ZACAPA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended December 31, 2022, and 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Zacapa Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Zacapa Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has not generated revenues, incurred a net loss of $12,058,834 at December 31, 2022, and had a working capital deficit of $619,869. The Company is currently unable to self finance operations, has limited resources, had no source of operating cash flow, and has no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets and to maintain operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Mineral properties

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's mineral properties was $2,025,470 as of December 31, 2022. As more fully described in Note 2 to the consolidated financial statements, management assesses mineral properties for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the mineral properties is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the mineral properties, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the mineral properties.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the mineral properties for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the mineral properties through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the mineral properties are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Grant P. Block.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

May 1, 2023

ZACAPA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(Expressed in Canadian Dollars)

		December 31, 2022		December 31, 2021
ASSETS				
Current				
Cash	$	46,509	$	4,107,162
Cash held in escrow from subscription receipts (Note 5)		-		830,000
Restricted cash (Note 10)		40,000		30,000
Amounts receivable		13,005		21,816
Prepaid expenses (Note 11)		95,370		904,227
		194,884		5,893,205
Non-Current				
Reclamation bond (Note 10)		14,168		320,753
Mineral properties (Note 4)		2,025,470		2,513,782
		2,039,638		2,834,535
TOTAL ASSETS	**$**	**2,234,522**	**$**	**8,727,740**
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 6, 7)	$	814,753	$	513,332
Subscription receipts held for investors (Note 5)		-		830,000
Total current liabilities		**814,753**		**1,343,332**
EQUITY				
Share capital (Note 5)		14,230,612		11,274,395
Reserves (Note 5)		2,828,825		-
Accumulated other comprehensive income (loss)		302,604		(6,549)
Deficit		(15,942,272)		(3,883,438)
Total equity		**1,419,769**		**7,384,408**
TOTAL LIABILITIES AND EQUITY	**$**	**2,234,522**	**$**	**8,727,740**

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

On behalf of the Board of Directors on May 1, 2023:

(signed) “Jay Sujir” Director (signed) “Ian Slater” Director

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

ZACAPA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2022, and 2021
(Expressed in Canadian Dollars)

	2022	2021
Expenses		
Exploration (Note 4)	$ 6,142,635	$ 2,393,342
Foreign exchange (gain) loss	71,482	(22,941)
General and administration (Note 7)	519,383	289,459
Investor relations and advertising	1,212,569	245,844
Listing fees	-	91,491
Professional fees	281,162	263,547
Project evaluation	61,128	32,581
Salaries (Note 7)	797,434	312,648
Share-based compensation (Note 5, 7)	1,993,482	-
Transfer agent and filing fees	176,509	54,586
Operating expenses	(11,255,784)	(3,660,557)
Write-off of mineral property costs (Note 4)	(803,050)	(123,333)
Loss for the year	**$ (12,058,834)**	**$ (3,783,890)**
Other comprehensive income (loss)		
Foreign currency translation	309,153	(428)
Comprehensive loss for the year	**$ (11,749,681)**	**$ (3,784,318)**
Loss per share – basic and diluted	$ (0.23)	$ (0.10)
Weighted average number of common shares outstanding – basic and diluted	53,539,847	39,397,349

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

ZACAPA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Commitment to issue shares	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2020	**21,600,024**	**$ 1,684,501**	**$ 300,000**	**$ -**	**$ (6,121)**	**$ (99,548)**	**$ 1,878,832**
Shares issued pursuant to:							
Property acquisitions	4,800,000	990,000	(300,000)	-	-	-	690,000
Private placements	19,950,000	8,775,000	-	-	-	-	8,775,000
Acquisition of Libero Mining Limited	2,000,000	250,000	-	-	-	-	250,000
Shares cancelled	(24)	-	-	-	-	-	-
Share issue costs	143,280	(425,106)	-	-	-	-	(425,106)
Foreign currency translation	-	-	-	-	(428)	-	(428)
Loss for the year	-	-	-	-	-	(3,783,890)	(3,783,890)
Balance, December 31, 2021	**48,493,280**	**$ 11,274,395**	**$ -**	**$ -**	**$ (6,549)**	**$ (3,883,438)**	**$ 7,384,408**
Shares issued pursuant to:							
Conversion of subscription receipts	1,660,000	830,000	-	-	-	-	830,000
Private placements, net	12,777,625	1,831,433	-	865,414	-	-	2,696,847
Stock options exercised	75,000	67,571	-	(30,071)	-	-	37,500
Shares issued for debt	2,097,033	209,703	-	-	-	-	209,703
Shares issued for asset acquisition	184,318	17,510	-	-	-	-	17,510
Share-based compensation	-	-	-	1,993,482	-	-	1,993,482
Foreign currency translation	-	-	-	-	309,153	-	309,153
Loss for the year	-	-	-	-	-	(12,058,834)	(12,058,834)
Balance, December 31, 2022	**65,287,256**	**$ 14,230,612**	**-**	**$ 2,828,825**	**$ 302,604**	**(15,942,272)**	**$ 1,419,769**

