applying the Income Approach. Management considered the uncertainties around the project milestones and applied a success factor in order to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event. Some of the significant unobservable inputs used in the valuation of such equity investments in private companies were discount rate, success factor and investee's valuation used in subsequent equity financing transactions.

We considered this a key audit matter due to the significant judgment applied by management in determining the fair value of the equity investments in private companies, particularly in the use of external transactions to support the valuation of the investee and changes or events subsequent to the relevant transaction that would imply a change in the equity investments' fair value. This led to a high degree of auditor judgment in performing procedures relating to the valuation of the equity investments in private companies. The audit effort involved the use of professionals with specialized skill and knowledge.

economic conditions and events that could affect the investees.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	As at Dec. 31, 2023	As at Dec. 31, 2022
ASSETS		
Current		
Cash and cash equivalents	$ 1,282	$ 239
GST receivable	138	52
Other receivable	15	-
IZ note receivable (Note 8)	323	-
Prepaid expenses	43	51
Total current assets	1,801	341
Non-Current		
BSL investment (Note 6)	6,167	4,078
MagIron investment (Note 6)	14,927	5,156
MagIron warrants (Note 6)	1,002	-
Maginito investment (Note7)	9,623	-
Mkango convertible notes (Note 8)	-	2,525
Ceibo investment (Note 6)	1,984	-
IZ note receivable (Note 8)	-	302
Exploration and evaluation asset	389	-
TOTAL ASSETS	**$ 35,893**	**$ 12,403**
LIABILITIES		
Current		
Trade and other payables	$ 252	$ 360
Accrued liabilities	1,271	1,137
Total current liabilities	1,523	1,497
Non-Current		
Note payable (Note10)	$ 2,426	$ 1,554
Stock-based compensation liability	875	132
TOTAL LIABILITIES	4,824	3,182
EQUITY		
Share capital (Note 5)	106,777	96,619
Contributed surplus	14,322	12,395
Deficit	(90,030)	(99,793)
TOTAL EQUITY	31,069	9,221
TOTAL LIABILITIES AND EQUITY	**$ 35,893**	**$ 12,403**

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) Julian Treger Director ***(signed) Lucio Genovese*** Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	2023	2022
INCOME		
Gain on equity investment (Note 6)	13,081	3,969
Share of loss on equity investment (Note 7)	(82)	-
Gain on convertible notes receivable (Note 8)	1,806	53
EXPENSES		
Professional consulting fees	(641)	(534)
G&A expenses	(2,684)	(1,505)
Share-based compensation (Note 5)	(1,622)	(434)
Operating income	**9,858**	**1,548**
Finance expense (Note 10)	(209)	(28)
Finance income	144	38
Foreign exchange gain (loss)	(30)	(69)
Net finance expense	(95)	(60)
Income tax expense (Note 13)	-	-
Comprehensive income for the year	**$ 9,763**	**$ 1,489**
Net income (loss) per common share (Note 10)		
Basic	$0.18	$0.05
Diluted	$0.18	$0.05

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	Share Capital		Commitment to Issue Shares	Contributed Surplus		Deficit	Total Equity
	Number	**Amount**	**Amount**	**Options**	**Warrants**	**Amount**	**Amount**
Balance – Jan. 1, 2022	**23,058,319**	**$ 90,996**	**$ -**	**$ 10,058**	**$ 149**	**$ (101,282)**	**$ (79)**
Net income for the year	-	-	-	-	-	1,489	**1,489**
Shares issued for cash	12,654,701	6,892	-	-	-	-	**6,892**
Share issue costs	-	(172)	-	-	-	-	**(172)**
Commitment to issue shares (Note 13)	-	-	124	-	-	-	**124**
Issuance of warrants	-	(2,036)	-	-	2,036	-	-
Exercise of warrants	4,040,404	816	-	-	(149)	-	**667**
Equity-settled share-based compensation	-	-	-	302	-	-	**302**
Balance – Dec. 31, 2022	**39,753,424**	**$ 96,495**	**$ 124**	**$ 10,360**	**$ 2,035**	**$ (99,793)**	**$ 9,221**
Balance – Jan. 1, 2023	**39,753,424**	**96,495**	**124**	**10,360**	**2,035**	**(99,793)**	**9,221**
Net income for the year	-	-	-	-	-	9,763	**9,763**
Shares issued for cash	17,473,082	9,255	-	-	-	-	**9,255**
Share issue costs	-	-	-	-	-	-	-
Commitment to issue shares (Note 14)	-	124	(124)	-	-	-	-
Issuance of warrants	-	(1,619)	-	-	1,619	-	-
Exercise of warrants	3,000,000	2,522	-	-	(272)	-	**2,250**
Equity-settled share-based compensation	-	-	-	580	-	-	**580**
Balance – Dec. 31, 2023	**60,226,506**	**$ 106,777**	**$ -**	**$ 10,940**	**$ 3,382**	**$ (90,030)**	**$ 31,069**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Net Income for the year	$ 9,763	$ 1,489
Add items not affecting cash		
Gain on equity investment (Note 6)	(13,081)	(3,969)
Share of loss on equity investment (Note 7)	82	-
Gain on convertible note receivable	(1,806)	(53)
Share-based compensation	1,622	433
Non-cash finance expense & foreign exchange	8	57
Changes in non-cash working capital balances related to operations		
GST receivable	(86)	(35)
Prepaid expenses	8	(4)
Other receivable	(15)	-
Trade and other payables and accrued liabilities	(272)	954
Cash used by operating activities	**(3,777)**	**(1,128)**
INVESTING ACTIVITIES		
Maginito investment (Note 6)	(2,712)	(2,736)
BSL investment (Note 6)	(684)	(2,529)
Ceibo investment (Note 6)	(2,007)	-
Mkango convertible note (Note 8)	(691)	(2,437)
MagIron investment (Note 6)	(922)	-
IZ note receivable (Note 8)	-	(300)
Exploration & Evaluation (Note 9)	(389)	-
Cash used by investing activities	(7,405)	(8,002)
FINANCING ACTIVITIES		
Private placement financing	9,255	7,015
Share issue cost	-	(300)
Warrants exercise	2,250	667
Note payable	720	1,459
Cash from financing activities	12,225	8,969
Net increase (decrease) in cash for the year	**1,043**	**(160)**
Cash and cash equivalents, beginning of year	239	400
Cash and cash equivalents, end of year	**$ 1,282**	**$ 239**

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

1 Corporate Information and Going Concern

CoTec Holdings Corp. (the "Company") was incorporated on December 15, 1986, under the laws of the Province of British Columbia, Canada. Its registered address is Suite 428, 755 Burrard Street, Vancouver, BC, V6Z 1X6, Canada.

On August 12, 2021, the Company announced a change in its business focus. The Company now focuses on investments in disruptive and scalable technology in the mineral extraction industry and, in parallel, acquiring assets to which the technology could be applied. On August 25, 2021, the Company announced the changing of its name from EastCoal Inc. to CoTec Holdings Corp.

The Company has experienced recurring operating losses and has an accumulated deficit of $90,030 as at December 31, 2023 (December 31, 2022: ($99,793)). For the year ended December 31, 2023, the Company used cash in operating activities totaling $3,777 (December 31, 2022: ($1,128)). The Company had cash and cash equivalents of $1,282 (December 31, 2022: $239) and a working capital surplus of $278 as at December 31, 2023 (December 31, 2022: ($1,155)). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company's continued operation is dependent upon its ability to raise additional funding. Although the directors believe that the Company should be able to secure future fundraising as required, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities in the normal course of operations, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2 Basis of Presentation

(a) Statement of Compliance with International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The Company has consistently applied the accounting policies in all periods presented.

(b) Basis of Consolidation

The financial statements include the accounts for the Company and its wholly owned subsidiary, CoTec USA Corp. which was incorporated in May 2022 in order to house the investment in MagIron, as well as 1391621 B.C. Ltd. All intercompany balances and transactions have been eliminated upon consolidation.

These consolidated financial statements are presented in Canadian dollars which is also the parent company's functional currency. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates.

The US and Canadian subsidiaries' functional currency is the Canadian dollar.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the average exchange rates for the period.

