CLARITY METALS CORP.

(formerly Clarity Gold Corp.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLARITY METALS CORP.

Opinion

We have audited the financial statements of Clarity Metals Corp. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of operations and comprehensive loss for the years then ended;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,771,748 during the year ended December 31, 2022 and, as of that date, the Company's accumulated deficit totaled $10,974,952. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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 the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 auditors' 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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 consolidated financial statements of the current period and are, therefore, the key audit matters. We describe key audit matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2023

CLARITY METALS CORP. (formerly Clarity Gold Corp.)
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at		December 31, 2022		December 31, 2021
ASSETS				
CURRENT ASSETS				
Cash	$	1,085,019	$	2,750,286
Receivables and prepaid expenses (Notes 3, 10)		190,274		199,604
		1,275,293		**2,949,890**
NON-CURRENT ASSETS				
Exploration and evaluation assets (Note 4)		1,364,263		552,013
TOTAL ASSETS		**2,639,556**		**3,501,903**
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Notes 5, 10)		520,383		161,996
Flow-through liability (Note 7)		-		380,637
TOTAL LIABILITIES		**520,383**		**542,633**
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		11,759,640		10,033,096
Reserves (Note 6)		1,334,485		1,464,524
Accumulated deficit		(10,974,952)		(8,538,350)
		2,119,173		**2,959,270**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**2,639,556**	**$**	**3,501,903**

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

Approved on behalf of the Board of Directors on April 26, 2023:

"Andrew Male" Director
Andrew Male

"Rose Zanic" Director
Rose Zanic

The accompanying notes are integral to these financial statements

CLARITY METALS CORP. (formerly Clarity Gold Corp.)
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31,		**2022**		**2021**
EXPENSES				
Accretion (Note 8)	$	-	$	3,242
Consulting fees (Note 10)		326,238		371,635
Depreciation (Note 8)		-		26,184
Exploration expenditures (Notes 4, 10)		2,030,917		2,311,961
Foreign exchange loss		476		1,063
Investor relations		-		204,765
Marketing		157,864		1,194,977
Office and administration		84,557		88,477
Professional fees (Note 10)		347,495		336,124
Transfer agent, registration and filing fees		30,207		21,741
Shareholder communications		22,355		19,951
Share-based compensation (Notes 6, 10)		199,501		444,055
Travel		743		7,334
		(3,200,353)		(5,031,509)
Other income				
Interest Income		-		1,690
BCMETC Recovery		47,968		-
Recovery of flow-through premium (Note 7)		380,637		420,581
Termination of option agreement (Note 4)		-		(1,912,525)
Loss and comprehensive loss for the year	$	(2,771,748)	$	(6,521,763)
Basic and diluted loss per share	**$**	**(0.09)**	**$**	**(0.24)**
Weighted average number of common shares outstanding- basic and diluted		**32,142,592**		**27,360,699**

The accompanying notes are integral to these financial statements

CLARITY METALS CORP. (formerly Clarity Gold Corp.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital								
	Number of shares		Amount		Reserves		Deficit		Total
Balance, December 31, 2020	20,371,500	$	2,094,840	$	835,710	$	(2,053,814)	$	876,736
Shares issued for cash	6,785,701		8,342,693		-		-		8,342,693
Shares issued for exercised warrants	300,000		105,000		-		-		105,000
Share issue costs	-		(493,758)		-		-		(493,758)
Shares issued for acquisition of exploration and evaluation assets	685,391		1,007,525		-		-		1,007,525
Flow-through premium	-		(801,218)		-		-		(801,218)
Fair market value of issued agent options	-		(221,986)		221,986		-		-
Share-based compensation	-		-		444,055		-		444,055
Recovery on cancellation of stock options	-		-		(37,227)		37,227		-
Net loss for the period	-		-		-		(6,521,763)		(6,521,763)
Balance, December 31, 2021	28,142,592		10,033,096		1,464,524		(8,538,350)		2,959,270
Shares issued for cash	10,000,000		1,000,000		-		-		1,000,000
Share issue cost	-		(5,100)		-		-		(5,100)
Fair market value of issued agent options	-		(5,606)		5,606		-		-
Shares issued for acquisition of exploration and evaluation assets	5,220,000		737,250		-		-		737,250
Share-based compensation	-		-		199,501		-		199,501
Recovery on cancellation of stock options	-		-		(335,146)		335,146		-
Net loss for the period	-		-		-		(2,771,748)		(2,771,748)
Balance, December 31, 2022	43,362,592	$	11,759,640	$	1,334,485	$	(10,974,952)	$	2,119,173

