BacTech Environmental Corporation

Annual Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

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For the years ended December 31, 2023 and 2022

McGovern
Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of BacTech Environmental Corporation

Opinion

We have audited the consolidated financial statements of BacTech Environmental Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years 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 consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated 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. 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.

Material uncertainty related to going concern

We draw attention to Note 1in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company has a working capital deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 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.

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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 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 judgement 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 risks 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.

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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 of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 25, 2024

BacTech Environmental Corporation
Annual Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unless otherwise stated)

	As at December 31 2023	As at December 31 2022
	$	$
Assets		
Current assets		
Cash	**73,199**	10,148
Sales taxes receivable	**15,974**	31,591
Prepaids and deposits	**284,946**	115,385
Total current assets	**374,119**	157,124
Non-Current assets		
Land *(note 15)*	**980,564**	980,564
Guarantee and other deposits	**92,911**	-
Total non-current assets	**1,073,475**	980,564
Total assets	**1,447,594**	1,137,688
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 6 and 7)*	**1,879,442**	1,713,438
Government assistance *(note 20)*	**60,000**	60,000
Payable to Aquila Resources Inc. *(note 5)*	**161,294**	161,294
Debentures *(note 8a)*	**100,000**	100,000
Convertible debentures (*note 8b*)	**1,283,027**	872,157
Total current liabilities	**3,483,763**	2,906,889
Liabilities related to abandoned subsidiary *(note 19)*	**180,647**	180,647
Total liabilities	**3,664,410**	3,087,536
Shareholders' deficiency		
Share capital *(note 9)*	**10,494,623**	9,362,686
Option reserve *(note 11)*	**960,901**	865,487
Warrant reserve *(note 10)*	**1,205,090**	1,601,058
Equity conversions feature (*note 8b*)	**188,838**	135,916
Deficit	**(15,066,268)**	(13,914,995)
Total shareholders' deficiency	**(2,216,816)**	(1,949,848)
Total liabilities and shareholders' deficiency	**1,447,594**	1,137,688

Nature of Operations and Going Concern (*note 1*)
Commitments and Contingencies *(note 18)*
The accompanying notes are an integral part of these annual consolidated financial statements.

Approved by the Board

Signed: *"Ross Orr"* | Signed: *"Jay Richardson"*
Director | **Director**

BacTech Environmental Corporation

Annual Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, unless otherwise stated)

	Year ended December 31 2023	2022
	$	$
Expenses		
Operating and administrative costs (*note 13*)	**1,571,185**	2,242,994
Finance charges *(note 14)*	**190,592**	173,722
Project expenditures	**160,681**	954,139
Total expense	**1,922,458**	3,370,855
Net loss for the year from operations	**(1,922,458)**	(3,370,855)
Net loss and comprehensive loss for the year	**(1,922,458)**	(3,370,855)
Basic and diluted loss per share *(note 12)*	**(0.01)**	(0.02)
Weighted average number of common shares outstanding (*note 12)*	**182,713,982**	168,769,069

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

BacTech Environmental Corporation

Annual Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars, unless otherwise stated)

	Share Capital	Share Capital	Option Reserve	Warrant Reserve	Equity Conversion Reserve	Deficit	Deficit
	#	$	$	$	$	$	$
Balance, December 31, 2021	157,755,559	7,830,802	528,200	883,344	-	(10,659,055)	(1,416,709)
Shares issued pursuant to private placement *(note 9 (i))*	6,050,000	700,000	-	510,000	-	-	1,210,000
Shares issued pursuant to private placement *(note 9 (iv))*	851,515	34,080	-	22,120	-	-	56,200
Shares issued pursuant to private placement *(note 9 (ii))*	4,500,000	550,000	-	350,000	-	-	900,000
Equity component of debenture *(note 8 (b))*	-	-	-	-	149,211		149,211
Equity issue costs of debenture *(note 8 (b))*	-	-	-	-	(13,295)	-	(13,295)
Warrants exercised *(note 9(iii))*	5,053,260	252,663	-	-	-	-	252,663
Fair market value adjustment from exercise of warrants	-	108,018	-	(108,018)	-	-	-
Warrants component of debenture *(note 8 (b))*	-	-	-	29,100	-	-	29,100
Share issue costs	-	(112,877)	-	(33,474)	-	-	(146,351)
Expired Options	-	-	(62,900)	-	-	62,900	-
Expired Warrants	-	-	-	(52,014)	-	52,014	-
Share based payments *(note 11)*	-	-	400,187	-	-	-	400,187
Net loss for the year	-	-	-	-	-	(3,370,855)	(3,370,855)
Balance, December 31, 2022	174,210,334	9,362,686	865,487	1,601,058	135,916	(13,914,995)	(1,949,848)
Shares issued pursuant to private placement *(note 9 (iv))*	100,000	4,000	-	2,600	-	-	6,600
Shares issued pursuant to private placement *(note 9 (v))*	9,150,000	542,794	-	189,206	-	-	732,000
Shares issued pursuant to private placement *(note 9 (vi))*	1,900,000	115,717	-	36,283	-	-	152,000
Shares issued pursuant to private placement *(note 9 (vii))*	7,675,500	527,823	-	86,217	-	-	614,040
Equity component of debenture *(note 8 (b))*	-	-	-	-	52,922		52,922
Broker warrants (*note 9 (v and vii)*)	-	(16,547)	-	16,547	-	-	-
Share issue costs	-	(41,850)	-	(14,474)	-	-	(56,324)
Expired Options	-	-	(58,839)	-	-	58,839	-
Expired Warrants	-	-	-	(712,346)	-	712,346	-
Share based payments *(note 11)*	-	-	154,253	-	-	-	154,253
Net loss for the year	-	-	-	-	-	(1,922,458)	(1,922,458)
Balance, December 31, 2023	**193,035,834**	**10,494,623**	**960,901**	**1,205,090**	**188,838**	**(15,066,268)**	**(2,216,816)**

