SUPERNOVA METALS

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
Suite 1605, 1166 Alberni Street
Vancouver, BC Canada V6E 3Z3

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Supernova Metals Corp.

We have audited the consolidated financial statements of Supernova Metals Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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. If, based on the work we have performed, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter of 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 Lonny Wong.

Other Matter
The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 22, 2022.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 17, 2023

SUPERNOVA METALS CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	($)	($)
ASSETS		
Current assets		
Cash	36,670	105,899
Short-term investments (Note 5)	35,834	22,500
Receivables (Note 4)	3,841	8,473
Prepaid expenses	–	1,667
	76,345	138,539
Exploration and evaluation assets (Note 7)	1	652,009
Reclamation bond (Note 6)	5,035	11,106
	81,381	801,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 10)	17,593	124,024
Notes payable (Note 9)	–	60,000
	17,593	184,024
Shareholders' equity		
Share capital (Note 11)	7,557,305	6,971,873
Reserves (Note 11)	590,354	602,547
Deficit	(8,083,871)	(6,956,790)
	63,788	617,630
	81,381	801,654

Nature of Operations and Going Concern (Note 1)

On behalf of the Board:

"Ken Brophy"

Ken Brophy - Director

"Sean McGrath"

Sean McGrath - Director

SUPERNOVA METALS CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
	($)	**($)**
Expenses		
Consulting fees (Note 10)	96,475	240,168
General and administrative	35,310	38,806
Management fees (Note10)	105,000	102,000
Professional fees	63,082	134,655
Share-based payments (Notes 10 and 11)	14,908	150,000
Transfer agent and filing fees	17,708	35,238
	(332,483)	(700,867)
Finance costs	(3,179)	(5,747)
Gain on debt forgiveness (Note 9)	20,000	–
Impairment of exploration and evaluation assets (Note 7)	(664,117)	(387,406)
Loss on debt settlements (Notes 9 and 11)	(121,231)	–
Loss on disposal of exploration and evaluation asset (Note 7)	(30,166)	–
Loss on disposal of short-term investments (Note 5)	(6,330)	–
Mineral option proceeds received in excess of capitalized costs (Note 7)	–	61,999
Other income	425	–
Unrealized gain (loss) on short-term investments (Note 5)	10,000	(25,000)
	(794,598)	(356,154)
Loss from continuing operations	(1,127,081)	(1,057,021)
Gain on disposal of oil properties (Note 16)	–	47,663
Income from discontinued operations (Note 16)	–	17,770
Loss and comprehensive loss	(1,127,081)	(991,588)
Basic and diluted income (loss) per share:		
Continuing operations	(0.11)	(0.17)
Discontinued operations	–	0.00
Weighted average common shares outstanding:		
Basic	9,859,036	6,283,618
Diluted	9,859,036	6,283,618

SUPERNOVA METALS CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital		Reserves				
	Number of Shares	Amount	Options	RSUs	Warrants	Deficit	Total
		($)	($)	($)	($)	($)	($)
Balance at December 31, 2020	5,308,466	6,186,276	395,389	–	66,630	(5,965,202)	683,093
RSUs vested	–	–	–	150,000	–	–	150,000
Share issuance - property acquisitions	225,000	131,000	–	–	–	–	131,000
Share issuance - private placement	1,473,125	633,875	–	–	–	–	633,875
Share issuance - stock options	28,125	20,722	(9,472)	–	–	–	11,250
Comprehensive loss	–	–	–	–	–	(991,588)	(991,588)
Balance at December 31, 2021	7,034,716	6,971,873	385,917	150,000	66,630	(6,956,790)	617,630
Unit issuance - debt settlement	1,204,545	132,500	–	–	92,899	–	225,399
Share issuance - debt settlement	809,524	113,332	–	–	–	–	113,332
Share issuance - private placement	1,996,363	219,600	–	–	–	–	219,600
Share issuance - restricted stock units	300,000	120,000	–	(120,000)	–	–	–
Stock options vested	–	–	14,908	–	–	–	14,908
Comprehensive loss	–	–	–	–	–	(1,127,081)	(1,127,081)
Balance at December 31, 2022	11,345,148	7,557,305	400,825	30,000	159,529	(8,083,871)	63,788