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

ZACAPA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (12,058,834)	$ (3,783,890)
Items not involving cash:		
Stock-based compensation	1,993,482	-
Write-off of mineral property costs	803,050	123,333
Changes in non-cash working capital:		
Amounts receivable	8,811	(21,816)
Prepaid expenses	808,857	(894,133)
Accounts payable and accrued liabilities	938,241	467,981
Cash used in operating activities	**(7,506,393)**	**(4,108,525)**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of mineral properties	(111,187)	(689,817)
Reclamation bond	(10,105)	(320,753)
Restricted cash	(10,000)	(10,000)
Cash used in investing activities	**(131,292)**	**(1,020,570)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued, net	3,531,847	8,349,894
Proceeds from exercise of stock options	37,500	-
Cash from financing activities	**3,569,347**	**8,349,894**
Effect of foreign exchange on cash	7,685	(11,169)
Change in cash	**(4,060,653)**	**3,209,630**
Cash, beginning of year	4,107,162	897,532
Cash, ending of year	**$ 46,509**	**$ 4,107,162**
Non-cash investing and financing activities		
Fair value of options exercised	$ 30,071	$ -
Shares issued for mineral properties	17,510	990,000
Shares issued as a finder's fee	-	71,640
Shares issued for debt	209,703	-
Relative fair value of warrants granted	835,744	-
Fair value of finder's warrants granted	30,070	-
Conversion of subscription receipts	830,000	-
Share issuance costs in accounts payable	5,000	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Zacapa Resources Ltd. (the "Company") was incorporated under the laws of the province of British Columbia on January 9, 2017. The Company's principal business is the exploration and evaluation of mineral resources. The Company's corporate and registered and records office is located at Suite 905 – 1111 West Hastings Street, Vancouver, British Columbia, Canada. The Company completed an Initial Public Offering ("IPO") and listed on the TSX Venture Exchange ("TSX-V") under the trading symbol ("ZACA") on January 26, 2022.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2022, the Company has not generated revenues, incurred a net loss of $12,058,834 (2021 - $3,783,890) at December 31, 2022, and had a working capital deficit of $619,869 (2021 Working capital - $4,549,873). The Company is currently unable to self finance operations, has limited resources, had no source of operating cash flow, and has no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets and to maintain operations. Such a situation would have a material adverse effect on the Company's business, financial performance and financial condition and could be material. These circumstances result in a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

(b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries Zaya Resources BC Ltd. ("ZayaBC"), Zacapa Gold BC Corp. ("Zacag"), and Tomichi Mining BC Ltd. ("Tombc") are all British Columbia corporations, Zaya Resources Ltd. ("Zaya") and Zacapa Gold Corp. ("Zaca") are companies incorporated in Nevada, USA and Libero Mining Limited ("Libero"), a company incorporated in Delaware, USA. All inter-company transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The functional currency of the Company and its Canadian subsidiaries, ZayaBC, Zacag, and Tombc, is the Canadian dollar. The functional currency of Zaya, Zaca, and Libero is the United States dollar.

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

(d) Significant Accounting Estimates and Judgments

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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

a. The composition of the deferred income tax asset and recognition of deferred income tax asset;
b. The recoverable amount of exploration and evaluation assets.