BacTech Environmental Corporation
Annual Consolidated Statements of Cash Flows
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Year ended December 31 2023	Year ended December 31 2022
	$	**$**
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	**(1,785,265)**	(2,226,085)
Net cash used in operating activities	**(1,785,265)**	(2,226,085)
Cash flow from financing activities		
Gross proceeds from exercise of warrants	**-**	252,663
Gross proceeds from private placements	**1,504,640**	2,106,200
Share issue costs from financings	**(56,324)**	(146,351)
Gross proceeds from debenture private placement	**400,000**	1,000,000
Debenture issue costs	**-**	(60,000)
Net cash provided by financing activities	**1,848,316**	3,152,512
Cash flow from investing activities		
Land acquisition	**-**	(980,564)
Net cash used in investing activities	**-**	(980,564)
Increase in cash	**63,051**	(54,137)
Cash, beginning of the year	**10,148**	64,285
Cash, end of the year	**73,199**	10,148

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

Non-Cash disclosure:		
Stock option expired	**58,829**	62,900
Warrants expired	**712,346**	52,014
Shares issued for services	**(16,552)**	(60,000)

1. Nature of Operations and Going Concern

BacTech Environmental Corporation (the "Company" or "BEC") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. The Company has the primary rights and know-how to use a bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates.

The business plan for the Company is to apply bioleaching technology to abatement and reclamation projects to remove the harmful elements such as arsenic and sulphur from the environment, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which could potentially be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc. The Company's head office is located at 37 King Street East, Suite 409, Toronto, Ontario, M5C 1E9.

The accompanying Annual consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has no sources of recurring revenue, has realized net loss of $1,922,458 during the year ended December 31, 2023, has working capital deficit of $3,109,644 at December 31, 2023, is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are materially uncertain and which, taken together, cast significant and substantial doubt over the ability of the Company to continue as a going concern. These Annual consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of loss classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the year ended December 31, 2023 from existing cash reserves, four equity private placements for gross proceeds of $1,504,640 and debenture financing for gross proceeds of $400,000. The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve month year, nor to repay its liabilities to trade creditors and debt holders. These matters represent material uncertainties that cast significant and substantial doubt about the Company's ability to continue as a going concern. Management is actively involved in identifying reclamation and abatement ventures amenable to the application of the Company's technology license, and is seeking new equity or debt financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

2. Basis of Consolidation and Presentation

Statement of Compliance with International Financial Accounting Standards ("IFRS")

Statement of Compliance

These annual consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective December 31, 2023.

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

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 25, 2024.

Basis of Preparation and Presentation

These annual consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these annual consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The annual consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Basis of Consolidation

These annual consolidated financial statements comprise the financial statements of the Company and its subsidiaries, Empresa Minera Ambiental BacTech S.A. incorporated in Bolivia, and BacTechVerde S.A.S incorporated in Ecuador. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Company.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the annual consolidated financial statements.

3. Significant Accounting Policies

Critical Judgements and Estimation Uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges:
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount and fair value less costs to sell in the case of assets and at objective evidence of significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

3. Significant Accounting Policies – (continued)

Critical Judgements and Estimation Uncertainties – (continued)

- Impairment of deferred assessment and evaluation costs:

While assessing whether any indications of impairment exist for deferred assessment and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of assessment and evaluation assets. Internal sources of information include the manner in which assessment and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties, and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources (neither of which the Company presently has) and/or adverse current economics can result in a write-down of the carrying amounts of the Company's deferred assessment and evaluation assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure:

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations are measured at their estimated fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Taxes, income taxes and deferred taxes:

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- Share-Based Payments:

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option

3. Significant Accounting Policies – (continued)

Critical Judgements and Estimation Uncertainties – (continued)

exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Convertible Debentures:

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the equity conversion feature. See note 8(b).