SUPERNOVA METALS CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
	($)	($)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(1,127,081)	(991,588)
Items not affecting cash:		
Gain on debt forgiveness	(20,000)	–
Impairment of exploration and evaluation assets	664,117	387,406
Loss on debt settlements	121,231	–
Loss on disposal of exploration and evaluation asset	30,166	–
Loss on disposal of short-term investments	6,330	–
Mineral option proceeds received in excess of capitalized costs	–	(61,999)
Share-based payments	14,908	150,000
Unrealized loss (gain) on short-term investments	(10,000)	25,000
Changes in non-cash working capital items:		
Receivables	4,632	106,421
Prepaid expenses	1,667	5,367
Accounts payable and accrued liabilities	11,069	(45,734)
	(302,961)	(425,127)
Discontinued operations	–	(41,780)
	(302,961)	(466,907)
INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(68,109)	(658,281)
Mineral option proceeds from exploration and evaluation asset	–	25,000
Proceeds from disposal of oil properties	–	5,000
Proceeds from disposal of short-term investments	16,170	–
Reclamation bond refund	6,071	28,355
	(45,868)	(599,926)
FINANCING ACTIVITIES		
Common shares issued for cash, net of issuance costs	219,600	645,125
Proceeds from note payable	100,000	100,000
Repayment of note payable	(40,000)	(100,000)
	279,600	645,125
Change in cash during the year	(69,229)	(421,708)
Cash - beginning of year	105,899	527,607
Cash - end of year	36,670	105,899

Supplemental Cash Flow Information (Note 15)

1. NATURE OF OPERATIONS AND GOING CONCERN

Supernova Metals Corp. ("Supernova" or the "Company") was incorporated on November 20, 2000 under the laws of the province of Alberta, Canada and was continued into the province of British Columbia in 2010. The Company's offices are located at 1090 Hamilton Street, Vancouver, BC, Canada, V6B 2R9. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "SUPR".

The Company's principal business activities are the exploration and evaluation of resource properties (and formerly oil production) in North America. The Company is in the process of exploring its resource properties, but it has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or from proceeds of disposition. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's working capital is insufficient to support ongoing operations and the Company has incurred ongoing losses and will require additional funding to continue operations for the upcoming year. The above conditions may cast significant doubt on the Company's ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations from the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 17, 2023.

2. BASIS OF PREPARATION (continued)

Basis of measurement

All references to dollar amounts in these consolidated financial statements and related notes are in Canadian dollars, unless otherwise indicated.

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of Supernova and its wholly-owned subsidiary Supernova Metals (US) Corp. ("SMUC") which was incorporated in Arizona, USA.

All inter-company transactions and balances have been eliminated upon consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of both the Company and SMUC is the Canadian dollar.

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in the consolidated statement of loss for the year.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

2. BASIS OF PREPARATION (continued)

The following areas required a significant degree of estimation:

Recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

Decommissioning provisions

Restoration costs will be incurred by the Company in connection with certain exploration activities conducted on exploration and evaluation assets and previously its oil properties. The Company estimates abandonment and reclamation costs based on a combination of publicly available industry benchmarks and internal site-specific information. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

The following areas required a significant degree of judgment:

Functional Currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

2. BASIS OF PREPARATION (continued)

Non-monetary transactions

Assets exchanged or transferred in non-monetary transactions are measured at the fair value of the asset given up or the fair value of the asset received, whichever is more reliable.

Going Concern

The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

At the end of each reporting period, assets and liabilities of the entities whose functional currency is not the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in other comprehensive income or loss for the year.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in the consolidated statement of loss for the year.

Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures by the Company. Proceeds from the issuance of flow-through shares need to be allocated between the offering of the flow-through share and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company renounces the expenditures, at which point the liability is reversed and recorded as other income on the statements of loss and comprehensive loss. The Company records a deferred tax liability when the Company makes the expenditures. At the time of recognition of the deferred tax liability, an offsetting entry is made to tax expense.

Loss per share

Basic loss per share is calculated by dividing the loss of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The calculation assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. For the years presented, this calculation proved to be anti-dilutive. As at December 31, 2022, the Company has 1,379,545 (2021 – 500,000) potentially dilutive shares outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Costs related to the acquisition, exploration, and evaluation of exploration and evaluation assets are capitalized by property. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through the consolidated statement of loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are first tested for impairment and then reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their recoverable amount. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Decommissioning provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of exploration and evaluation assets or well sites is capitalized to the exploration and evaluation assets or the oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. The Company uses a pre-tax discount rate that reflects the time value of money to calculate the net present value of the decommissioning provisions. The restoration asset will be depreciated on the same basis as the exploration and evaluation assets or the oil and gas properties.

The Company’s estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the exploration and evaluation assets or the oil and gas properties with a corresponding entry to the restoration provision, except when the related exploration and evaluation assets or oil and gas property is closed or the carrying value has been reduced to a $nil value. Changes in estimates of restoration costs for closed exploration and evaluation assets or oil and gas properties are recorded in the consolidated statement of loss. The Company’s estimates are reviewed each reporting date for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The restoration provisions are accreted to full value over time through charges to finance expenses in the consolidated statement of loss.

Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2022, and have not been early adopted in preparing these consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax is recognized in the consolidated statement of loss except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the jurisdictions where the Company operates and generates taxable income.

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Government assistance

The Company recognizes government grants and assistance when there is reasonable assurance that the grant will be received, and any conditions associated with the grant have been met. The Company has received funds from the Government of Canada under the CEBA loan program, but no recognition of the forgivable portion can be recognized until the remainder is repaid prior to the stipulated repayment date.

Warrants issued in equity financing transactions

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

Warrants that are issued as payment for agency fees or other transaction costs (finder's warrants) are compensatory in nature and are assigned a value based on the Black-Scholes pricing model and included in reserves.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in the warrant reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

The carrying amount of the Company's assets is reviewed for indicators of impairment each reporting date. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

FVLCD is defined as the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The Company calculates FVLCD by reference to the after-tax future cash flows expected to be derived, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Financial instruments

IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed, and the resultant accounting treatment, is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

<u>Financial assets</u>

The Company initially recognizes financial assets at fair value on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

The Company classifies all of its financial assets as subsequently measured at amortized cost. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company classifies all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Impairment

An “expected credit loss” impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Share-based payments

Stock Options

The Company has a stock option plan. Share based payments are measured at the fair value of the instruments issued and recognized over the term of vesting. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the options granted shall be based on the number of options that eventually vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital. The value associated with expired options remains in reserves.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders the services.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Stock Units

The Company has a restricted stock unit ("RSU") plan. Share based payments are measured at the fair value of the instruments issued and recognized over the term of vesting. The corresponding amount is recorded to the RSU reserve. The fair value of RSUs is determined using the closing price of the Company's shares on the CSE on the day immediately prior to the date of grant. If and when RSUs are ultimately exercised, the amount of the associated reserve is transferred to share capital. The value associated with expired RSUs remains in reserves.

4. RECEIVABLES

	December 31, 2022	December 31, 2021
	($)	($)
GST receivable	3,841	8,434
Trade receivables	–	39
	3,841	8,473

5. SHORT-TERM INVESTMENTS

Carrying Value December 31, 2021	Additions	Dispositions	Unrealized Gain	Carrying Value December 31, 2022
($)	($)	($)	($)	($)
22,500	25,834	(22,500)	10,000	35,834

Carrying Value December 31, 2020	Additions	Dispositions	Unrealized Loss	Carrying Value December 31, 2021
($)	($)	($)	($)	($)
–	47,500	–	(25,000)	22,500

Short-term investments as at December 31, 2022 consists of 166,667 common shares of Gander Gold Corp. (GAND.C) received pursuant to the disposal of a mineral property interest (Note 7). The Company shares an officer in common with Gander Gold Corp.