The accompanying notes are integral to these financial statements

CLARITY METALS CORP. (formerly Clarity Gold Corp.)
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,771,748)	$ (6,521,763)
Add items not affecting cash:		
Accretion	-	3,242
Depreciation	-	26,184
Share-based compensation	199,501	444,055
Gain on lease amendment	-	(1,690)
Recovery of flow-through premium	(380,637)	(420,581)
Termination of option agreement	-	1,912,525
Non-cash working capital changes:		
Receivables and prepaid expenses	9,330	402,989
Accounts payable and accrued liabilities	358,387	(468,250)
Net cash used in operating activities	**(2,585,167)**	**(4,623,289)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liability payments	-	(28,522)
Shares issued for cash	1,000,000	8,342,693
Shares issued for exercised warrants	-	105,000
Share issue costs	(5,100)	(493,758)
Net cash provided by financing activities	**994,900**	**7,925,413**
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of exploration and evaluation assets	(75,000)	-
Exploration and evaluation assets	-	(600,000)
Net cash used in investing activity	**(75,000)**	**(600,000)**
Increase (decrease) in cash during the year	**(1,665,267)**	**2,702,124**
Cash, beginning of the year	**2,750,286**	**48,162**
Cash, end of the year	**$ 1,085,019**	**$ 2,750,286**

Note 12 – Supplemental disclosures with respect to cash flows.

The accompanying notes are integral to these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Clarity Metals Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 11, 2019. The Company's head office and registered office are located at Suite 1680, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

On June 29, 2020, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "CLAR". On July 1, 2020, the Company's common shares commenced trading on the OTC Pink Sheets Market under the trading symbol "CLGCF".

On December 12, 2022, the Company's name changed from Clarity Gold Corp. to Clarity Metals Corp. and resumed trading under the new symbol "CMET" on the CSE.

The Company is a Canadian mineral exploration company focused on the acquisition, exploration and development of mineral projects in Canada.

The Company is currently evaluating its exploration and evaluation assets and has not determined whether its projects contain reserves that are economically recoverable. The recoverability of amounts recorded for the exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, competition and global market conditions. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company incurred a net loss and comprehensive loss of $2,771,748 for the year ended December 31, 2022 (2021 - $6,521,763) and has an accumulated deficit of $10,974,952 (December 31, 2021 - $8,538,350) and is expected to incur further losses in the development of its business, all of which may cast significant doubt about its ability to continue as a going concern. As at December 31, 2022, the Company had a working capital of $754,910 (December 31, 2021 - $2,407,257). These statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

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. While this has not had a material impact on the Company to date, 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. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) Statement of compliance to International Financial Reporting Standards

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

These financial statements were approved and authorized for issuance by the Board of Directors on April 26, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

b) Basis of presentation

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

c) Foreign currency translation

The Company's reporting and functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, the Effect of Changes in Foreign Exchange Rates.

d) Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period.

e) Significant accounting judgments, estimates and assumptions

The preparation of the Company's 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 financial statements and reported amounts of revenues and expenses during the reporting year. 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.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these financial statements are discussed below:

Fair value of common shares issuance

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining the fair value of assets received when common shares are issued as consideration. If the fair value of assets received or services rendered cannot be reliably measured, the transaction will be recorded at the fair value of common shares issued on the date of issuance.

Impairment of Exploration and Evaluation assets

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its exploration and evaluation assets, management has determined that the evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the statements of financial position at its carrying value as management has determined there are no indicators of impairment for its exploration and evaluation assets as December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

f) Exploration and evaluation assets

Upon acquiring the legal right to explore, all costs related to the acquisition and exploration and evaluation of properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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.

g) Share-based compensation

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. If it is determined the fair value of the goods or services cannot be reliably measured, they are recorded to the option reserve at the date the goods or services are received. 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 shall be based on the number of equity instruments that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in reserves is transferred to share capital. For those unexercised options or warrants that expire, the recorded value is transferred to deficit.

All equity-settled share-based payments are reflected in other equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expire, the recorded value is transferred to deficit.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

g) Share-based compensation (continued)

The Company has granted certain directors and consultants restricted share units (“RSUs”) to be settled in shares of the Company. The fair value of the estimated number of RSUs that will eventually vest, determined at the date of grant, is recognized as share-based compensation expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the RSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date.

h) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee’s incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in profit or loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

i) Earnings (loss) per share

Basic earnings or loss per common share is calculated using the weighted average number of shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on earnings or loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the period presented, this calculation proved to be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are excluded from basic earnings or loss per common share until escrow conditions have been removed.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

j) Income taxes

Current income tax

Current income tax assets and liabilities for the reporting 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.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided for 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 liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

k) Financial instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

k) Financial instruments (continued)

Financial Assets (continued)

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value recognized in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

As at December 31, 2022, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities.

l) Unit offerings

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

(EXPRESSED IN CANADIAN DOLLARS)

3. RECEIVABLES AND PREPAID EXPENSES

		December 31, 2022		December 31, 2021
GST receivable	$	104,847	$	119,586
Prepaid expenses		85,427		64,344
Other (Note 10)		-		15,674
	$	190,274	$	199,604

4. EXPLORATION AND EVALUATION ASSETS

Fecteau Property

On November 21, 2022, the Company entered in an assignment and assumption agreement (the "Fecteau Agreement") among Opus One Resources Corp. ("Opus One") and the two original optionors (the "Fecteau Optionors"), to acquire a 100% interest in the Fecteau Property located in the Province of Quebec.

The Fecteau Property consists of one claim block containing 107 claims for a total of 5,979.02 hectares in the Urban-Barry Windfall mining district.