- Commitments and Contingencies:

Refer to Note 18.

Foreign Currency Translation

The Company has determined that its operations and those of its subsidiary occur primarily in an economic environment where the functional currency is the Canadian dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate as at the end of the reporting period. Non-monetary assets and liabilities are translated at historical exchange rates at the transaction date. Depreciation is translated at historical exchange rates at the transaction date. The calculated exchange gains and losses are included in net loss for the year.

Environmental Liability, Contingency, and Other Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A legal or constructive obligation to incur restoration, rehabilitation, or environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against net loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method, as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2023 and 2022, no such material obligation has been identified.

Impairment of Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets and its deferred assessment and evaluation costs to determine whether there is any indication that those

3. Significant Accounting Policies – (continued)

Impairment of Assets - (continued)

assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Fair value is determined as the reasonable amount that would be obtained from the asset's arm's length sale. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the specific asset's risks. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized in profit or loss. To test impairment, assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the new estimated net recoverable amount. The new carrying amount will not be greater than the carrying amount that would have existed if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses recognized in other comprehensive loss. The Company does not have any assets or liabilities measured at FVTOCI.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively. Financial assets and liabilities measured at amortized cost are subsequently measured at the end of each reporting period of amortized cost using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discounts to premiums on acquisitions and any fees or costs that are an integral part of the EIR. The EIR amortization is included in accretion in the consolidated statements of loss.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses

3. Significant Accounting Policies – (continued)

Financial Instruments - (continued)

arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss. The Company does not have any assets or liabilities measured at FVTPL.

Impairment of financial assets at amortized cost
The Company's only financial asset subject to impairment are the receivables, which are measured at amortized cost. The Company recognizes an allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss.

Exploration and Development Activities

Deferred assessment and evaluation costs include the direct costs related to mineral properties, including costs of acquiring mining properties and deferred exploration and development costs. These costs are capitalized and accumulated on a property by property basis and will be depreciated on the unit of production method based upon estimated proven and probable mineral reserves, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts. Costs for general exploration prior to obtaining legal rights to explore the subject property are expensed as incurred.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. 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

3. Significant Accounting Policies – (continued)

Loss per Share - (continued)

of all warrants, options, and convertible debentures outstanding that may add to the total number of common shares unless their effect would be anti-dilutive.

Share Based Payments, Option Reserve and Warrant Reserve

The fair values of employee share option plan issuances are measured at the date of grant of the options using the Black-Scholes pricing model, taking into consideration the terms and conditions upon which the options were granted. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest. At the end of each reporting period before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments grants, measured at the date the entity obtains the goods or the counterparty renders the service. The value of options outstanding is recorded in the option reserve. The value of expired options is transferred to deficit. The value of warrants outstanding is recorded in the warrant reserve. The value of expired warrants is transferred to deficit.

Income Taxes

Income tax on the net loss for the years presented comprises current and deferred tax. Current income tax expense is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regard to previous periods. Deferred income tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

No deferred income tax is recognized for temporary differences arising from the initial recognition of assets or liabilities that affect either accounting or taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted that are expected to be applied to taxable income in the years in which the temporary differences are expected to be recovered or settled.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Investment Tax Credits

The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation under The Canadian Income Tax Act. These claims are subject to review by the Canada Revenue Agency.

The investment tax credits recoverable are comprised of federal and provincial investment tax credit claims with respect to qualifying scientific research and development expenditures incurred by the Company. The

3. Significant Accounting Policies – (continued)

Investment Tax Credits – (continued)

benefit to these investment tax credits is accrued when there is reasonable assurance that the credits will be realized. The amount recoverable is deducted from the related project expenditures on the consolidated statements of loss and comprehensive loss.

Cash

Cash comprises cash in bank and in hand.

Discontinued Operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a transaction or disposed by dissolution rather than through continuing use. This condition is met when the sale or dissolution is highly probable, the asset is available for immediate sale or disposal in its present condition and the sale or disposal is expected to be completed within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- the assets or disposal groups are a major line of business or geographical area of operations;
- the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

The assets or disposal groups that meet these criteria are measured at the lower of the carrying amount and fair value less cost of disposal, with impairments recognized in the consolidated statement of loss and comprehensive loss. An impairment loss is recognized for any initial or subsequent write-down of the asset or disposal group to fair value less costs to dispose. Non-current assets and liabilities held for sale are presented separately in current assets and liabilities within the consolidated statement of financial position. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated statement of financial position is not restated.