Short-term investments as at December 31, 2021 consists of 250,000 common shares of 79 Resources Ltd. (SNR.V) received pursuant to a mineral property option agreement (Note 7). During the year ended December 31, 2022, the Company disposed of the SNR investment for proceeds of $16,170 and recorded a loss on short-term investments of $6,330.

(Expressed in Canadian dollars)

6. RECLAMATION BOND

The drilling permit for the Cold Springs property (Note 7) requires a refundable reclamation bond totaling $5,035 (2021 - $11,106), which is held by the US Bureau of Land Management.

7. EXPLORATION AND EVALUATION ASSETS

A summary of exploration and evaluation assets by property for the year ended December 31, 2022 is set out below:

Property	Balance at December 31, 2021	Additions	Option / Disposal Proceeds	Impairment / Loss on Disposal	Balance at December 31, 2022
	($)	**($)**	**($)**	**($)**	**($)**
Cape Ray	–	56,000	(25,834)	(30,166)	–
Cold Springs	652,009	2,584	–	(654,592)	1
Lac Saint Simon	–	9,525	–	(9,525)	–
	652,009	**68,109**	**(25,834)**	**(694,283)**	**1**

A summary of exploration and evaluation assets by property for the year ended December 31, 2021 is set out below:

Property	Balance at December 31, 2020	Additions	Option / Disposal Proceeds	Impairment	Balance at December 31, 2021
	($)	**($)**	**($)**	**($)**	**($)**
Canning's Brook	–	57,476	–	(57,476)	–
Cold Springs	59,648	592,361	–	–	652,009
Clanton Hills	–	46,795	–	(46,795)	–
Gander North	–	56,774	–	(56,774)	–
Gander South	–	46,361	–	(46,361)	–
Lac Roy and Faraud	180,000	–	–	(180,000)	–
Lac Saint Simon	10,501	–	(10,501)	–	–
	250,149	**799,767**	**(10,501)**	**(387,406)**	**652,009**

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

A summary of the exploration and evaluation assets by cost category is set out below:

	($)
Balance, December 31, 2020	250,149
Acquisition and land costs	171,000
Assays	25,639
Camp costs	34,702
Consulting (Note 10)	154,965
Drilling	355,920
Geophysics	30,775
Reclamation	4,366
Reports and administration	22,400
Option payments	(10,501)
Impairment	(387,406)
Balance, December 31, 2021	**652,009**
Claim renewals	2,585
Consulting	9,524
Sampling	56,000
Proceeds of disposition for Cape Ray property	(25,834)
Loss on disposal of Cape Ray property	(30,166)
Impairment	(664,117)
Balance, December 31, 2022	**1**

Cold Springs, Nevada

On September 1, 2020, as amended on May 11, 2021, the Company entered into an agreement (the "Silver Range Agreement") with Silver Range Resources Ltd. ("Silver Range") wherein it acquired 100% ownership in the Cold Springs gold property located in Nevada, USA in exchange for the payment of $50,000 in cash (paid) and the issuance of 125,000 common shares (issued) which were valued at $55,000.

During the year ended December 31, 2022, the Company abandoned the Cold Springs Property and recorded a write-off of $654,592.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Lac Saint Simon, Quebec

On June 1, 2017, the Company acquired a 100% interest in the Lac Saint Simon lithium property located in west-central Quebec in exchange for 78,125 common shares which were valued at $325,000.

On February 3, 2021, the Company entered into an agreement (the “SNR Agreement”) with 79 Resources Ltd. (“SNR”) whereby they could acquire 100% of the project from the Company by issuing 1,500,000 common shares (250,000 shares received at a value of $47,500), paying $155,000 ($25,000 received) in cash and expending $700,000 on the property by the third anniversary of the SNR Agreement.