Critical accounting judgments

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The judgments which may have an effect on the amounts recognized in the consolidated financial statements include the following:

a. The determination of categories of financial assets and financial liabilities;
b. The assessment of going concern;
c. The assessment of impairment indicators for the exploration and evaluation assets; and
d. The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. The transaction with Libero was determined to constitute an acquisition of assets (Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Mineral properties

Exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, the Company capitalizes mineral property interest acquisition costs, which include the cash consideration, option payment under an earn-in arrangement and, the fair value of common shares issued for mineral property interests. In relation to exploration and evaluation expenditures, the Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates to costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property-by-property basis.

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

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

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Exploration and evaluation assets are classified as intangible assets.

(f) Impairment of non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. The Company’s non-financial assets are mineral properties. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Additionally, the reviews consider factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets (continued)

techniques often require management to make estimates and assumptions concerning reserves and resources and expected future production revenues and expenses.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit ("CGU") is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(h) Foreign currency translation

i) Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income (loss) and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term. As at December 31, 2022 and 2021, the Company did not have any leases.

(j) Financial instruments

<u>Classification</u>

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), and
- those to be measured at amortized cost.

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

The Company classifies cash, cash held in escrow, restricted cash, reclamation bond, and accounts payable as financial instruments measured at amortized cost.

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”).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>Recognition and derecognition</u>

Purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is either discharged or cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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.

At initial recognition, financial liabilities (accounts payable and accrued liabilities) are recognized at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method.

Debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

<u>Impairment</u>

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(k) Income/(Loss) per Share

Basic income/(loss) per share is calculated by dividing the income/(loss) for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding stock options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

(l) Share capital

The Company records proceeds from share issuances net of share issue costs.

(m) Share-based compensation

The Company grants share purchase options as an element of compensation. For share purchase options granted by the Company, the cost of the service received is measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. On the exercise of share purchase options, consideration received, together with the compensation expense previously recorded to contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each share purchase option tranche at the date of grant.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Warrants

In connection with unit offering private placements, the Company allocates the proceeds between the shares and warrants that make up each unit based on a relative fair value approach.

(o) Restricted share units and deferred share units

The Company has a restricted share unit ("RSU") and deferred share unit compensation plan ("DSU") which provides RSU's and DSUs, which are classified as equity settled share-based payment transactions. The participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company measures the share-based payment expense based on the quoted market price of the Company's common shares on the grant date and recognizes the expense over the vesting period, if any, with a corresponding increase in reserves. When DSUs and RSUs are exercised, the initial recorded value is reversed from reserves and credited to share capital.

(p) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

3. ACQUISITION

On January 14, 2021, the Company acquired a 100% interest in Libero (a related party with two common directors), a corporation incorporated under the laws of Delaware, which holds an option to acquire 100% interest in the Tomichi Project located in Gunnison County, Colorado (Note 4). The aggregate price paid by the Company to acquire Libero was 2,000,000 common shares of the Company.

This acquisition was accounted for as an acquisition of assets and liabilities as Libero did not meet the definition of a business under IFRS 3 – Business Combinations.

	$
Purchase consideration:	
Common shares	250,000
Net assets acquired:	
Prepaid expenses	10,094
Mineral properties	245,631
Accounts payable and accrued liabilities	(5,725)
	250,000

(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES

A summary of the Company's mineral properties is as follows:

	Dewdrop	South Bullfrog	Pearl	Tomichi	Red Top	Ripsey West	Miller Mountain	TOTAL
	$	$	$	$	$	$	$	$
Balance, December 31, 2020	**624,216**	**376,710**	**-**	**-**	**-**	**-**	**-**	**1,000,926**
Cash	217,179	74,049	129,900	103,677	45,929	-	119,083	689,817
Shares	-	-	100,000	245,632	233,333	123,333	233,333	935,631
Impairment	-	-	-	-	-	(123,333)	-	(123,333)
Foreign exchange	(170)	(753)	949	1,911	3,985	-	4,819	10,741
Balance, December 31, 2021	**841,225**	**450,006**	**230,849**	**351,220**	**283,247**	**-**	**357,235**	**2,513,782**
Cash	-	-	-	-	111,187	-	-	111,187
Shares (Note 5)	-	17,510	-	-	-	-	-	17,510
Write-off of mineral property costs	-	-	-	(384,728)	(418,322)	-	-	(803,050)
Foreign exchange	57,461	31,014	15,768	33,508	23,888	-	24,402	186,041
Balance, December 31, 2022	**898,686**	**498,530**	**246,617**	**-**	**-**	**-**	**381,637**	**2,025,470**