The results of discontinued operations are shown separately in the consolidated statements of loss and comprehensive loss and cash flows and comparative figures are restated.

4. Adoption and Future Changes in Accounting Standards

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2024 or later years. Many are not applicable or do not have significant impact on the Company and have been excluded. During the year ended December 31, 2023, the Company adopted a number of amendments, including IAS 1 and IAS 8, that have not impacted the Companies reporting.

The following future standards, have not yet been adopted and are being evaluated to determine their impact.

4. Adoption and Future Changes in Accounting Standards – (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

5. Payable to Aquila Resources Inc.

REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, BacTech, was granted rights and interests in REBgold’s existing and proposed tailings remediation. During the year ended December 31, 2013, REBgold amalgamated with Aquila Resources Inc. The balance is unsecured, non-interest bearing, and is due on demand.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as at:

	December 31 2023	December 31 2022
	$	$
Trade payables	**353,132**	329,705
Accrued liabilities - other	**1,526,310**	1,383,733
Total	**1,879,442**	1,713,438

Included in accrued liabilities are certain liabilities totaling approximately $800,650 that due to the length of time passed since the Company recorded them, are management considers this uncollectable by the vendor. Management believes that there will be no impact on the business of the Company and accounts payable amounts will not be pursued by vendors nor will the Company pay these amounts.

7. Related Party Transactions

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Related party transactions are in the normal course of business and are recorded at the amount agreed to between the parties.

7. Related Party Transactions – (continued)

Related party transactions consist of the following for the years ended:

	December 31 2023	December 31 2022
	$	$
Salaries and management fees	**444,500**	**544,500**
Share based payments	**27,577**	**224,875**
Total	**472,077**	**769,375**

Included in accounts payable and accrued liabilities is $67,230 due to related parties at December 31, 2023 (December 31, 2022 - $51,455). Refer to Note 9 – Capital for equity transactions with related parties.

8. Debentures

(a) Debentures with Bonus Interest

Between April 19, 2017 and June 26, 2017, BacTech completed three tranches of a debenture financing for gross proceeds of $445,000 and accompanied by the issuance of 1,780,000 common shares which are included as a bonus equity interest. The debentures have a 2-year term and pay 12% interest annually. The debenture included a 20% common stock bonus interest payment (issued at $0.05 per share). For example, a $10,000 debenture would be accompanied by 40,000 common shares of BacTech, subject to a 4-month restriction on resale from the date of closing.

The fair value of the bonus shares was determined by reference to the trading prices of the Company's common shares on the date the tranches were closed. The Company issued 1,780,000 common shares in connection with the debenture financing with an aggregate value of $70,100. Transaction costs included a cash commission of $8,400 and 84,000 broker warrants that have expired unexercised during the year ended December 31, 2019. Each broker warrant entitled the holder to purchase one common share at an exercise price of $0.10 for a year of 12 months and were valued at $350. The aggregate transaction cost, which included the bonus shares, cash commission and warrants, was recorded against the debenture and was being amortized over the life of the debenture and shown as accretion expense.

For the debenture holders that have reached their maturity date in fiscal 2019, the Company requested that the debenture holders extend the term of the debentures. In consideration of the extension of the maturity date, the Company offered to issue a common share purchase warrant allowing the debenture holders to purchase a common share of the Company at five cents for a year of three years. In fiscal 2020, $20,000 of the debenture holders formally accepted the terms to extend the maturity date. A total of 496,000 warrants were issued at a value of $6,072.

These costs were amortized through accretion expenses and loss of modification of debenture.

On August 20, 2020, an arm's length debenture holder agreed to convert $87,500 face value of debentures and the related accrued interest at $0.05 per share. This transaction resulted in the issuance of 3,083,352 common shares and reduced $154,168 in principal of the debenture and interest owing.

8. Debentures – (continued)

On April 19, 2021, an arm's length debenture holder agreed to convert $25,000 face value of debentures and the $9,000 of accrued interest. This transaction resulted in the issuance of 680,000 common shares and a 37,400 loss on redemption of debenture.

On November 1, 2021, the Company settled the repayment of certain debentures through the issuance of 3,564,822 common shares and 3,564,822 warrants to settle the outstanding debenture face value of $232,500 and accumulated interest $123,982.