SNR did not meet the terms of the SNR Agreement and the option was subsequently terminated in February 2022.

Lac Roy and Faraud, Quebec

On January 2, 2020, the Company acquired a 100% interest in the Lac Roy and Faraud vanadium properties located in Quebec in exchange for 375,000 common shares which were valued at $180,000.

During the year ended December 31, 2021, the Company abandoned the Lac Roy and Faraud properties and recorded a write-off of $180,000.

Canning’s Brook, Newfoundland

On May 31, 2021, the Company entered into an option agreement to acquire a 100% interest in the Canning’s Brook property located in central Newfoundland in exchange for a series of cash and share payments and by completing certain property expenditures over a period of three years.

Date	Cash	Shares	Expenditures
	($)		($)
On execution of the Option Agreement (issued at a value of $38,000)	–	50,000	–
By December 31, 2021 (incurred)	–	–	20,000
By May 31, 2022	–	62,500	–
By December 31, 2022	–	–	30,000
By May 31, 2023	–	62,500	–
By December 31, 2023	–	–	50,000
By May 31, 2024 (1)	150,000	75,000	–
By December 31, 2024	–	–	100,000
	150,000	250,000	200,000

The vendor would retain a 2% NSR on the Property, subject to a buyback option wherein the Company could acquire 50% of the NSR in exchange for a cash payment of $1,000,000.

(1) The Company had the option to make the $150,000 payment in either cash or common shares.

During the year ended December 31, 2021, the Company abandoned the Canning’s Brook property and recorded a write-off of $57,476.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Gander North, Newfoundland

On May 26, 2021, the Company entered into an option agreement with a third party wherein it can acquire a 100% interest in the Gander North property located in central Newfoundland in exchange for a series of cash and share payments and by completing certain property expenditures over a period of three years.

Date	Cash	Shares	Expenditures
	($)		($)
On execution of the Option Agreement			
(paid and issued at a value $19,000)	10,000	25,000	–
By September 3, 2021 (incurred)	–	–	25,000
By May 26, 2022	10,000	28,125	–
By September 3, 2022	–	–	40,000
By May 26, 2023	20,000	34,375	–
By September 3, 2023	–	–	60,000
By May 26, 2024	20,000	37,500	–
	60,000	125,000	125,000

The vendor would retain a 2% NSR on the Property, subject to a buyback option wherein the Company could acquire 50% of the NSR in exchange for a cash payment of $1,000,000.

During the year ended December 31, 2021, the Company abandoned the Gander North property and recorded a write-off of $56,774.

Gander South, Newfoundland

On May 26, 2021, the Company entered into an option agreement with a third party wherein it can acquire a 100% interest in the Gander South property located in central Newfoundland in exchange for a series of cash and share payments and by completing certain property expenditures over a period of three years.

Date	Cash	Shares	Expenditures
	($)		($)
On execution of the Option Agreement			
(paid and issued at a value $19,000)	10,000	25,000	-
By September 3, 2021	-	-	25,000
By May 26, 2022	10,000	28,125	-
By September 3, 2022	-	-	40,000
By May 26, 2023	20,000	34,375	-
By September 3, 2023	-	-	60,000
By May 26, 2024	20,000	37,500	-
	60,000	125,000	125,000

The vendor would retain a 2% NSR on the Property, subject to a buyback option wherein the Company could acquire 50% of the NSR in exchange for a cash payment of $1,000,000.

Subsequent to December 31, 2021, the Company abandoned the Gander South property, and accordingly recorded a write-off of $46,361 as at December 31, 2021.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Cape Ray, Newfoundland

On October 11, 2022, the Company entered into an option agreement with Gander Gold Corp. ("Gander Gold"), a corporation that shares an officer in common with the Company, wherein it could earn a 1% interest in the Cape Ray property located in central Newfoundland in exchange for incurring $56,000 (incurred) in expenditures by December 31, 2022. Gander Gold retained a right of repurchase until February 28, 2023 under which it could acquire the 1% interest back from the Company in exchange for a cash payment of $50,000 or the issuance of common shares which would be valued at a price equal to the greater of $0.30 or the 20 day volume weighted average closing price prior to the date of the notice to repurchase.