(c) Approval of Financial Statements

The Board of Directors approved these consolidated financial statements for issue on April 29, 2023.

3 Summary of Material Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1 Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets measured at fair value.

3.2 Principles of Consolidation and Equity Accounting

The financial statements of the Company consolidate the accounts of CoTec and its 100% wholly owned subsidiaries CoTec USA Corp. ("CoTec USA") and 1391621 B.C. Ltd.. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealized gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the relevant accounting policy.

The principal subsidiaries of the Company and their geographic locations as at December 31, 2023, were as follows:

	Incorporation	Percentage of ownership
CoTec USA Corp.	USA	100%
1391621 B.C. Ltd.	Canada	100%

3.3 Foreign Currency Translation

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, CoTec, 1391621 B.C. Ltd., and the US-based subsidiary, CoTec USA, is the Canadian dollar.

3.4 Financial Assets and Investments

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss ("FVTPL")), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity Investments

As of December 31, 2023, the Company's equity investments are not held for trading and classified to be measured subsequently at FVTPL.

Changes in the fair value of equity investments at FVTPL are recognized in "Gain/(loss) on equity investment" in the statement of profit or loss as applicable.

For any equity investments in private companies, the Company monitors its investments for the following indicators to determine if cost is no longer representative of fair value:

a) a significant change in the performance of the investee compared with budgets, plans or milestones.
b) changes in expectation that the investee's technical product milestones will be achieved.
c) a significant change in the market for the investee's equity or its products or potential products.
d) a significant change in the global economy or the economic environment in which the investee operates.
e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market.
f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy.
g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

The Company will assess the qualitative and quantitative factors of these indicators, placing more emphasis towards independent external transactions in the investee's equity when determining the fair value of its private company equity investments (Note 4).

Convertible Notes

Investments in convertible note instruments are classified as FVTPL. These convertible note instruments are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized as a component of net income (loss) under the classification of gain (loss) on revaluation of investments.

3.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.6 Share Capital

The Company has only one class of shares, common shares, which are classified as equity. These are recorded at the proceeds received less any direct issue costs and related taxes.

3.7 Exploration and Evaluation Asset

Once a license or right to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets. Exploration and evaluation expenditures relate to the evaluation of applying technology to mineral-bearing assets to determine economic viability of a project. The recovery of the carrying amount of exploration and evaluation assets is dependent on the future commercial success of the mineral properties or from proceeds of disposition. The amounts shown for exploration and evaluation assets represent costs incurred to date and not intended to reflect present or future values. The Company assesses impairment indicators in accordance with IFRS 6, and if any are found to exist, then the Company takes the appropriate action to determine if an impairment must be recorded.

3.8 Income Taxes

Current income tax represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

The Company uses the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized when there are differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates in effect in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities as applicable are presented as non-current on the consolidated statement of financial position.

3.9 Income per Share

Income per share is computed based on the weighted average basic number of shares outstanding for the period. Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares are comprised of stock options, and equity incentive units granted to employees, directors and consultants, and warrants.

3.10 Share-Based Payments

Stock Options

The Company's omnibus equity incentive plan (the "Plan") was approved by the Company's shareholders at its annual general and special meeting held October 27, 2022. Under the Plan, the Board of Directors may grant options to directors, officers, employees or consultants with the number of outstanding options at any time limited to a maximum of 10% of the number of issued and outstanding common shares. The vesting periods for individual awards of options are determined at the discretion of the Corporate Governance, Compensation and Nominating Committee.

The fair value of options granted under the Plan on the grant date, is recognized as an employee benefits expense over the vesting period, with a corresponding increase in equity.

Each tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. The total expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Equity Incentive Units

The Company grants equity-incentive units to certain employees and directors. The agreements entitle the other party to receive, at Company's discretion, (i) cash for amounts that are based on the price of equity instruments of the Company; or (ii) equity instruments (common shares) of the Company, provided the specified vesting conditions, if any, are met, The measurement of the equity-incentive units depends on how the arrangement is classified:

- Equity-settled share-based payments – the Company measures the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, the Company estimates the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The fair value of those equity instruments shall be measured at grant date. In an equity-settled transaction, an expense and a corresponding increase in equity are recognized over the vesting period.

- Cash-settled share-based payments – in a cash-settled transaction, an expense and a corresponding liability are recognized over the vesting period. The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

- Choice of settlement (arrangements that provide the Company with a choice of whether the Company settles the transaction in cash or by issuing equity instruments) - the Company shall determine whether it has a present obligation to settle in cash and account for the share-based payment transaction accordingly. The entity has a present obligation to settle in cash if the choice of settlement in equity instruments has no commercial substance (e.g. because the entity is legally prohibited from issuing shares), or the entity has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If the entity has a present obligation to settle in cash, it shall account for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions. If no such obligation exists, the entity shall account for the transaction in accordance with the requirements applying to equity-settled share-based payment transactions.

The fair value of the units is measured using Monte Carlo simulation to determine the expected value of the ending share-price as at the end of the vesting period.

Deferred Share Units

Under the Plan, the Board of Directors may grant Deferred Share Units ("DSU") whereby DSUs are issued to directors as long-term incentive compensation. DSUs issued under the Plan are fully vested upon issuance and entitle the holder to either, at the option of the Company, a settlement in cash or common shares of the Company following cessation of service on the Board of Directors and must be converted by December 31 of the year following the departure from the Board of Directors. The value of the DSUs when converted to common shares will be equal to the number of DSUs granted multiplied by the quoted market value of the Company's common share at the time the conversion takes place. Compensation expense related to DSUs is based on the fair value of the Company's common shares at grant date and is recorded immediately. The manner of settlement of the DSUs is in the control of the Company and the Company has no past practice of settling such awards in cash or stated intent to settle the DSUs in cash, the Company has recorded the DSUs as equity-settled awards.

3.11 Amendments to IAS 1 and IFRS Practice Statement 2, IAS 12

In 2023, there were amendments announced to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies, and IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single

Transaction. These standards and amendments to standards and interpretations did not have a material impact on the financial statement amounts or disclosures.

4 Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Equity Investments in Private Companies

The determination of fair value of the Company's investments at other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Management exercises significant judgement when determining the fair value of the equity investment in private companies at the end of each reporting period by using company-specific information and other inputs that are not based on observable market data. Some of the significant unobservable inputs used in the valuation of such investments are the discount rate, success factor, and investee's valuation used in subsequent equity financing transactions (Note 6).

The fair value of long-term investments and convertible notes receivable may be adjusted if:

a) a significant change in the performance of the investee compared with budgets, plans or milestones.
b) changes in expectation that the investee's technical product milestones will be achieved.
c) a significant change in the market for the investee's equity or its products or potential products.
d) a significant change in the global economy or the economic environment in which the investee operates.
e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market.
f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy.
g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

Adjustments to the fair value of a long-term investment will be based upon management's judgement and any value estimated may not be realized or realizable.

Management applies the price of recent investment valuation technique where it uses the initial cost of the investment, or, where there has been subsequent investment, the price at which a significant amount of new investment into the investee's was made, to estimate the enterprise value, but only if deemed to represent fair value and only for a limited period following the date of the relevant transaction.

During the year ended December 31, 2023, the Company determined that there was sufficient evidence from external transactions in the investees' equity which are indicators that initial cost might no longer be representative of fair value. The Company used these external transactions to support the valuation of the Company's investments into Maginito Limited ("Maginito"), Binding Solutions Limited ("BSL"), and MagIron LLC ("MagIron"). Management also applied a success factor in order to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event for both Maginito and MagIron.

Capitalization of Exploration and Evaluation Expenditures

The application of the Company's accounting policy for capitalization of exploration and evaluation expenditures requires judgement in determining whether the future economic benefit is likely, either through future exploitation or sale, where properties have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain judgements about future events or circumstances, in particular whether an economically viable mine can be established. Judgement is applied in the determination of whether any impairment indicators exist at each reporting date giving consideration to factors including mining title expiration dates, budgeted expenditures, discontinuation of activities in any area, and evaluation of any data which would indicate that the carrying amount of exploration and evaluation assets is not recoverable. If new information becomes available suggesting that the recovery of the carrying amount of exploration and evaluation assets is unlikely, the amount capitalized is written off in the Consolidated Statement of Income/(Loss) in the period when the new information becomes available.