	December 31 2023	December 31 2022
	$	$
Face value of debentures	**445,000**	445,000
Transactions costs allocated to debentures	**(78,850)**	(78,850)
Cost of extension of maturity date	**(42,878)**	(42,878)
Loss on modification of debenture	**14,409**	14,409
Accumulated accretion	**107,319**	107,319
Redemptions and settlements	**(345,000)**	(345,000)
Balance	**100,000**	100,000

(b) Convertible Debentures

On April 21, 2022, the Company completed a $1,000,000 convertible debenture issuance with an existing strategic investor. The terms of the convertible debentures allow for a conversion at $0.15 per share at the option of the holder, an annual interest rate of 8% and a term of 18 months.

On March 14, 2023, BacTech closed a $250,0000 convertible debenture with the same investor who previously completed a $1.0 million convertible debenture. On September 1, 2023 the same investor advanced an additional $150,000. The convertible debenture terms are the same as the prior debenture, but now with the full principal balance of $1.4 million is not due until September 4, 2024. The debenture extension was agreed to by the debenture holder for a 1% royalty of the Company's Ecuador project, defined and described in the same manner as the royalty as announced for the May 5, 2022, and February 28, 2022, private placements, making a total of 2% NSR having been granted on the Project.

Transaction costs included a cash commission of $60,000 and 399,999 broker warrants. Each broker warrant entitled the holder to purchase one common share at an exercise price of $0.15 for a year of 24 months and were valued at $29,100 (see Note 10). The fair value of the convertible debenture at the time of issue was calculated assuming an effective interest rate of 20% based on market analysis of peer companies. In addition, the fair value of the convertible debenture conversion option was determined to be $202,134 with an allocated cost of capital of $13,296. The aggregate transaction cost, which included the cash commission and warrants, was recorded against the debenture and is being amortized over the life of the debenture and shown as accretion expense.

8. Debentures – (continued)

	December 31 2023	December 31 2022
Face value of debentures	**1,400,000**	1,000,000
Valuation allocated to equity conversion	**(202,134)**	(149,211)
Transaction costs allocated to debentures	**(75,805)**	(75,805)
Gain on modification	**(82,515)**	-
Accretion	**243,481**	97,173
Balance	**1,283,027**	872,157

9. Share Capital

Authorized share capital is made up of unlimited common shares without par value:

(i) On February 28, 2022, the Company completed a non-brokered private placement for gross proceeds of $1,210,000 through the issuance of 6,050,000 Units.

The issue price of the Units was $0.20 per unit. Units are comprised of (i) one common share , (ii) one transferable common share purchase warrant (each whole warrant entitles the holder to acquire one additional common share at a price of $0.30 per warrant for a year of twenty-four months from the date of closing), and (iii) a Royalty Certificate representing the Royalty Incentive. If the holder of the warrant exercised the warrant in the first six months, they would participate in an additional royalty to be issued by the Company. None of the warrant holders exercised this option.

The fair value of the common share purchase warrants issued in this placement was estimated at $510,000 using the Black-Sholes option pricing model (see Note 10).

Certain officers participated in the private placement for gross proceeds of $100,000 through issuance of 500,000 units.

Share issue costs incurred on this private placement were cash costs of $92,189 and the issue of 370,000 warrants valued at $31,190 using the Black-Sholes option pricing model (see Note 10). Each whole warrant entitles the holder to acquire one additional common share at a price of $0.20 per warrant for a year of twenty-four months from the date of closing.

(ii) On May 5, 2022, the Company completed the second tranche of the non-brokered private placement described in section (i) for gross proceeds of $900,000 through the issuance of 4,500,000 Units.

The fair value of the common share purchase warrants issued in this placement was estimated at $350,000 using the Black-Sholes option pricing model (see Note 10).

A director participated in the private placement for gross proceeds of $20,000 through issuance of 100,000 units.

Share issue costs incurred on this private placement were cash costs of $46,352 and the issue of 219,500 warrants valued at $17,070 using the Black-Sholes option pricing model (see Note 10). Each

9. Share Capital – (continued)

whole warrant entitles the holder to acquire one additional common share at a price of $0.20 per warrant for a year of twenty-four months from the date of closing.

(iii) During the year ended December 31, 2022, a total of 5,053,260 common share purchase warrants were exercised at price of $0.05 per share, providing gross proceeds of $252,663 to the Company.

(iv) On December 9, 2022, the Company completed a private placement for gross proceeds of $56,200 through the issuance of 851,515 Units. Each Unit, priced at $0.66 per Unit, is comprised of one common share and one common share purchase warrant in the capital of the Company. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of $0.132 for a period of two years from the date the Units are issued. If, during the exercise year of the Warrants, the Company's shares trade at $0.15 per share or higher for a year of 10 consecutive trading days on the CSE, the Company may require that they be exercised or otherwise be early terminated.

Certain officers and directors participated in the private placement for gross proceeds of $13,600 through issuance of 200,000 units. The fair value of the common share purchase warrants issued in this placement was estimated at $22,120 using the Black-Sholes option pricing model (see Note 10).