Exploration expenditures incurred during the year ended December 31, 2022:

	Dewdrop	South Bullfrog	Pearl	Tomichi	Red Top	Miller Mountain	TOTAL
	$	$	$	$	$	$	$
Drilling	-	26,215	-	-	2,412,699	-	2,438,914
Geology	316,290	744,430	8,000	10,710	1,306,107	33,010	2,418,547
Land title and tenure	78,720	115,895	54,484	31,271	92,644	56,039	429,053
Analytical	76,524	256,019	1,304	-	4,229	41,187	379,263
Geophysics and remote sensing	-	160,677	21,653	521	130,301	31,881	345,033
Environmental, social and governance	-	28,267	-	6,317	5,979	29,352	69,915
Facilities, equipment and miscellaneous	3,127	15,564	1,152	27,391	14,386	290	61,910
Total exploration expenditures	**474,661**	**1,347,067**	**86,593**	**76,210**	**3,966,345**	**191,759**	**6,142,635**

(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES (continued)

Exploration expenditures incurred during the year ended December 31, 2021:

	Dewdrop	South Bullfrog	Pearl	Tomichi	Red Top	Ripsey West	Miller Mountain	TOTAL
	$	$	$	$	$	$	$	$
Drilling	-	1,504	-	-	303,445	389,622	-	694,571
Geology	45,681	169,148	64,765	87,364	51,540	1,798	25,909	446,205
Geophysics and remote sensing	117,560	192,125	111,619	-	-	-	51,494	472,798
Analytical	116,791	125,189	20,268	-	-	-	113,978	376,226
Land title and tenure	130,455	73,104	50,510	5,698	39,748	-	54,186	353,701
Facilities, equipment and miscellaneous	106	299	677	25,125	19,560	3,057	-	48,824
Environmental, social and governance	-	-	-	-	-	1,017	-	1,017
Total exploration expenditures	**410,593**	**561,369**	**247,839**	**118,187**	**414,293**	**395,494**	**245,567**	**2,393,342**

4. MINERAL PROPERTIES (continued)

Dewdrop Project

On September 1, 2020, the Company entered into a sale and purchase agreement whereby the Company acquired all right, title and interest in the Dewdrop Project located in Nevada.

The total purchase price for the Dewdrop Project was the aggregate of:

(1) $50,000 payable in cash (paid); and
(2) $300,000 payable in common shares of the Company (issued)

During the year ended December 31, 2021, the Company acquired additional claims for US$75,551.

South Bullfrog Project

On December 1, 2020, the Company entered into a purchase agreement (the “Bullfrog Agreement”) whereby the Company agreed to purchase all right, title and interest in and to the South Bullfrog Project located in Nevada. The purchase price for the South Bullfrog Project was 1,600,000 common shares of the Company with a value of $200,000 (issued).

During the year ended December 31, 2022, the Company acquired additional claims adjacent to the South Bullfrog project by issuing 184,318 common shares with a value of $17,510.

Pearl Project

On January 12, 2021, the Company entered into a purchase agreement to acquire all right, title and interest in and to the Pearl Project near San Manuel, Arizona. The purchase price was 800,000 common shares of the Company with a value of $100,000 (issued).

Tomichi Project

On January 14, 2021, the Company acquired 100% interest in Libero, a corporation incorporated under the laws of Delaware, which holds an option to acquire 100% interest in the Tomichi Project located in Gunnison County, Colorado (Note 3). The purchase price was 2,000,000 common shares of the Company (issued).

Through the acquisition of Libero, the Company had an option until December 16, 2022, to acquire 100% of Tomichi for an exercise price of US$2,000,000 (the “Exercise Price”). The Company paid the optionor US$60,000 on December 16, 2021, in order to maintain rights under the option agreement.

During the year ended December 31, 2022, the Company decided not to continue with its option to acquire an ownership interest in the Tomichi project. Accordingly, the Company wrote off the costs related to the Tomichi property totalling $384,728.