In December 2022, the Company received 166,667 common shares of Gander Gold valued at $25,834 and recorded a loss on disposal of $30,166.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	($)	($)
Trade payables	5,593	10,799
Related party payables (Note 10)	–	88,235
Accrued liabilities	12,000	25,000
	17,593	124,024

9. NOTES PAYABLE

On May 11, 2020 and December 15, 2020, the Company borrowed an aggregate of $60,000 under a COVID-19 Relief Line of Credit as part of the Government-sponsored Canada Emergency Business Account ("CEBA"). The credit line is interest free until December 31, 2020, and any unpaid balance on January 1, 2021 will be converted to a two year 0% interest term loan that must be repaid by December 31, 2022. A total of $20,000 of the loan will be forgiven if $40,000 is repaid in full on or before December 31, 2023. The Company can exercise an option for a three year term extension but any remaining principal balance outstanding will be subject to 5% interest. During the year ended December 31, 2022, the Company repaid $40,000 and recorded a gain on debt forgiveness of $20,000.

On March 22, 2021, the Company borrowed $100,000 pursuant to a promissory note that is unsecured, bears interest at a rate of 24% compounded monthly, and was repayable on or before December 31, 2022. During the year ended December 31, 2021, the Company repaid the loan and all accrued interest totaling $5,747.

On January 8, 2022, the Company borrowed $100,000 pursuant to a promissory note that was unsecured, bore interest at a rate of 24% compounded monthly, and was repayable on or before December 31, 2022. During the year ended December 31, 2022, the Company repaid the loan plus accrued interest of $3,179 through the issuance of 909,091 units valued at $170,113 and a payment of $3,179 (Note 11).

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

Key management includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and companies controlled by them. The Company incurred the following transactions with key management of the Company during the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
	($)	($)
Consulting fees	17,900	90,000
Exploration and evaluation consulting	–	21,872
Management fees	120,000	162,000
Share-based payments	14,908	110,000
	152,808	383,872

As at December 31, 2022, a total of $nil (2021 – $88,235) was included in accounts payable and accrued liabilities owing to current and former key management of the Company.

During the year ended December 31, 2022, the Company entered into a property agreement with a corporation that shares an officer in common with the Company (Note 7).

11. SHARE CAPITAL

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

Issued share capital

<u>Year ended December 31, 2022</u>

On February 25, 2022, the Company completed a non-brokered private placement wherein it issued 1,996,363 common shares at $0.11 per share for proceeds of $219,600.

On February 25, 2022, the Company completed debt settlements wherein it issued 1,204,545 units with a fair value $226,399 to settle $100,000 in notes payable and $32,500 in related party accounts payable, resulting in a loss on debt settlements of $92,899. Each unit consisted of one common share and one share purchase warrant exercisable at $0.145 per common share expiring on February 25, 2024. The fair value of the share purchase warrants was determined to be $92,899 using the Black-Scholes option pricing model using volatility of 158%, expected option life of 2 years, and a risk-free rate of 1.53%.

On November 30, 2022, the Company completed a debt settlement wherein it issued 809,524 common shares valued at $113,332 to settle $85,000 in related party accounts payable and recorded a loss on debt settlement of $28,332.

11. SHARE CAPITAL (continued)

During the year ended December 31, 2022, the Company issued 300,000 common shares pursuant to the exercise of RSUs. As a result of the RSU exercises, a total of $120,000 was transferred from reserves to share capital.

Year ended December 31, 2021

On May 25, 2021, the Company issued 125,000 common shares valued at $55,000 in connection with the amended Silver Range Agreement. (Note 7)

On June 4, 2021, the Company completed a non-brokered private placement wherein it issued 1,250,000 common shares at $0.40 per share for proceeds of $500,000.