On February 1, 2023, an additional 100,000 units were issued for gross proceeds of $6,600 on the same terms as above.

(v) On March 24, 2023, BacTech completed a private placement financing for $732,000 in gross proceeds through the issuance of 9,150,000 Units.

Each Unit, priced at $0.08 per Unit, comprises of one common share and one common share purchase warrant in the capital of the Company. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.12 for a year of two years from the date the Units were issued. If during the exercise year of the warrants, the Company's shares trade at $0.20 per share or higher for a year of 10 consecutive trading days on the CSE, the Company may provide notice in writing to the holders of the Warrants that the expiry date will be accelerated thirty days from the date of providing such notice.

The fair value of the 9,150,000 common share purchase warrants issued in this placement was estimated at $189,206 using the Black-Sholes option pricing model. Share issue costs incurred on this private placement were cash costs of $17,180 and the issue of 208,500 broker warrants valued at $5,537 using the Black-Sholes option pricing model

(vi) In June 2023, BacTech completed a second tranche of the financing described in (v) for $152,000 in gross proceeds through the issuance of 1,900,000 Units under the same terms as noted above.

The fair value of the 1,900,00 common share purchase warrants issued in this placement was estimated at $36,283 using the Black-Sholes option pricing model. Share issue costs incurred on this private placement were cash costs of $900.

9. Share Capital – (continued)

(vii) On December 18, 2023, the Company completed a private placement for gross proceeds of $614,040 through the issuance of 7,675,000 Units. Each Unit, priced at $0.08 per Unit, is comprised of one common share and one half of one common share purchase warrant in the capital of the Company. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of $0.12 for a period of two years from the date the Units are issued. If, during the exercise year of the Warrants, the Company's shares trade at $0.20 per share or higher for a year of 10 consecutive trading days on the CSE, the Company may require that they be exercised or otherwise be early terminated.

Certain officers and directors participated in the private placement for gross proceeds of $28,000 through issuance of 350,000 units. The fair value of the common share purchase warrants issued in this placement was estimated at $86,212 using the Black-Sholes option pricing model (see Note 10). Share issue costs incurred on this private placement were cash costs of $38,243 and the issue of 478,040 broker warrants valued at $11,010 using the Black-Sholes option pricing model

10. Warrant Reserve

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants are as follows:

	Year ended December 31, 2023		**Year ended December 31, 2022**	
	Number Outstanding	**Weighted Average Exercise Price $**	**Number Outstanding**	**Weighted Average Exercise Price $**
Balance, beginning of year	27,739,368	0.24	24,030,614	0.15
Issued	15,674,290	0.12	12,426,014	0.28
Exercised	-	-	(5,053,260)	0.05
Expired	(15,313,354)	0.20	(3,664,000)	0.05
Balance, end of year	28,100,304	0.19	27,739,368	0.24

10. Warrant Reserve – (continued)

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at December 31, 2023 are as follows:

Expiry Date	Weighted Average Exercise Price $	Grant Date Fair Value $	Warrants Outstanding	Remaining Contractual Life (yr)
February 28, 2024	0.30	510,000	6,050,000	0.16
February 28, 2024	0.20	31,190	370,000	0.16
April 27, 2024	0.15	29,100	399,999	0.32
May 5, 2024	0.30	360,970	4,500,000	0.35
May 5, 2024	0.20	17,070	219,500	0.35
December 9, 2024	0.132	23,029	886,515	0.94
February 1, 2025	0.132	2,600	100,000	1.09
March 25, 2025	0.12	207,180	9,150,000	1.23
March 25, 2025	0.08	8,700	208,500	1.23
June 1, 2025	0.12	44,148	1,900,000	1.45
Dec 18, 2025	0.12	86,200	3,837,750	1.97
Dec 18, 2025	0.12	11,010	478,040	1.97
	0.19	1,331,197	28,100,304	0.94

The fair values of the warrants issued during the year ended December 31, 2023 and year ended December 31, 2022 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Risk free interest rate	**3.75 to 3.99%**	1.47% to 3.70%
Expected dividend yield	**Nil**	Nil
Exercise price	**\$0.08 to \$0.12**	\$0.132 to \$0.30
Share price	**\$0.07 to \$0.08**	\$0.07 to \$0.115
Expected volatility	**85% to 96%**	156% to 191%
Expected life	**2 years**	2 years

Option pricing models require the input of subjective assumptions regarding the expected volatility, which is calculated based on the historical price of the Company's common shares. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

11. Stock Options

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was re-approved by the shareholders on September 16, 2021, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

11. Stock Options – (continued)

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of up to five years and vest over a year of up to three years from the date of issue.