Determination of Control or Significant Influence Over Investees

The assessment of whether the Company has a significant influence or control over an investee requires the application of judgement when assessing factors that could give rise to a significant influence or control. Factors evaluated when making a judgement of control or significant influence over an investee include, but are not limited to, ownership percentage, representation on the board of directors, participation in the policy-making process, material transactions and contractual arrangements between the Company and the investee, interchange of managerial personnel, provision of essential technical information and potential voting rights. In evaluating these factors, the Company determines the level of influence over the investee the Company has. Changes in the Company's assessment of the factors used in determining if control or significant influence exists over an investee would impact the accounting treatment of the investment in the investee.

5 Share Capital

Equity

The Company has unlimited authorized common shares with no par value. Total common shares issued and outstanding as at December 31, 2023, was 60,226,506.

Private Placement

On January 10, 2023, the Company completed a second tranche of a non-brokered private placement that was announced on December 20, 2022 ("December Private Placement"). Pursuant to this closing, the

Company issued a total of 2,651,000 Units at a price of $0.50 per subscription receipt for gross proceeds of $1,326. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.75 for a period of 12 months following the issuance of the Units.

On February 2, 2023, the Company completed a third tranche of a non-brokered private placement that was announced on December 20, 2022 ("December Private Placement"). Pursuant to this closing, the Company issued a total of 5,069,796 Units at a price of $0.50 per subscription receipt for gross proceeds of $2,535. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.75 for a period of 12 months following the issuance of the Units.

On March 1, 2023, the Company announced a non-brokered private placement of up to 7,150,000 Units ("March Private Placement"). On March 9, 2023, the Company closed the March Private Placement, and issued a total of 7,153,210 Units at a price of $0.50 per subscription receipt for gross proceeds of $3,577. The TSX-V allows for an over-subscribed private placement provided it is an immaterial number of shares. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.75 for a period of 12 months following the issuance of the Units.

On November 30, 2023, the Company announced a non-brokered private placement of up to 3,333,333 Units ("December Private Placement"). On December 1, 2023, the Company completed the initial closing of the December Private Placement and issued a total of 1,991,800 Units at a price of $0.75 per subscription receipt for gross proceeds of $1,494. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $1.25 for a period of 12 months following the issuance of the Units.

On December 19, 2023, the Company completed the second and final closing of the December Private Placement and issued a total of 607,276 Units at a price of $0.75 per subscription receipt for gross proceeds of $456. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $1.25 for a period of 12 months following the issuance of the Units.

When the placements are combined, the Corporation issued an aggregate of 17,473,082 Units pursuant to the private placements for gross proceeds of $9,388.

Using the relative fair value method, $1,619 was allocated to Contributed Surplus for the Warrants and $7,760 was allocated to share capital.

Stock Options

Share-based compensation expenses recognized in the Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2023, and December 31, 2022, is as follows:

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

	2023 $	2022 $
Equity incentive units	(793)	6
Stock options	(530)	(225)
Deferred share units	(298)	-
Total	**(1,621)**	**(219)**

The Company's omnibus equity incentive plan (the "Plan") was approved by the Company's shareholders at its annual general and special meeting held October 27, 2022.

Under the Plan, the Board of Directors may grant options, and DSUs to directors, officers, employees or consultants with the number of outstanding options at any time limited to a maximum of 10% of the number of issued and outstanding common shares. The vesting periods for individual awards of options and DSUs are determined at the discretion of the Corporate Governance, Compensation and Nominating Committee.

In connection with the March 2023 private placement, and pursuant to existing agreements with the CEO (refer to Note 9 Related Party Transactions) additional stock options and equity incentive units ("EIUs") were issued. In total, 1,631,906 stock options were granted to the CEO, other officers, management, and employees of the Company during the year, at an exercise price equal to $0.50 per share. The options are valid for 10 years and will vest 1/3 annually over a 3-year period.

In connection with the warrants exercised during November 2023, and pursuant to existing agreements with the CEO (refer to Note 9 Related Party Transactions), 150,000 stock options are allotted to the CEO of the Company pursuant to the Company's 10% rolling stock option plan. The options have an effective grant date of November 27, 2023, and are exercisable for a period of 10 years at an estimated price of $0.75 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period.

In connection with the warrants exercised during November 2023, 210,000 EIUs have been awarded to the CEO of the Company, at a fair value of $0.40 per EIU.

In connection with the December private placement's first close, additional stock options and equity incentive units ("EIUs") were allotted. In total, 99,590 stock options were allotted to the CEO as a result of the December private placement, at an estimated exercise price equal to $0.75 per share. The options are valid for 10 years and will vest 1/3 annually over a 3-year period. In addition, 139,426 EIUs were allotted on December 1, 2023, at a fair value of $0.32 per EIU.

In connection with the December private placement's second close, additional stock options and equity incentive units ("EIUs") were allotted. In total, 30,364 stock options were allotted to the CEO of the Company as a result of the December private placement, at an estimated exercise price equal to $0.75 per share. The options are valid for 10 years and will vest 1/3 annually over a 3-year period. In addition, 42,509 EIUs were allotted on December 19, 2023, at a fair value of $0.40 per EIU.

The weighted average fair value per option granted during the year ended December 31, 2023, was $0.54

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

(December 31, 2022: $0.43). As at December 31, 2023, there was $676 of share-based compensation expense (December 31, 2022: $337) relating to the Company's unvested stock options to be recognized in future periods.

For the year ended December 31, 2023, stock-based compensation expense relating to the vesting of stock options, was $852. A summary of option activity under the Plan during the year ended December 31, 2023, and December 31, 2022, is as follows:

	Number of options #	Weighted average exercise price $
Balance – December 31, 2022	2,455,077	0.41
Granted and allotted	1,911,860	0.54
Exercised	-	-
Expired	(100,000)	0.55
Balance – December 31, 2023	**4,266,937**	**0.46**

The number of options outstanding as at December 31, 2023, is shown in the following table:

Options Outstanding					Options Exercisable
Date of Grant	**Expiry Date**	**Number Outstanding #**	**Exercise Price $**	**Remaining life (years)**	**Number outstanding #**
September 24, 2021	September 24, 2031	1,152,916	0.30	7.73	800,900
October 8, 2021	October 8, 2031	288,229	0.45	7.77	200,225
April 19, 2022	April 19, 2032	711,912	0.55	8.30	237,304
September 7, 2022	September 7, 2032	202,020	0.46	8.69	67,340
April 24, 2023	April 24, 2033	1,631,906	0.50	9.31	-
November 27, 2023	November 27, 2033	150,000	0.75	9.91	-
December 1, 2023	December 1, 2033	99,590	0.75	9.92	-
December 19, 2023	December 19, 2033	30,364	0.75	9.97	-
		4,266,937	**0.47**	**8.62**	**1,305,769**

Warrants

Pursuant to the December 2022 Private Placement, the Company issued 7,720,796 warrants. Each warrant entitles the holder to acquire one common share in the Company at a price of $0.75 per share, for a period of twelve months following the date of issuance. The fair value of the warrants was determined as $277 for the second tranche, and $521 for the third tranche. The fair value of the warrants for the second tranche was calculated using the Black-Scholes options pricing model based on a risk-free annual interest rate of 3.95%, an expected life of 1 year, and expected volatility of approximately 91% based on historical volatility, and a dividend yield of nil. The fair value of the warrants for the third tranche was calculated using the Black-Scholes options pricing model based on a risk-free annual interest rate of 3.79%, an expected life of 1 year, and expected volatility of approximately 93% based on historical volatility, and a dividend yield of nil.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

Pursuant to the March 2023 Private Placement, the Company issued 7,153,210 warrants. Each warrant entitles the holder to acquire one common share in the Company at a price of $0.75 per share, for a period of twelve months following the date of issuance. The fair value of the warrants was determined as $1,114. The fair value of the warrants was calculated using the Black-Scholes options pricing model based on a risk-free annual interest rate of 4.12%, an expected life of 1 year, and expected volatility of approximately 95% based on historical volatility, and a dividend yield of nil.