4. MINERAL PROPERTIES (continued)

Red Top, Ripsey West and Miller Mountain Projects

On March 16, 2021, the Company entered into an exploration and option agreement (the "Option Agreement") to acquire a 100% interest in the unpatented lode claims, comprised of the Red Top, Ripsey West and Miller Mountain Projects (collectively, the "Projects" or each, a "Project") with Bronco Creek Exploration Inc. ("Bronco"), a subsidiary of EMX Royalty Corp. (collectively "EMX"). The term of the option is the earlier of three years or successful completion of the Company's initial public offering ("IPO").

As consideration, the Company (a) paid US$126,000 (which reimbursed EMX for 2020 holding costs), (b) issued 3,400,000 common shares of the Company with a value of $590,000 and (c) will pay the Annual Advance Royalties and Milestone Payments, as defined below:

Annual Advance Royalties
For each Project, the Company will pay annual advance minimum royalties ("AAR") as follows:

(1) on or before the later of (i) drill permits issued and approved from governmental permitting authority or (ii) second anniversary of the effective date of the Option Agreement ("AAR Date"), US$20,000; and
(2) on or before each anniversary of the AAR Date from the first anniversary of the AAR Date and thereafter, an annual advance minimum royalty equal to the previous year's AAR payable, plus, for each year, an additional US$10,000 up to a maximum of US$75,000 per year.

Milestone Payments
For each Project, within 10 days after the occurrence of the following Milestones, the Company will pay the following amounts (each a "Milestone Payment') in cash or common shares of the Company, at the discretion of the Company:

(a) US$200,000 upon the issuance of a Preliminary Economic Analysis;
(b) US$1,000,000 upon the issuance of a pre-feasibility study or a feasibility study; and
(c) US$1,000,000 upon the date on which a development decision is made.

On January 27, 2022, the Company provided Bronco with notice of its intent to exercise the option and acquire the Claims and Properties for the Miller Mountain project.

During the year ended December 31, 2021, the Company wrote-off the Ripsey West project and recorded a loss of $123,333.

During the year ended December 31, 2022, the Company wrote-off the Red Top project and recorded a loss of $418,322.

5. SHARE CAPITAL

a) Authorized

An unlimited number of Common shares, without par value.

As at December 31, 2022, the Company has 11,142,504 shares subject to escrow pursuant to the requirements of the TSX-V, which will be released through January 2025.

b) Issued

On January 24, 2022, the Company listed on the TSX Venture Exchange (the “Listing Date”). 1,660,000 common shares were issued in exchange for the subscription receipts on the Listing Date.

In February 2022, the Company issued a total of 75,000 common shares following the exercise of stock options at a price of $0.50 per common share for gross proceeds of $37,500.

On June 21, 2022, the Company closed a non-brokered private placement of 3,162,678 units at a price of $0.45 per unit for gross proceeds of $1,423,205. Each unit consists of one common share and one-half of a purchase warrant. Each full warrant entitles the holder to acquire one common share at an exercise price of $0.68 for a period of 24 months expiring on June 21, 2024. In connection with the private placement, the Company issued 690 units to finders valued at $364 as share issue costs. These finders’ units have the same terms as the private placement units.

On October 28, 2022, the Company closed a non-brokered private placement of 9,614,257 units at a price of $0.15 per unit for gross proceeds of $1,442,139. Each unit consists of one common share and one purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.22 for a period of 36 months expiring on October 28, 2025. In connection with the private placement, the Company issued an aggregate of 289,972 non-transferrable finders’ warrants. Each finder’s warrant entitled the holder to acquire one common share at a price of $0.22 per share until October 28, 2025. The fair value of the finders’ warrants was estimated to be $30,017 using the Black-Scholes option pricing model with the following assumptions: term of 2 years; expected volatility of 120.62%; risk-free rate of 3.84%; and expected dividends of Nil.

On December 16, 2022, the Company issued 184,318 common shares to acquire mineral claims adjacent to the South Bullfrog project for a price of $0.095 per share with a total value of $17,510.

On December 20, 2022, the Company issued 2,097,033 common shares at a price of $0.10 per common share to settle an outstanding debt with a supplier. There was no gain or loss recorded resulting from the debt settlement.

On January 12, 2021, the Company issued 800,000 common shares valued at $100,000 for the acquisition of the Pearl Project (Note 4).