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number Outstanding	Weighted Average Exercise Price $	Number Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	11,350,000	0.11	8,250,000	0.10
Granted	2,250,000	0.12	4,800,000	0.11
Expired	(650,000)	0.14	(1,700,000)	0.10
Balance, end of year	12,950,000	0.11	11,350,000	0.11

Options to purchase common shares outstanding at December 31, 2023 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price $	Grant Date Fair Value $	Number of Options Outstanding	Number of Options Exercisable	Remaining Weighted Average Contractual Life (yr.)
August 20, 2030	0.05	74,900	2,500,000	2,500,000	6.64
March 26, 2026	0.12	217,120	2,200,000	2,200,000	2.24
August 10, 2026	0.15	68,940	200,000	200,000	2.61
September 16, 2026	0.15	102,840	1,100,000	1,100,000	2.71
January 4, 2027	0.15	151,578	1,100,000	1,000,000	3.01
December 12, 2027	0.10	271,534	3,600,000	3,600,000	3.95
March 13, 2028	0.10	103,812	1,250,000	937,500	4.20
June 16, 2025	0.10	22,691	500,000	500,000	1.46
June 16, 2025	0.20	14,173	500,000	100,000	1.46
	0.11	1,027,588	12,950,000	12,137,500	3.81

For the year ended December 31, 2023, the Company granted 2,250,000 options with a life of 2 and 5 years, vesting over a period and an exercise price ranging from $0.10. to $0.20 The Company recognized share-based payment expense of $154,252 for the year ended December 31, 2023.

For the year ended December 31, 2022, the Company granted 4,800,000 options with a 5 year life, all options vested immediately, except of 600,000 options that vest over three years from date of grant, and an exercise price from $0.10 to $0.15. The Company recognized share-based payment expense of $400,187 for the year ended December 31, 2022.

11. Stock Options – (continued)

The fair values of the options issued during the year ended December 31, 2023 and year ended December 31, 2022 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Risk free interest rate	**3.75% to 4.52%**	1.42% - 2.94%
Expected dividend yield	**Nil**	Nil
Exercise price	**$0.10-$0.20**	$0.10 - $0.15
Share price	**$0.085 to $0.095**	$0.075 - $0.145
Expected volatility	**88% to 203%**	216%-294%
Expected life	**2 to 5 years**	5 years

Option pricing models require the input of subjective assumptions regarding the expected volatility, which is calculated based on the historical price of the Company's common shares. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

12. Income (Loss) per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2023 includes a net loss attributable to common shareholders of $1,922,458 (2022 $3,370,855) and the weighted average number of common shares outstanding of 182,713,982 (2022 –168,769,069). The calculation of basic and diluted loss per share did not include the effect of share purchase options and warrants outstanding as they would be anti-dilutive.

13. Operating and Administrative

Operating and administrative expense consists of the following:

	Year ended December 31	
	2023	**2022**
	$	**$**
Salaries and management fees *(note 7)*	**566,833**	618,637
Share based payments *(note 11)*	**154,252**	400,187
Professional fees	**208,769**	497,628
Shareholder information and filing fees	**477,689**	477,977
Travel	**79,647**	109,442
General office expenses	**89,698**	141,749
Foreign exchange gain	**(5,703)**	(2,626)
Total	**1,571,185**	2,242,994

14. Finance Charges

Finance charges consist of the following:

	Year ended December 31	
	2023	**2022**
	$	**$**
Interest and bank charges	**14,232**	11,215
Debenture interest	**112,571**	65,333
Gain on modification of debt	**(82,515)**	-
Accretion expense	**146,304**	97,174
Total	**190,592**	173,722

15. Land Purchase

The Company acquired a parcel of land for its proposed processing plant in Tenguel, Ecuador which closed in September 2022.

16. Financial Risk Factors

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

Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to sales tax receivable is remote.

Liquidity risk

As at December 31, 2023, the Company had a cash balance of $73,199 (December 31, 2022 - $10,148) against current liabilities of $3,483,763 (December 31, 2022 - $2,906,890). The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming year, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company's technology and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

While the multiple debt conversions and forgiveness have substantially improved the Company's Statement of Financial Position, its liquidity remains at a parlous low level and it continues to incur costs that will require continued success in additional financings.

16. Financial Risk Factors – (continued)

Market risk

(a) Interest rate risk

The Company has cash earning interest at a low variable interest rate and debentures bearing interest at 8% and 12% per annum. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is not exposed to price risk with respect to commodity prices because the Company is not a producing entity.