On June 7, 2021, the Company issued 100,000 common shares valued at $76,000 in connection with the Canning's Brook, Gander North and Gander South property agreements. (Note 7)

On July 14, 2021, the Company completed a non-brokered private placement wherein it issued 223,125 flow-through common shares at $0.60 per share for proceeds of $133,875.

During the year ended December 31, 2021, the Company issued 225,000 common shares at $0.40 per share from the exercise of stock options for proceeds of $11,250. As a result of the stock option exercises, a total of $9,472 was transferred from reserves to share capital.

Restricted Stock Units

The Company has a rolling Restricted Share Unit ("RSU") plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, issue RSUs to eligible participants, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Vesting provisions as well as method of settlement (ie. cash or common shares) are determined by the Board of Directors of the Company. The maximum number common shares reserved for issuance to any one RSU holder will not exceed five percent (5%) of the issued and outstanding common shares. Any unvested RSUs are immediately forfeited following cessation of the RSU holder's position with the Company unless otherwise approved by the Board of Directors.

On September 10, 2021, the Company issued 375,000 RSUs and all remain outstanding as at December 31, 2021. The RSUs vested immediately and a share-based payment totaling $150,000 was recorded.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

A continuity schedule of the Company's RSUs is as follows:

	Number of RSUs
Balance, December 31, 2020	–
Issued	375,000
Balance, December 31, 2021	375,000
Exercised	(300,000)
Balance, December 31, 2022	75,000

Stock Options

The Company has a rolling incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

Stock options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

The continuity of the Company's stock options is as follows:

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2020	96,875	0.77
Exercised	(28,125)	0.40
Forfeited	(68,750)	0.92
Balance, December 31, 2021	**–**	**–**
Granted	100,000	0.15
Balance, December 31, 2022	**100,000**	**0.15**

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

A summary of the Company's stock options at December 31, 2022 is as follows:

	Options Outstanding		Options Exercisable	
Exercise Price	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life**	**Number of Options Exercisable**	**Weighted Average Remaining Contractual Life**
($)		**(yrs)**		**(yrs)**
0.15	100,000	4.93	100,000	4.93

The fair value of stock options recognized as an expense during the year ended December 31, 2022 was $14,908 (2021 - $Nil).

The fair value of each stock option is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatility of the Company's shares, and other factors. The expected term of stock options granted represents the period of time that stock options granted are expected to be outstanding. The risk-free rate of periods within the contractual life of the stock option is based on the Canadian government bond rate. Assumptions used for stock options granted during the years ended December 31, 2022 and 2021 were as follows:

Grant Date	**Number of Options**	**Expected Price Volatility**	**Risk Free Interest Rate**	**Expected Life**	**Expected Dividend Yield**	**Fair Value Per Option**	**Total Fair Value**
		(%)	**(%)**	**(yrs)**	**(%)**	**($)**	**($)**
December 5, 2022	100,000	159	2.94	5.00	-	0.15	14,908

Warrants

A continuity schedule of the Company's warrants is as follows:

	Number of Warrants	**Weighted Average Exercise Price**
		($)
Balance, December 31, 2020	164,113	0.80
Expired	(39,113)	1.60
Balance, December 31, 2021	**125,000**	**0.56**
Issued	1,204,545	0.145
Expired	(125,000)	0.56
Balance, December 31, 2022	**1,204,545**	**0.145**

As at December 31, 2022, there are 1,204,545 share purchase warrants outstanding and exercisable at $0.145 per share until February 25, 2024.

12. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts as well as receivables. The majority of cash is deposited in bank accounts held with major banks in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company prepares a general operating budget to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company uses its best efforts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's financial liabilities consist of accounts payable and accrued liabilities, all of which are due within twelve months.

The Company is exposed to liquidity risk.