On January 14, 2021, the Company issued 2,000,000 common shares valued at $250,000 for the acquisition of Libero (Note 3).

On March 16, 2021, the Company issued 2,400,000 common shares at a price of $0.125 per share for total proceeds of $300,000

On March 20, 2021, the Company issued 2,960,000 common shares valued at $370,000 for the acquisition of the Red Top, Ripsey West and Miller Mountain Projects (Note 4).

On April 15, 2021, the Company issued a total of 800,000 common shares of the Company at a price of $0.125 per share for total proceeds of $100,000.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

b) Issued (continued)

On April 21, 2021, the Company split its common shares on the basis of eight common shares for each existing common share held. All number of shares and per share amounts have been retroactively restated in these consolidated financial statements to reflect this share split.

On May 28, 2021 and June 4, 2021, the Company issued a total of 14,450,000 common shares of the Company at a price of $0.50 per share for total proceeds of $7,225,000. A total of 143,280 common shares were issued as a finder's fee.

On June 1, 2021, the Company issued 600,000 common shares with a value of $300,000 to purchase the Dewdrop Project (Note 4) and 440,000 common shares with a value of $220,000 to EMX for the Red Top and Miller Mountain Projects (Note 4).

On June 4, 2021, the Company issued 1,350,000 subscription receipts at a price of $0.50 per subscription receipt for proceeds of $675,000, which is held in escrow. Each subscription receipt will convert into a common share at IPO.

On July 12, 2021, the Company issued a total of 2,300,000 common shares of the Company at a price of $0.50 per share for total proceeds of $1,150,000.

On August 13, 2021, the Company issued 310,000 subscription receipts at a price of $0.50 per subscription receipt for proceeds of $155,000, which is held in escrow. Each subscription receipt will convert into a common share at IPO.

c) Warrants

A summary of the Company's warrant activity is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening balance	**-**	**$ -**	-	$ -
Issued	**11,485,912**	**0.28**		
Ending balance	**11,485,912**	**$ 0.28**	-	$ -

Expiry Date	**Number of warrants**	**Exercise Price**	**Remaining contractual life (in years)**
2024-06-21	1,581,683	$0.68	1.47
2025-10-28	9,904,229	$0.22	2.83
Outstanding	**11,485,912**	**$0.28**	**2.64**

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(c) Warrants (continued)

The fair value of the 11,195,940 warrants (excluding the finders' warrants) was estimated to be $865,414 using the relative fair value method with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk free interest rate	3.78%	-
Expected volatility	119.54%	-
Expected life (years)	2	-
Expected dividends (yield)	0%	-
Fair value per warrant	$0.08	-

(d) Stock Options

The Company has a "rolling" Stock Option Plan pursuant to which the Board of Directors of the Company may, by resolution, grant options to directors, officers and employees of, and consultants to, the Company or its subsidiaries. The stock option plan reserves for issuance up to 10% (instead of a fixed number) of the Company's shares. The options can be granted for a maximum of 10 years.

During the year ended December 31, 2022, the Company granted to its officers, employees and consultants a total of 7,450,000 stock options with a term of five years and weighted average exercise price of $0.40 per stock option The total fair value of vested stock options amortized during the year ended December 31, 2022, is $1,976,294 (2021 - $nil).

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk free interest rate	2.18%	-
Expected volatility	115%	-
Expected life (years)	5	-
Expected dividends (yield)	0%	-
Fair value per option	$0.32	-

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

d) Stock Options (continued)

A summary of the Company's stock option activity is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Opening balance	**-**	**$ -**	-	$ -
Granted	7,450,000	0.40	-	-
Exercised	(75,000)	0.50	-	-
Expired/Forfeited	(1,475,000)	0.49	-	-
Ending balance	**5,900,000**	**$ 0.37**	-	$ -

Number Outstanding December 31, 2022	**Exercise Price per Share**	**Expiry Date**	**Remaining Contractual Life (Years)**	**Number Exercisable December 31, 2022**
3,500,000	$ 0.50	January 26, 2027	4.07	3,500,000
300,000	0.70	January 26, 2027	4.07	162,500
75,000	0.23	January 26, 2027	4.07	37,500
250,000	0.15	January 26, 2027	4.07	62,500
1,775,000	0.11	December 8, 2027	4.94	406,250
5,900,000	$ 0.37		4.33	**4,168,750**

e) Deferred Share Units ("DSU")

On May 10, 2022, the Company adopted a restricted share unit ("RSU") and deferred share unit ("DSU") compensation plan (the "RSU and DSU plan"). The maximum aggregate number of shares under the RSU and DSU plan is 5,022,828. The number of RSUs and DSUs awarded and underlying conditions are determined by the Board of Directors in its discretion.