Pursuant to the private placement completed December 1, 2023, the Company issued 1,991,800 warrants. Each warrant entitles the holder to acquire one common share in the Company at a price of $1.25 per share, for a period of twelve months following the date of issuance. The fair value of the warrants was determined as $72. The fair value of the warrants was calculated using the Black-Scholes options pricing model based on a risk-free annual interest rate of 4.09%, an expected life of 1 year, and expected volatility of approximately 63% based on historical volatility, and a dividend yield of nil.

Pursuant to the private placement completed December 19, 2023, the Company issued 607,276 warrants. Each warrant entitles the holder to acquire one common share in the Company at a price of $1.25 per share, for a period of twelve months following the date of issuance. The fair value of the warrants was determined as $43. The fair value of the warrants was calculated using the Black-Scholes options pricing model based on a risk-free annual interest rate of 4.01%, an expected life of 1 year, and expected volatility of approximately 68% based on historical volatility, and a dividend yield of nil.

Using the relative fair value method, $1,619 was recognized in contributed surplus for all the warrants.

A summary of warrant activity under during the year ended December 31, 2023, and December 31, 2022, is as follows:

	Number of warrants #	**Weighted average exercise price $**
Balance – December 31, 2022	12,904,721	0.75
Issued	17,473,082	0.84
Exercised	(3,000,000)	0.75
Expired	(12,246,593)	0.75
Balance – December 31, 2023	**15,131,210**	**0.85**

The number of warrants outstanding as at December 31, 2023, is shown in the following table:

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

Warrants Outstanding					Warrants Exercisable
Date of Grant	Expiry Date	Number Outstanding #	Exercise Price $	Remaining life (years)	Number outstanding #
April 14, 2022	April 14, 2025	250,020	0.55	1.29	250,020
January 10, 2023	January 10, 2024	2,651,000	0.75	0.03	2,651,000[1]
February 2, 2023	February 2, 2024	2,477,904	0.75	0.09	2,477,904[1]
March 9, 2023	March 9, 2024	7,153,210	0.75	0.19	7,153,210[1]
December 1, 2023	December 1, 2024	1,991,800	1.25	0.92	1,991,800
December 19, 2023	December 19, 2024	607,276	1.25	0.97	607,276
		15,131,210	**0.83**	**0.29**	**15,131,210**

1) These warrants expired unexercised

6 Equity Investments

	Dec. 31, 2023 $	Dec. 31, 2022 $
Balance, beginning of year	9,234	-
Additions	9,664	5,265
Disposals	-	-
Fair value adjustment	14,951	3,478
Foreign exchange	(146)	490
Balance, end of year	**33,703**	**9,234**

MagIron LLC ("MagIron")

The Company entered into an exclusivity agreement with US based MagIron LLC ("MagIron") on January 27, 2022 ("Exclusivity Agreement"). Under the Exclusivity Agreement, CoTec received the exclusive right to negotiate a potential investment in MagIron for a specified period ending on March 31, 2022, subject to an exclusivity payment of USD120,000 ("Exclusivity Payment"). CoTec paid the Exclusivity Payment on January 28, 2022, at an exchange rate of 1.28415, resulting in $154 being capitalized to the balance sheet.

On May 15, 2022, CoTec entered into an agreement to acquire a 15.8% equity interest in MagIron LLC ("MagIron") for USD2.12 million, comprising USD2 million cash contribution ($2.6 million) and the Exclusivity Payment. The transaction completed on May 16, 2022. MagIron is a U.S. based private company that acquired an iron ore project that it intends to refurbish and bring back into production. The investment includes terms customary for an investment of this nature, including Board representation subject to CoTec maintaining a 10% equity interest.

MagIron announced on June 24, 2022, that it had completed a private placement of a USD5 million secured convertible note on June 15, 2022. The convertible note has the right to convert into shares of MagIron for a period of 18 months at a conversion price that reflects a 126% increase in the Company's initial investment. The conversion period has since been extended to December 15, 2025. Given the uncertainties around several project milestones which in turn affect the probability of conversion to equity for the convertible note, CoTec has opted to discount this gain by the interest rate agreed between MagIron and the arm's length third party for the convertible note, which is the 12-month LIBOR rate as at December 31, 2022 (5.5%), plus 5%, or 10.5%, over the 12-month period. Furthermore, CoTec has applied an overall success factor of 70% to this gain, in order to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event. Discounting the gain and applying the success factor yields an overall gain of 80.0%. This gain and any related changes in foreign exchange have been recorded through the statement of income as FVTPL in the amount of $2.419 million.

On February 2, 2023, the Company invested an additional USD200,000, or $268 for 301,932 common shares and 301,932 warrants of MagIron which increased its interest to 16.3% on an undiluted basis. Each warrant entitles the Company to acquire one common share in MagIron at a price of $0.66 per share, for a period of twenty-four months following the date of issuance, or January 31, 2025. The fair value of the warrants were calculated using the Black-Scholes options pricing model based on an exercise price of $0.66 per share, expected life of 2 years, annualized volatility of 150%, and a risk-free rate of 3.76% resulting in a fair value of $0.48.

On April 26, 2023, the Company invested an additional USD101,014 or $138 for 92,878 common shares and 92,878 warrants of MagIron which increased its interest to 16.4% on an undiluted basis. Each warrant entitles the Company to acquire one common share in MagIron at a price of $1.09 per share, for a period of twenty-four months following the date of issuance, or April 25, 2025. The fair value of the warrants were calculated using the Black-Scholes options pricing model based on an exercise price of $1.09 per share, expected life of 2 years, annualized volatility of 153%, and a risk-free rate of 3.62% resulting in a fair value of $0.80.

On June 16, 2023, the Company invested an additional USD120,225 or $159 for 26,383 common shares and 26,383 warrants of MagIron which increased its interest to 16.4% on an undiluted basis. Each warrant entitles the Company to acquire one common share in MagIron at a price of $4.56 per share, for a period of twenty-four months following the date of issuance, or June 14, 2025. The increase in the share price was driven by the valuation determined by MagIron management based on several factors which included a discounted cash flow model of the business, de-risking of the project, and positive flowsheet results from the Natural Resources Research Institute ("NRRI"). The transaction was deemed to represent the imputed fair value of CoTec's investment in MagIron. The fair value of the warrants were calculated using the Black-Scholes options pricing model based on an exercise price of $4.56 per share, expected life of 2 years, annualized volatility of 158%, and a risk-free rate of 4.56% resulting in a fair value of $3.40.

Management applies the price of recent investment valuation technique where it uses the initial cost of the investment or, where there has been subsequent investment, the price at which a significant amount of new investment into the investee was made, to estimate the enterprise value.

The most recent valuation of $4.56 per share represents an increase in the Company's initial investment. Management also considered the uncertainties around the project milestones, and has applied an overall success factor of 50% to this gain, or $2.28 per share to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event. This gain and any related changes in foreign exchange have been recorded through the statement of income as FVTPL in the amount of $10,966.

On September 1, 2023, the Company exercised 181,159 warrants at a cost of USD120,000 or $162 which increased its interest to 16.6% on an undiluted basis.

On October 26, 2023, the Company invested an additional USD72,500, or $100 for 15,910 common shares and 159,100 warrants of MagIron which did not change its interest of 16.6% on an undiluted basis. Each warrant entitles the Company to acquire one common share in MagIron at a price of $4.56 per share, for a period of twenty-four months following the date of issuance, or October 26, 2025. The fair value of the warrants were calculated using the Black-Scholes options pricing model based on an exercise price of $4.56 per share, expected life of 2 years, annualized volatility of 208%, and a risk-free rate of 4.64% resulting in a fair value of $1.85.

On November 14, 2023, the Company invested an additional USD70,000, or $96 for 15,361 common shares and 384,025 warrants of MagIron which did not change its interest of 16.6% on an undiluted basis. Each warrant entitles the Company to acquire one common share in MagIron at a price of $4.56 per share, for a period of twenty-four months following the date of issuance, or November 14, 2025. The fair value of the warrants were calculated using the Black-Scholes options pricing model based on an exercise price of $4.56 per share, expected life of 2 years, annualized volatility of 159%, and a risk-free rate of 4.39% resulting in a fair value of $1.49.