Commodity risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for base and precious metals are impacted by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the year ended December 31, 2022.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Foreign exchange risk

The Company's functional and presentation currency is the Canadian dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates in its US subsidiary. The Company also has certain assets and liabilities denoted in US dollars. A 10% change in the currency exchange rates between the Canadian dollar relative to the US dollar would have an immaterial effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

12. FINANCIAL RISK MANAGEMENT (continued)

Price risk

Price risk is the risk that a short-term investment which is publicly traded on a recognized stock exchange will fluctuate in value.

Classification of financial instruments

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

Financial assets included in the consolidated statement of financial position are cash, short-term investments, and reclamation bond. Financial liabilities included in the consolidated statement of financial position include accounts payable and accrued liabilities and note payable. The fair values of cash and accounts payable approximate the carrying amounts due to their short term to maturity. The fair value of the short-term investments is measured using level 1 of the fair value hierarchy. The fair value of the reclamation bonds approximates their fair value based on current interest rates. The fair value of note payable reflects the market rate of interest. The effect of changes in the Company's credit risk do not have a significant impact on the fair value due to the short term to maturity.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2022.

(Expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company has one reportable business segment being precious metal exploration. Assets by geographical area are as follows:

	December 31, 2022	**December 31, 2021**
	($)	**($)**
Current assets		
Canada	76,345	138,539
USA	–	–
	76,345	138,539
Non-current assets		
Canada	1	–
USA	5,035	663,115
	81,381	663,115
Total assets		
Canada	76,346	138,539
USA	5,035	663,115
	81,381	801,654

14. INCOME TAXES

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

	December 31, 2022	**December 31, 2021**
	($)	**($)**
Loss before income taxes	(1,127,081)	(991,588)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(304,000)	(268,000)
Increase (decrease) due to:		
Adjustment to prior years provision versus statutory returns	(1,000)	(6,000)
Impact of flowthrough shares	19,000	17,000
Non-deductible items	7,000	62,000
Differences in long term tax rates	(17,000)	(29,000)
Tax effect of tax losses and temporary differences not recognized	296,000	224,000
Income tax provision	–	–

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The components of deferred income taxes are as follows:

	December 31, 2022	December 31, 2021
	($)	($)
Deferred income tax assets		
Allowable capital losses	6,000	–
Marketable securities	2,000	3,000
Non-capital losses	1,203,000	993,000
Property, plant, equipment and other	492,000	546,000
Share issuance costs	4,000	6,000
Total deferred income tax assets	1,707,000	1,548,000
Unrecognized deferred tax asset	(1,707,000)	(1,548,000)

In assigning the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has non-capital loss carry-forwards of approximately $4,457,000 that may be available for tax purposes.

15 SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2022	December 31, 2021
	($)	($)
Non-cash investing and financing activities:		
Acquisition of exploration and evaluation assets through the issuance of common shares	–	131,000
Exploration and evaluation expenditures included in accounts payable	–	10,486
Receipt of common shares from an option agreement on an exploration and evaluation asset	25,834	47,500
Settlement of accounts payable through the issuance of common shares	117,500	–
Settlement of notes payable through the issuance of units	100,000	–
Transfer fair value of stock options exercised	–	9,472
Interest paid	3,179	5,747
Income taxes	–	–

(Expressed in Canadian dollars)

16. DISCONTINUED OPERATIONS

The net loss from the oil properties that were sold on May 1, 2021 has been reclassified to discontinued operations for the years ended December 31, 2022 and 2021 as follows:

	December 31, 2022	December 31, 2021
	($)	($)
Revenues		
Oil sales	–	42,967
Expenses		
Accretion	–	475
Consulting	–	7,000
Depletion	–	5,410
Field operating expenses	–	6,252
Royalties and freehold mineral tax	–	6,060
Income from discontinued operations	–	**17,770**

The Company recorded a gain on disposal of the oil properties as follows:

	Amount
	($)
Proceeds	5,000
Assets sold	(30,410)
Assumption of asset retirement obligation	73,073
Gain on disposal of oil properties	**47,663**