A summary of the status of the Company's DSU's as at December 31, 2022 and December 31, 2021, and changes during the years then ended is as follows:

	December 31, 2022	**December 31, 2021**
Opening balance	-	-
Granted	300,000	-
Ending balance	**300,000**	**-**

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

DSU's outstanding

	December 31, 2022		Weighted average grant date fair value per DSU	Final vesting date
	DSU incentives #			
Granted	300,000		$0.11	September 8, 2023
	300,000	(1)	**$0.11**	

(1) On December 8, 2022, the Company granted 300,000 DSU's to independent directors of the Company which vest in 4 installments as follows: 25% immediately, 25% on March 8, 2023, 25% on June 8, 2023, and 25% on September 8, 2023. As at December 31, 2022, 75,000 DSU's were exercisable. For the year ended December 31, 2022, the Company recognized $17,188 in share-based compensation relating to the vesting of the DSU's.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable	$659,451	$424,593
Accrued liabilities	155,302	88,739
	$814,753	**$513,332**

7. RELATED PARTY BALANCES AND TRANSACTIONS

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

During the year ended December 31, 2022, the Company reimbursed costs of $330,000 (2021 - $201,750) for accounting, corporate compliance and office costs to a company controlled by Ian Slater, a director of the Company. As at December 31, 2022, the Company had a balance outstanding of $nil (2021 – $49,438) included in accounts payable and accrued liabilities.

During the year ended December 31, 2022, the Company paid salaries and fees of $705,334 (2021 - $312,648) to Officers of the Company.

During the year ended December 31, 2022, the Company incurred geological consulting fees of $594,080 (2021 – $264,006) to Serac Exploration Limited, a company with a common director, Ian Slater. As at December 31, 2022, the Company had a balance outstanding of $108,731 (2021 - $143,130).

During the year ended December 31, 2022, the Company paid or accrued legal fees of $134,683 (2021 - $222,513) to Farris LLP where Jay Sujir, a director of the Company, is a partner. $53,161 (2021 - $82,282) was included in professional fees, $22,416 (2021 - $91,491) was included in filing fees, $Nil (2021 - $7,080) was included in mineral property costs, $Nil (2021 - $3,174) was included in exploration expenditures and $59,106 (2021 - $38,486) was included in share issue costs. As at December 31, 2022, the Company had a balance outstanding of $17,064 (2021 – $11,079) included in accounts payable and accrued liabilities.

7. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

During the year ended December 31, 2022, the Company recognized share-based compensation expense of $1,556,597 (2021 - $nil) for options and DSUs granted to various officers and directors of the Company.

As at December 31, 2022, the Company had a balance outstanding of $Nil (2021 - $16,929) included in accounts payable and accrued liabilities to a company controlled by Timothy MacIntyre, VP Exploration of the Company.

On January 14, 2021, the Company acquired a 100% interest in Libero from Libero Copper & Gold Corporation (a related party with two common directors, Ian Slater and Jay Sujir). The aggregate price paid by the Company to acquire Libero was 2,000,000 common shares of the Company.

8. CAPITAL MANAGEMENT

The Company's principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case-by-case basis. The capital structure of the Company consists of equity attributable to common shareholders, consisting of issued share capital, and deficit. The Company is not subject to any externally imposed capital requirements. There were no changes in the capital management during the year ended December 31, 2022.

9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, restricted cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term maturity of these financial instruments.

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

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

The Company has no Level 1 financial instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company has credit risk in the amount of its cash, with its carrying value representing the Company's maximum exposure to credit risk. The Company limits its exposure to credit loss for cash by placing its cash with a major financial institution. The Company believes it has no significant credit risk.

9. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. At December 31, 2022, the Company had a working capital deficit of $619,869 (2021 – Working capital $4,549,873) and is seeking additional funding.