For the twelve months ended December 31, 2023, the change in fair value was $10,052. No changes or events subsequent to the relevant transaction that would imply a change in the investment's fair value were identified.

Further, for the twelve months ended December 31, 2023, the change in fair value of the warrant investments was a $172 loss. No changes or events subsequent to the relevant transaction that would imply a change in the investment's fair value were identified.

Binding Solutions Limited ("BSL") Initial Investment

BSL is a UK based private company governed by the laws of England and Wales that has developed a proprietary cold agglomeration technology for the production of high-quality clean pellets from primary materials, waste dumps, and stockpiles.

Pursuant to the terms of a subscription agreement between the Company and BSL dated December 10, 2021, as amended (the "BSL Subscription Agreement"), the Company agreed to subscribe for a minimum of USD3.0 million and a maximum of USD4.0 million, to be funded in two tranches. as follows:

On April 13, 2022, the Company completed its initial investment of USD2 million, at USD731.50 per share, or approximately 2% of the outstanding shares of BSL.

On February 28, 2023, the Company completed its subsequent investment in BSL in the amount of USD500,000 at USD881.00 per share, which brings total ownership to approximately 3% of the outstanding shares of BSL.

In addition, on April 11, 2022, the Company and BSL entered into an investment agreement ("Investment Agreement") pursuant to which the Company received the exclusive right to apply BSL's pelletization technology to ferroalloy and slag waste projects in Canada, Germany, Austria and the Netherlands for a period of 36 months from the date of the Investment Agreement. Such application would be via one or more joint venture entities that would initially be owned 50/50 by CoTec and BSL and on terms and conditions set out in the Investment Agreement.

Subsequent to the Company's equity investment into BSL on April 14 2022, BSL had received an equity investment from an Asian based corporate group at a valuation of USD1,101.25 per share. On August 4, 2023, BSL received a subsequent equity investment by Australian-based MinRes at a higher valuation of $1,412.64 per share. This valuation represents a 107% increase over the valuation which the Company has agreed for its initial USD2 million in BSL. This gain and any related changes in foreign exchange have been recorded through the statement of income as FVTPL in the amount of $1.413 million for the year ended December 31, 2023. No changes or events subsequent to the relevant transaction that would imply a change in the investment's fair value were identified.

Ceibo Investment

On May 9, 2023, the Company completed a USD1.5 million equity investment into Ceibo Inc., or $2,007. Ceibo, a Delaware private corporation, through its wholly-owned Chilean subsidiary has developed a process to leach low-grade primary copper sulphides, such as chalcopyrite, and copper waste material using a proprietary high throughput inorganic leaching technology.

For the twelve months ended December 31, 2023, there was a $23 loss due to changes in FX recorded through FVTPL with no changes to the equity value. No changes or events subsequent to the initial transaction that would imply a change in the investment's fair value were identified.

7 Investment in Associates – Maginito Investment

On March 16, 2023, the Company completed a GBP1.5 million, or $2,496 equity investment into Maginito, for 10% of Maginito's equity. Maginito is a private company that was established by Mkango Resources Limited ("Mkango") (Note 7), which holds a 79.4% interest in Maginito, to pursue downstream green technology opportunities in the rare earths supply chain, encompassing NdFeB magnet recycling and innovative rare earth alloy, magnet and separation technologies. On September 30, 2023, the Company exercised its option to increase its equity interest in Maginito to 20.6% through the conversion of its Mkango Convertible Loan into Maginito common shares (see Note 7 Notes Receivable).

In connection with the investment, Maginito and CoTec agreed to collaborate on the commercialization of downstream rare earth technologies in the United States and Mkango Rare Earths UK Ltd was transferred to become a 100% subsidiary of Maginito. Maginito and CoTec are evaluating development of recycling, chemical processing, alloy and magnet manufacturing in the United States, with scoping studies and site selection underway in advance of detailed feasibility studies, and ongoing discussions with potential customers and recycling partners.

On August 3, 2023, it was announced that Maginito completed the acquisition of UK rare earth neodymium (NdFeB) magnet recycler, HyProMag Limited ("HyProMag") by increasing its ownership from 42% to 100%. HyProMag has licensed the patented technology called HPMS (Hydrogen Processing of Magnet

Scrap) developed in the Magnetic Materials Group (MMG) at the University of Birmingham.

The Company used this transaction of 100% ownership of HyProMag as a trigger to review the FV of the Maginito investment. Since the Company's initial investment into Maginito, there was a transaction announced on February 13, 2023, to increase Maginito's net ownership in one of HyProMag's subsidiaries, HyProMag GmbH from 80% to 90% via a EUR2.5 million convertible loan (assuming conversion). This transaction was not considered in the valuation when the Company first invested into Maginito as the 100% acquisition was not completed until August 3, 2023. This valuation would imply that the imputed fair value of HyProMag GmbH is EUR25 million. Similar to MagIron, CoTec has applied an overall success factor of 70% to this gain, to reflect the execution risk of deploying the business in Germany. Based on CoTec's initial investment into Maginito, CoTec recorded a gain of $3,366 in the third quarter of 2023. The transaction was deemed to represent the imputed fair value per share of CoTec's investment in Maginito.

On September 29, 2023, the Company funded a cash call proportionate to its ownership stake of 20.6% in Maginito of GBP 130,970, or $216. On September 30, 2023, the Company completed its GBP2 million, or $3,411 equity investment into Maginito by converting the Mkango Convertible Loan which brought its total ownership to approximately 20.6% of the outstanding shares of Maginito. Significant influence was realized through its 20.6% stake in Maginito and board representation. Starting September 30, 2023, the Company accounts for its ownership of Maginito utilizing the equity-method of accounting.

For the twelve months ended December 31, 2023, the Company recognized based on its 20.6% ownership in Maginito, an equity pick-up equivalent to its pro rata share of Maginito's operating loss of $82 for the period between September 30,2023 and December 31, 2023. The carrying value of the Company's 20.6% investment in Maginito as December 31,2023 is $9,623.

8 Notes Receivable

On June 19, 2022 the Company entered into a convertible loan agreement with Mkango Resources, Ltd. ("Mkango"), for an amount of U.K Pound Sterling ("GBP") GBP500,000 or $781 ("Mkango Loan 1"). Mkango is a public company that trades on the TSX-V under MKA, and also trades on the LSE under MKA.L. Mkango's principal business is rare earth element and associated minerals exploration and development. The loan carries an interest rate of 5% per annum compounded annually, and the full amount of the principal and interest is due and payable on June 30, 2024. At any time prior to the maturity date, the Company has the right to convert all or any part of the principal sum and accrued interest ("Mkango Conversion Amount") into Mkango common shares ("Mkango Conversion Shares"). The conversion price in respect of the Mkango Loan is GBP0.27 per Mkango common share ("Mkango Principal Conversion Price"). The conversion price in respect of the accrued interest, is the higher of the Mkango Principal Conversion Price, and the closing price of Mkango shares on the TSX-V on the date immediately preceding the date of the conversion notice.

On September 6, 2022, the Company entered into a second convertible loan agreement with Mkango, for an amount of GBP500,000 or $766 ("Mkango Loan 2"). The loan carries the same terms and conditions as the Mkango Loan 1.

On October 27, 2022, the Company entered in a third convertible loan agreement with Mkango, for an amount of GBP222,500, or $354 ("Mkango Loan 3"). The loan carries the same terms and conditions as the Mkango Loan 1 and 2.

On December 28, 2022, the Company entered into a fourth convertible loan agreement with Mkango, for an amount of GBP325,000, or $537 ("Mkango Loan 4"). The loan carries the same terms and conditions as the Mkango Loan 1, 2, and 3.

On February 1, 2023, the Company completed the remaining investment into Mkango by investing GBP452,500 to complete the GBP2 million convertible loan into Mkango ("Mkango Convertible Loan"). The Mkango Loans 1, 2, 3, and 4 were immediately retired upon the final payment and contributed towards the GBP2 million convertible loan less any applicable interest earned to-date. The Mkango Convertible Loan was a 2-year convertible loan, bearing 5% interest compounded annually, and is secured over the shares held by Mkango in Maginito and the terms supersede all previous convertible notes issued by Mkango to the Company.