As at December 31, 2023 and December 31, 2022 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows. All of the financial assets are reflected at amortized costs, as at:

	December 31 2023	December 31 2022
Financial assets at amortized cost:		
Cash	$ 73,199	$ 10,148

Financial liabilities included in the statement of financial position are as follows. All of the financial liabilities are reflected at amortized costs, as at:

	December 31 2023	December 31 2022
Financial liabilities at amortized cost:		
Payable to Aquila Resources Inc.	$ 161,294	$ 161,294
Accounts payable and accrued liabilities	$ 1,879,442	$ 1,713,438
Government assistance	$ 60,000	$ 60,000
Debentures	$ 1,383,027	$ 972,157

Fair value
The Annual consolidated statements of financial position carrying amounts for cash, receivables and trade payables, approximate fair value due to their short-term nature.

16. Financial Risk Factors – (continued)

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2023 and December 31, 2022 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

17. Capital Management

The Company defines capital as shareholders' equity. The Company's objective when managing its capital is to restore its deficit to a positive balance in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, assessment and evaluation, and development of mineral reclamation properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is currently in the early stages of evaluation and assessment of projects; as such, the Company is dependent on external financing to fund its activities. In order to carry out the assessment and evaluation of the projects and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2023 and year ended December 31, 2022.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Canadian Securities Exchange ("CSE"). The impact of any violation of CSE policy is not known and is ultimately dependent on the discretion of the CSE.

18. Commitments and Contingencies

Management contract

The Company currently has employment agreements with the provision of termination and change of control benefits with the three officers of the Company. The agreements for each officer provides that in the event that their employment is terminated by the Company other than for cause then the officer shall be entitled to a lump sum payment amount up to twelve months base salary plus 1 month salary for each year of service ($617,500) to a max of thirty months base salary. If a change of control were to occur, the officer

18. Commitments and Contingencies – (continued)

would be entitled up to two years of compensation ($1,330,000). As a triggering event has not taken place, the contingent payments have not been reflected in these Annual consolidated financial statements.

Environmental matters

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

19. Liabilities related to abandoned Subsidiary

On May 24, 2016, BacTech announced that its 98% owned Bolivian subsidiary Empresa Minera Ambiental BacTech S.A" ("EMABSA"), had signed an Association Contract with Corporación Minera de Bolivi" ("COMIBOL"), the state mining company of Bolivia. On September 15, 2016, the Bolivian government approved and ratified the agreement.

On September 9, 2019, the Company announced that it would not proceed with the reclamation of the Telamayu tailings project in Bolivia. The Company has abandoned the Bolivian subsidiary which is inactive. Management believes that there will be no impact on the business of the Company and accounts payable amounts will not be pursued by vendors beyond their recourse against the abandoned subsidiary.

The liabilities have been included in the Company's balance sheet from the abandoned subsidiary in the amount of $180,647 for the year ended December 31, 2023 ($180,647 -December 31, 2022).

20. Income Tax

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2022 - 26.5%) were as follows:

	2023 **$**	**2022** **$**
Loss before income taxes	**(1,922,458)**	**(3,370,855)**
Expected income tax recovery based on statutory rate	**(509,000)**	**(893,000)**
Adjustment to expected income tax benefit:		
Tax rate changes and other adjustments		
Non-deductible expenses	**41,000**	**152,000**
Other	**(15,000)**	**(39,000)**
Change in unrecorded Deferred tax asset	**483,000**	**780,000**
Deferred income tax recovery	**-**	**-**

20. Income Tax – (continued)

b) Deferred Income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Unrecognized Deferred Tax Assets	**2023** **$**	2022 $
Non-capital losses carried forward	**12,040,000**	**10,584,000**
SR&ED pool	**594,000**	**594,000**
Research and development tax credits	**123,000**	**123,000**
Donations	**3,000**	**3,000**
Share issue and finance costs	**128,000**	**11,000**
Mineral interests	**1,535,000**	**1,535,000**
Equipment and intangible assets	**1,958,000**	**1,958,000**
Equipment and intangible assets	**16,381,000**	**14,808,000**

Share issue and finance costs will be fully amortized by December 31, 2026.

Research and development tax credits expire 2032 to 2042. The remaining deductible temporary differences other than non-capital losses are expected to carry forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2030	-
2031	$ 731,000
2032	747,000
2033	962,000
2034	200,000
2035	455,000
2036	684,000
2037	919,000
2038	1,082,000
2039	939,000
2040	-
2041	1,330,000
2042	2,523,000
2043	1,468,000
Total	12,040,000

21. Government assistance

Canada Business Emergency Account

In fiscal 2020, the Company received a $60,000 emergency business loan under the federal government Canada Business Emergency Account ("CEBA") initiative. The company did not repay the balance prio to January 19, 2024, and as such the loan would be renewed for a three year term with a fixed annual rate of interest of 5%.

22. Subsequent events

Warrants expiry

Subsequent to December 31, 2023, 6,420,000 of Company's warrants expired unexercised.