Foreign exchange risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the U.S. dollar. The Company is exposed to currency risk to the extent of its cash and trade and other payables that are denominated in U.S. dollars. The Company does not currently hedge its exposure to fluctuations in the related foreign exchange rates.

Based on the Company's net US currency exposure as at December 31, 2022, and assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $351,000 in comprehensive income/loss for the year.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not hold any assets or liabilities subject to variable interest rates, and as such, the Company is not exposed to significant interest rate risk.

Commodity price risk

The ability of the Company to find and explore mineral properties and the future profitability of the Company are directly related to the market price of base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

10. RESTRICTED CASH AND RECLAMATION BONDS

Restricted cash

As at December 31, 2022, the Company had $40,000 (2021 - $30,000) related to cash held in Guaranteed Investment Certificates as collateral for the Company's credit card.

Reclamation bonds

As at December 31, 2022 the Company held $14,168 (2021 – $320,753) in reclamation bonds related its exploration projects.

(Expressed in Canadian Dollars)

11. PREPAID EXPENSES

As of December 31, 2022, the Company held $95,370 (2021 – $904,227) in prepaid expense as follows:

	2022 $	2021 $
Prepaid insurance	22,483	20,351
Prepaid advertising & marketing expense	72,887	710,790
Prepaid exploration expenditures	-	173,086
	95,370	904,227

12. INCOME TAXES

The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for 2022 of 27.00% (2021 - 27.00%).
A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022 $	2021 $
Loss before income taxes	**(12,058,834)**	**(3,783,890)**
Statutory tax rate	27%	27%
Expected income recovery at statutory income tax rate	(3,255,885)	(1,021,651)
Permanent differences and other	604,664	(6,918)
Change in prior period estimates	48,713	(255)
Initial Recognition Exemption - Mineral Property	(67,760)	-
Difference in tax rate of foreign jurisdiction and other	425,526	148,068
Unrecognized tax benefits	2,244,741	880,756
Income tax expense (recovery)	-	-

The significant components of the Company's deferred income tax assets that have not been included on the statement of financial position are as follows:

	2022 $	2021 $
Deferred income tax assets:		
Tax losses carried forward	1,574,947	515,950
Mineral properties	1,940,629	493,493
Deferred financing fees	149,165	111,428
Subtotal	3,664,741	1,120,871
Deferred tax not recognized:		
Tax losses	(1,574,947)	(515,950)
Mineral properties	(1,940,629)	(493,493)
Deferred financing fees	(149,165)	(111,428)
Subtotal	3,664,741	1,120,871
Net deferred tax assets (liabilities)	-	-

(Expressed in Canadian Dollars)

12. INCOME TAXES (Continued)

Deferred tax assets have not been recognized on deductible temporary differences arising from investments in foreign subsidiaries where it is probable that the temporary difference will not reverse in the foreseeable future; and that taxable profit will not be available against which the temporary difference can be utilized.

The Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position:

	2022 $	**2021** $
Tax loss carried forward	6,270,099	2,000,687
Mineral properties	9,229,274	2,331,551
Financing costs	552,463	412,697
Total temporary differences	16,051,835	4,744,935

The Company has non-capital loss carry forward of approximately $6,270,099 (2021 – $2,000,687), primarily related to Canada, which may be available to offset future income for income tax purposes. The Company recognizes the benefits of tax losses only to the extent of the reversal of taxable temporary differences in relevant jurisdictions within the carry forward period. The available non-capital losses can be carried forward for 20 years in Canada.

13. SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and evaluation of mineral properties. The Company's primary mineral properties are located in the USA. The Company is in the exploration stage and has no reportable segment revenues or operating results. All corporate expenses are incurred in Canada.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company:

a) Issued 2,075,275 common shares of the Company to settle debt of $207,527 owing to an arm's length creditor.

b) Received loans totaling $137,000 from companies owned by Ian Slater, a director of the Company. The promissory notes are due on or before the earlier of (a) June 30, 2023, and (b) completion of an equity financing by the Company. The promissory notes have an interest rate of 10%.

c) Received a claim that has been filed in the Supreme Court of British Columbia by Adam Melnik, a former officer of the Company, for certain compensation. Management intends to defend against the claim.