The principal amount of GBP2 million (the "Principal Amount") may be converted at GBP0.27 per Mkango share with interest to be converted at the higher of GBP0.27 per Mkango Share and the price of the Mkango Shares at the time of conversion. The conversion price is subject to customary anti-dilution adjustments.

On May 17, 2023, CoTec notified Mkango and Maginito of its intention to convert the Principal Amount and interest into Maginito Shares giving it an effective interest, post conversion, of 20.6% of Maginito ("CoTec Maginito Conversion Right").

Given that the Mkango Loans' principal were credited towards the Mkango Convertible Loan of GBP2 million, mark-to-mark gains and losses for the fair value of the convertible note and any applicable movements in foreign exchange have been recorded upon retiring the Mkango Loans for the twelve months ended December 31, 2023 as follows:

- The Mkango Loan 1 had a fair value revaluation gain of $105 and accrued interest of $23.
- The Mkango Loan 2 had a fair value revaluation loss of $16 and accrued interest of $16.
- The Mkango Loan 3 had a fair value revaluation loss of $21 and accrued interest of $5.
- The Mkango Loan 4 had a fair value revaluation loss of $15 and accrued interest of $3.

On September 30th, 2023, the company converted its Mkango Convertible Loan and accrued interest of GBP2.066 million into Maginito equity (Note 6).

For the twelve months ended December 31, 2023, the Mkango Convertible Loan had a fair value gain of $1,732, which is primarily due to the underlying increase in Maginito equity valuation.

On November 22, 2022, the Company entered into a $300 bridge loan ("Bridge Loan") to International Zeolite Corp. ("IZ"). The Bridge Loan is secured by a first ranking charge in favour of CoTec over all of IZ's assets. IZ is a public company that engages in the exploration, development, production and distribution of the natural industrial mineral zeolite, and trades on the TSX-V under IZ. The Bridge Loan bears interest at 7% per annum as is repayable on the earlier of November 21, 2024, or change of control of IZ. As at December 31, 2023, the Bridge Loan has accrued interest of $23.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

9 Exploration and Evaluation

Lac Jeannine Project

On August 9, 2023, the Company entered into an option agreement to acquire 31 mining claims forming the Lac Jeannine Property located in the Cote-Nord region of Quebec, Canada. The Company has also made the first payment of US$40,000 as per the option agreement announced.

As of December 31, 2023, the Company has incurred $389 in expenditures on the Lac Jeannine Project with no indicators of impairment.

10 Related Party Transactions

Compensation of Key Management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has identified the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Board Chairman as its key management personnel. The remuneration of key management is determined by the compensation committee of the Board of Directors. The consulting fees and other compensation of key management personnel were as follows for the nine months ended December 31, 2023, and December 31, 2022:

	Dec. 31, 2023 **$**	**Dec. 31, 2022** **$**
Short-term salaries and benefits	(1,391)	(970)
Share-based compensation	(530)	(339)
Total	**(1,921)**	**(1,309)**

Short-term salaries, fees and benefits comprise $1,391 of paid accrued salaries for the CEO, CFO, and COO.

Other Related Party Transactions

As at December 31, 2023, a total of $2 was payable to a Director and an Officer for expenses paid on behalf of the Company which is included in trade and other payables. No agreed terms were stipulated for the $2 payable. $575 was accrued for salaries for both the CEO and CFO which is included in accrued liabilities.

On June 29, 2022, the Company entered into an unsecured loan agreement with Kings Chapel International Ltd. ("Kings Chapel") for an amount of GBP500,000 or $781 ("Kings Chapel Loan 1"). The purpose of the Kings Chapel Loan 1 was to fund the Mkango Loan. Kings Chapel is associated with the Company's CEO, Julian Treger. The Kings Chapel Loan bears interest of 5% per year compounded annually and shall be due and payable on the maturity date, June 29, 2024. This financial liability has been classified and measured at amortized cost. 50% of the loan principal was repaid on January 11, 2023, and the remaining 50% was repaid on February 2, 2023. The remaining GBP14,110 in accrued interest was repaid on December 4, 2023.

On September 6, 2022, the Company entered into a second unsecured loan agreement with Kings Chapel for an amount of GBP250,000 or $378 ("Kings Chapel Loan 2"). The purpose of the Kings Chapel Loan 2 was to partly fund Mkango Loan 2. The Kings Chapel Loan 2 carries the same terms as the Kings Chapel Loan 1 ("Kings Chapel Loans"). 50% of the loan principal was repaid on January 11, 2023, and the remaining 50% was repaid on February 2, 2023. The remaining GBP4,692 in accrued interest was repaid on December 4, 2023.

On November 23, 2022, the Company entered into a third unsecured loan agreement with Kings Chapel for an amount of $300 ("Kings Chapel Loan 3"). The purpose of the Kings Chapel Loan 3 was to fund the IZ Bridge Loan. The Kings Chapel Loan 3 carries the same terms as the Kings Chapel Loan 1 and 2 ("Kings Chapel Loans"). 100% of the loan principal was repaid on February 1, 2023. The remaining $4 in accrued interest was repaid on December 4, 2023.

On February 28, 2023, the Company entered into a fourth unsecured loan agreement with Kings Chapel for an amount of $475 ("Kings Chapel Loan 4"). The purpose of the Kings Chapel Loan 4 was to fund the MagIron additional investment. The Kings Chapel Loan 4 carries the same terms as the Kings Chapel Loan 1, 2, and 3, except that the Kings Chapel Loan 4 matures on March 1, 2025. 100% of the loan and interest was repaid on December 4, 2023.

On May 3, 2023, the Company entered into a fifth unsecured loan agreement with Kings Chapel for an amount of USD1,500,000 or $2,026 ("Kings Chapel Loan 5"). The purpose of the Kings Chapel Loan 5 was to fund the Ceibo investment. The Kings Chapel Loan 5 bears interest of 10% per year compounded annually, and has a maturity date of May 4, 2025. 25% of the loan principal was repaid on December 4, 2023, and 50% of the loan principal was repaid on December 21, 2023. For the year ended December 31, 2023, $126 was incurred for accrued interest.

On June 15, 2023, the Company entered into a sixth unsecured loan agreement with Kings Chapel for an amount of USD120,000 or $159 ("Kings Chapel Loan 6"). The purpose of the Kings Chapel Loan 6 was to fund the additional investment in MagIron. The Kings Chapel Loan 6 bears interest of 10% per year compounded annually, and has a maturity date of June 15, 2025. For the year ended December 31, 2023, $9 was incurred for accrued interest.

On July 20, 2023, the Company entered into a loan note of USD1.2 million with Kings Chapel ("Kings Chapel Loan Facility") to fund general working capital requirements. The loan note attracts interest at 10% per annum, is unsecured and is repayable on the earlier of the date on which the Company receives gross proceeds from equity financing transactions of at least $5 million and July 20, 2025. The loan will be drawn down in tranches.

On July 24, 2023, the Company drew down on its Kings Chapel Loan Facility in the amount of USD300,000 or $395. On August 31, 2023, the Company drew down on its Kings Chapel Loan Facility in the amount of USD300,000 or $395. On September 15, 2023, the Company drew down on its Kings Chapel Loan Facility in the amount of USD200,000 or $271. On October 10, 2023, the Company drew down on its Kings Chapel Loan Facility in the amount of USD200,000 or $272. On October 19, 2023, the Company drew down on its Kings Chapel Loan Facility in the amount of USD200,000 or $274. For the year ended December 31, 2023, $50 was incurred for accrued interest for the Kings Chapel Loan Facility.

On August 11, 2021, 2,305,831 EIUs were granted to the CEO of the Company. Each EIU is equivalent in value to one common share of the Company, and will vest on the earlier of i) August 30, 2024, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least $0.50 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the EIUs vest in accordance with the aforementioned conditions, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these EIUs will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. In order to measure the fair value of the EIUs awarded on August 11, 2021, management used Monte Carlo simulation to determine the expected value based on the ending share prices as at the Vesting Date. The fair value of the EIU as at the grant date of $153. The expense will be recognized during the vesting period. For the year ended December 31, 2023, an expense in the amount of $50 has been recognized.

During April 2022, EIUs in the amount of 7% of the new common shares issued, or 797,342 EIUs, for the private placement in connection with the transition to the TSX-V, have been awarded to the CEO on the date the Company listed on the TSX-V. The agreement for the EIUs in the amount of 7% of the new common shares issued stipulate the same vesting conditions and settlement via cash payment as the EIUs awarded on August 11, 2021, however settlement via Common Shares will not be issued from Treasury but rather would be purchased by or on behalf of the Company over the facilities of the primary stock exchange on which the Common Shares are listed. Thus, these EIUs will be treated as a liability-classified award, with any changes in fair value to be reflected as share-based compensation expense.

Pursuant to the compensation agreements with the CEO, the Company has awarded to the CEO additional EIUs equal to 7% of the common shares issued or issuable pursuant to financing transactions on each closing date of such transactions from November 27, 2023 until December 31, 2025.

The Company has also awarded to the CEO additional stock options equal to 5% of the common shares issued or issuable pursuant to financing transactions on each closing date of such transactions from November 27, 2023 until December 31, 2025.

Following the listing of the Company on the TSX-V during April 2022, the Company issued the Chairman EIUs equal to 1.75% of the number of Common Shares issued, or 199,335 EIUs, pursuant to the Financing. The EIUs will vest and be settled on the earlier of (i) September 30, 2024, provided that the 30-day volume weighted average trading price of the Common Shares as of that date on the principal stock exchange on which they are then traded is at least $0.50 and (ii) the date on which the Company completes a change of control transaction, provided in either case that the Chairman continues to be a member of the Board as of the vesting date. Subject to vesting, the Company will, no later than 10 days after the vesting date in respect of every Unit, deliver to the Chairman, in its discretion, either (i) one Common Share (which will not be issued from treasury but rather would be purchased by or on behalf of the Company over the facilities of the primary stock exchange on which the Common Shares are listed) or (ii) a cash payment equal to the volume weighted average closing price of the Common Shares on the primary stock exchange on which the Common Shares are then listed for the five trading days immediately preceding the vesting date or, if the Common Shares are not listed and posted for trading on any stock exchange, the fair market value of the Common Shares as determined by the board of directors of the Company in its sole discretion. These EIUs will be treated as a liability-classified award, with any changes in fair value to be reflected as share-based compensation expense.

The fair value of the 996,677 EIUs awarded to the CEO and Chairman during April 2022 was determined as $565 as at December 31, 2023. The fair value of the EIUs was calculated using Monte Carlo simulation with an expected volatility of approximately 66% based on historical volatility. This was determined by using Monte Carlo simulation to estimate the expected value by averaging the ending stock prices as at the Vesting Date over 10,000 simulations as at December 31, 2023. For the year ended December 31, 2023, $282 was added to the non-current liability and recorded as share-based compensation expense for the vesting of these EIUs and any changes in fair value.

On November 27, 2023 210,000 EIUs were granted to the CEO of the Company. Each EIU is equivalent in value to one common share of the Company, and will vest on the earlier of i) December 31, 2025, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least $1.10 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the EIUs vest in accordance with the aforementioned conditions, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these EIUs will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. In order to measure the fair value of the EIUs awarded on November 27, 2023 management used Monte Carlo simulation to determine the expected value based on the ending share prices as at the Vesting Date. The fair value of the EIU as at the grant date of $84. The expense will be recognized during the vesting period. For the year ended December 31, 2023, an expense in the amount of $3 has been recognized.

On December 1, 2023 139,426 EIUs were granted to the CEO of the Company. Each EIU is equivalent in value to one common share of the Company, and will vest on the earlier of i) December 31, 2025, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least $1.10 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the EIUs vest in accordance with the aforementioned conditions, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these EIUs will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. In order to measure the fair value of the EIUs awarded on December 1,2023 management used Monte Carlo simulation to determine the expected value based on the ending share prices as at the Vesting Date. The fair value of the EIU as at the grant date of $44. The expense will be recognized during the vesting period. For the year ended December 31, 2023, an expense in the amount of $2 has been recognized.

On December 19, 2023 42,509 EIUs were granted to the CEO of the Company. Each EIU is equivalent in value to one common share of the Company, and will vest on the earlier of i) December 31, 2025, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least $1.10 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the EIUs vest in accordance with the aforementioned conditions, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these EIUs will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. In order to measure the fair value of the EIUs awarded on December 19, 2023 management used Monte Carlo simulation to determine the expected value based on the ending share prices as at the Vesting Date. The fair value of the EIU as at the grant date of $17. The expense will be recognized during the vesting period. For the year ended December 31, 2023, an expense in the amount of $0 has been recognized.

The Company granted the CEO options in the amount of 569,530 on the date on which the Company listed on the TSX-V so that, as of that date, he held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an exercise price of $0.55, being the closing price of the trading day following the date on which the shares were re-listed on the TSX-V, a term of 10 years and will be subject to vesting over three years, using a graded vesting approach applied for accounting purposes with 1/3 of each option grant vesting each year subject to their continued employment with or engagement by the Company.

In connection with the warrants exercised in September 2022, 202,020 stock options have been granted to the CEO of the Company pursuant to the Company's 10% rolling stock option plan so that, as of that date, he held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an effective grant date of September 7, 2022 and are exercisable for a period of 10 years at a price of $0.46 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period.

In connection with the December Private Placement and March Private Placement, 806,905 stock options have been granted to the CEO of the Company on April 24, 2023 pursuant to the Company's 10% rolling stock option plan so that, as of that date, he held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options are exercisable for a period of 10 years, at a share price of $0.50 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $99 was recorded as an expense during the year ended December 31, 2023.

In connection with the warrants exercised in September 2022, 282,828 EIUs have been awarded to the CEO of the Company so, as of that date, they held EIUs equal to 7% of the number of Common Shares issued. The fair value of the EIUs was calculated using Monte Carlo simulation. The fair value of the 282,828 EIUs awarded to the CEO was determined to be $99 as at September 7, 2022 using an expected volatility of approximately 113% based on historical volatility over 10,000 simulations. As at December 31, 2023, the fair value of the EIUs was calculated using Monte Carlo simulation using an expected volatility of approximately 66% based on historical volatility to estimate the expected value by averaging the ending stock prices as at the Vesting Date over 10,000 simulations. For the year ended December 31, 2023, $86 was added to the non-current liability and recorded as share-based compensation expense for the vesting of these EIUs and any changes in fair value.

In connection with the December Private Placement and March Private Placement, 1,129,668 EIUs were awarded to the CEO of the Company. The fair value of the 1,129,668 EIUs awarded to the CEO was determined to be $725 as at December 31, 2023 using an expected volatility of approximately 66% based on historical volatility over 10,000 simulations. For the year ended December 31, 2023, $371 was added to the non-current liability and recorded as share-based compensation expense for the vesting of these EIUs and any changes in fair value.

The Company granted the Chairman options in the amount of 142,382 on the date on which the Company was listed on the TSX-V so that, as of that date, he held options to purchase a total number of Common Shares equal to 1.25% of the Company's issued and outstanding Common Shares. The options have an exercise price of $0.55, being the closing price of the trading day following the date on which the shares were re-listed on the TSX-V, a term of 10 years and will be subject to vesting over three years, using a graded vesting approach applied for accounting purposes with 1/3 of each option grant vesting each year subject to their continued employment with or engagement by the Company.

On April 24, 2023, the Company granted an aggregate of 825,000 stock options to the COO, CFO, and other management of the Company pursuant to the Company's 10% rolling stock option plan. The options are exercisable for a period of 10 years, at a share price of $0.55 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $147 was recorded as an expense during the year ended December 31, 2023.

On November 27, 2023, the Company allotted an aggregate of 150,000 stock options to the CEO of the Company pursuant to the Company's 10% rolling stock option plan so that, as of that date, they held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an effective grant date of November 27, 2023 and are exercisable for a period of 10 years, at a share price of $0.75 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $5 was recorded as an expense during the year ended December 31, 2023.

On December 1, 2023, the Company allotted an aggregate of 99,590 stock options to the CEO of the Company pursuant to the Company's 10% rolling stock option plan so that, as of that date, they held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an effective grant date of December 1, 2023 and are exercisable for a period of 10 years, at a share price of $0.75 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $2 was recorded as an expense during the year ended December 31, 2023.

On December 19, 2023, the Company allotted an aggregate of 30,364 stock options to the CEO of the Company pursuant to the Company's 10% rolling stock option plan so that, as of that date, they held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an effective grant date of December 19, 2023 and are exercisable for a period of 10 years, at a share price of $0.75 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $0 was recorded as an expense during the year ended December 31, 2023.

On April 14, 2022, the Company awarded the CEO a cash bonus of $200 subject to the Company being listed on the TSX-V. An accrual of $200 related to the aforementioned bonus is included in accrued liabilities as at December 31, 2023.

On April 14, 2022, the Company awarded the Chairman a cash bonus of $50 subject to the Company being listed on the TSX-V. An accrual of $50 related to the aforementioned bonus is included in accrued liabilities as at December 31, 2023.

11 Fair Value Measurements of Financial Instruments

The categories of fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted in active markets for identical assets or liabilities;

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

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

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

The levels in the fair value hierarchy into which our financial assets and liabilities that are measured and recognized in the consolidated statements of financial position at fair value on a recurring basis were categorized as follows:

	Fair value at December 31, 2023			
	Level 1	**Level 2**	**Level 3(1)**	**Total**
Equity securities	-	-	23,078	23,078
MagIron warrants	-	-	1,002	1,002
Balance, end of year	**-**	**-**	**24,080**	**24,080**

(1) Equity securities and warrants of MagIron are included in Level 3 as the basis of valuation do not have regular market pricing, but whose fair value can be determined based on a combination of evidence from an external arm's length transaction associated with the investee's equity, as well as certain assumptions used in the calculation of the fair value are not based on observable market data. Equity securities of BSL are included in Level 3 as the basis of valuation do not have a regular market pricing, but whose fair value can be determined based on evidence from external transactions in the investee's equity. Equity securities of Ceibo Investments are included in Level 3 as the basis of valuation do not have a regular market pricing, but whose fair value can be determined based on evidence from external transactions in the investee's equity.

The carrying value of cash, receivables, and accounts payable approximates fair value due to the short-term nature of the financial instruments. During the year ended December 31, 2023, no amounts were transferred between Levels.

Sensitivity Analysis for Recurring Fair Value Measurements Categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favourable and unfavourable changes in fair value of financial instruments which are affected by the unobservable parameters, by varying input parameters to showcase step-changes in fair value. When the fair value is affected by more than two input parameters, the amounts represent the most favourable or unfavourable.

The results of the sensitivity analysis for effect on profit or loss (before tax) from changes in inputs for the major financial instruments which are categorized within Level 3 and subject to sensitivity analysis are as follows:

	Favourable changes ($)		**Unfavourable changes ($)**	
	Profit or loss	Equity	Profit or loss	Equity
Financial assets at FVTPL	3,296	3,296	(3,296)	(3,296)

For equity investments, changes in their fair value are calculated by considering changes in equity revaluation (10% increase/decrease), and changes in the MagIron success factor (10% increase/decrease).

12 Income Per Share

The calculations of basic and diluted income per share are based on the following:

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

	2023	2022
Net income attributable to equity holders of CoTec	**$ 9,763**	**$ 1,489**
Weighted average number of common shares issued	53,235	32,496
Adjustments for dilutive instruments:		
Stock options	971	401
Warrants	16	-
EIUs	348	-
Diluted weighted average number of shares outstanding	54,570	32,897
Basic net income per share	**$0.18**	$0.05
Diluted net income per share	**$0.18**	$0.05

13 Income Tax

Income tax expense differs from the amount that would result from applying the Canadian Federal and Provincial income tax rates to earnings before income taxes. These differences result from the following items:

	For the years ended 2023	2022
Income (loss) before tax	9,763	1,489
Statutory rate	27.00%	27.00%
Expected income tax recovery (expense)	2,636	402
Increase (decrease) due to:		
Tax rate differences for capital items	(2,113)	(535)
Non-deductible items for tax purposes	438	117
Losses for which no tax benefit had been recorded	(961)	16
Tax expense (recovery)	**$ -**	**$ -**

Tax rate differences for capital items relate to the non-deductible portion of the fair value adjustments to equity investments and related foreign exchange. The components of the deferred tax assets and liabilities are as follows:

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

	2023	2022
Deferred tax assets:		
Capital losses	2,649	543
Deferred tax liabilities:		
Investments	2,649	543
Deferred tax liabilities (net)	**$ -**	**$ -**

The components of temporary differences for which no deferred tax assets have been recognized are as follows:

	2023	2022
Exploration and evaluation assets	3,621	3,621
Share issue costs	-	138
Other	10	76
	$ 3,631	**$ 3,835**

The Company has capital losses for which no tax benefit has been recorded of $57,662. As at December 31, 2023, the Company has available non-capital tax losses for Canadian income tax purposes of $16,172 expiring between 2030 and 2043.

14 Commitments

HyProMag USA Cash Call

In connection with the HyProMag USA JV LLC which was incorporated on January 2, 2024, USD119,276 must be paid in January 2024 to reimburse Maginito for expenses incurred on behalf of the JV. This is in accordance with existing agremeents with Maginito which stipulate that CoTec must fund the capital for the HyProMag USA JV.

Stock Options and EIUs

In connection with the non-brokered December Private Placement and November warrant exercise, 5,599,076 shares were issued as part of the initial closing. As part of the existing agreements with the CEO, there is a commitment to issue 7% of the new common shares issued as EIUs, or 391,935 EIUs, and 5% of the new common shares issued as stock options, or 279,954 stock options. Refer to 'Related Party Transactions' and 'Subsequent Events' for further details.

15 Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, currency risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables and the Company's investments in convertible notes. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions as determined by credit rating agencies. Receivables mainly consist of interest receivable from its cashable guaranteed investment certificate ("GIC").

Currency risk

The Company's operations are in Canada, the United States, and the United Kingdom. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency. The Company's operating expenses are incurred primarily in Canadian dollars, its assets in British Pounds, and its liabilities are denominated primarily in Canadian dollars, or US dollars. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. As of December 31, 2023, the Company held cash in Canadian and US Dollars, therefore would incur some currency risk in its position. If the CAD/USD FX rate increased/decreased by +/-10%, then the resulting change in USD cash balance would increase/decrease by $109/($109). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, and short-term debt to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity. The note payable is an unsecured promissory note. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company will need additional capital in the future to finance ongoing expenses, such capital to be derived from the exercise of outstanding stock options, and, or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, and underlying success of its investments. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings which are subject to risks around the Company being able to operate as a going concern (see Note 1)

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of iron ore, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company's marketable securities amounting to $22,096 are subject to fair value fluctuations.

16 Subsequent Events

Warrant Exercise

On February 15, 2024, the Company received $975, from the exercise of 1.3 million warrants at $0.75.

Deferred Share Units and Stock Options

On February 20, 2024, the Company announced the granting of an aggregate of 333,335 deferred share units to non-executive directors of the Board of Directors ("Board"). Furthermore, the Company granted an aggregate 730,000 incentive stock options (the "Options") to an officer, management and employees of the Company. The Options vest over a three (3) year term, are exercisable at $0.75 per share, being the higher of the closing share price on the day preceding the award and the price of the latest fundraise and are valid for a ten-year period. The Options have been granted under and are governed by the terms of the Company's Omnibus Equity Incentive Plan and are subject to the policies of the TSX Venture Exchange.

Deferred Share Units

On March 6, 2024, the Company announced the granting of 66,667 deferred share units ("DSU's") to a non-executive director of the Company.

Private Placement

On April 17, 2024, the Company announced a non-brokered private placement of up to 6,000,000 Units ("April Private Placement"). On April 25, 2024, the Company completed the initial closing of the April Private Placement and issued a total of 4,141,025 Units at a price of C$0.50 per subscription receipt for gross proceeds of $2,070. Each Unit consists of one common share in the capital of the Company, and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of C$1.05 for a period of 12 months following the issuance of the Units.