As consideration for this acquisition, the Company paid $60,000 as cash and in addition, the Company must:

(a) Incur exploration expenditures for an additional amount of $180,880 on or before December 31, 2022 – i*ncurred*; and

(b) Pay an additional amount of $37,500 on or before January 31, 2023 – *paid subsequent to year end* ; and

(c) Pay an additional amount of $12,500 (or issue common shares of the Company with a fair value $12,500) on or before December 31, 2023 and incur exploration expenditures for an additional amount of $200,000.

Pursuant to the Fecteau Agreement, the Fecteau Optionors were granted a 2% net smelter return royalty which will be reduced to 1% by payment of $1,500,000 to the Fecteau Optionors.

In connection with the execution of the Fecteau Agreement, the Company paid an arm's length finder an aggregate of 250,000 common shares as finder's fee with a fair value of $41,250.

Lithium381 Property

On December 6, 2022, the Company entered into an option agreement (the "Lithium Agreement") with Genius Metals Inc. ("Genius"), an arm's length public company listed on the TSX Venture Exchange, to earn an undivided 50% right, title, ownership and beneficial interest in the Lithium381 Property ("Lithium381" or "KM381") located in the Province of Quebec.

Lithium381 comprises 21 mineral claims covering approximately 1107 hectares located in the James Bay Region of Northern Quebec.

Pursuant to the Lithium Agreement, the Company must:

(a) Incur an aggregate of $750,000 in exploration expenditures on or before December 31, 2024, inclusive of the deposit of $25,000 provided by the Company to Genius on November 25, 2025; and

4. EXPLORATION AND EVALUATION ASSETS (continued)

Lithium381 Property (continued)

(b) Issue an aggregate of 720,000 common shares of the Company which will be subject to a voluntary escrow to be released as to 90,000 common shares every four months – *issued during the year ended December 31, 2022.*

During the year ended December 31, 2022, the Company issued 720,000 common shares to Genius with a fair value of $126,000.

In connection with the execution of the Lithium Agreement, the Company paid an arm's length finder an aggregate of 250,000 common shares as finder's fee with a fair value of $50,000.

Newfoundland Properties

On August 23, 2022, the Company entered into an agreement (the "Newfoundland Agreement") with two arm's length vendors, to acquire the Eddies Cove MVT Project ("Eddies Coves"), the Harp Lake Nickel Project ("Harp Lake"), and the Hare Bay Nickel Project ("Hare Bay") (together, the "Newfoundland Properties").

Eddies Cove comprises of 450 hectares of mineral claims and is located 57 kilometres west of the town of Saint Anthony in Northwestern Newfoundland.

Harp Lake Property comprises of 3,452.5 hectares of mineral claims and is located in the Central Northern Labrador, 100 kilometres west of Hopedale and 100 kilometres south-west of Natuashish and 210 kilometres northwest of Goose Bay.

Hare Bay is located 15 kilometres west of St. Anthony, North-Western Newfoundland and has 750 hectares of mineral claims.

As consideration for this acquisition, the Company paid $15,000 as cash and issued 4,000,000 common shares with a fair value of $520,000 which was allocated proportionally among the three properties based on the total hectares. The Newfoundland Properties are in different geographic locations and are therefore considered to be separate CGUs.

Empirical Project

The initial Empirical Project ("Empirical") consists of three unpatented mineral claims which are located in the Lillooet Mining Division of British Columbia, Canada.

On July 2, 2020, the Company paid $7,013 to stake two unpatented mineral claims, which are adjacent and contiguous to the west and south of the Empirical Project.

On July 5, 2020, the Company acquired an additional unpatented mineral claim, which is adjacent and contiguous to the east of the Empirical Project. As consideration for the acquisition, the Company paid $3,334 cash and issued 416,667 common shares with a fair value of $158,334 to an arm's length private company.

The Empirical Project now totals six unpatented mineral claims.

Pursuant to the terms of the Option Agreement dated October 16, 2019 (the "Agreement"), the Company can earn a 100% interest in the initial three unpatented Empirical claims by making the following payments to Longford Capital Corp. (the "Optionor"), a company controlled by the CEO (Note 10):

4. EXPLORATION AND EVALUATION ASSETS (continued)

Empirical Project (continued)

- Issue 2,000,000 common shares by October 22, 2019 (issued at a value of $10,000)
- Pay $50,000 within five days of the common shares being approved for listing on a stock exchange (paid on June 29, 2020)
- Incur a minimum of $80,000 in exploration costs on Empirical by October 1, 2020 (incurred)
- Incur a minimum of $200,000 in exploration costs on Empirical by October 1, 2021 (incurred)

The Optionor retains a 2% net smelter royalty ("NSR") payable following commencement of commercial production. The Company has the right to reduce the NSR from 2% to 1% at any time prior to commencement of commercial production by paying $1,500,000 to the Optionor.

In addition to the terms outlined above, the Agreement contains a 5-kilometre area of influence provision pursuant to which any claims staked by the Company within 5 kilometres of the Empirical property boundary will automatically be included as part of the Agreement and subject to the 2% NSR.

Gretna Green Project

On July 5, 2020, the Company acquired the Gretna Green Project, which is comprised of one mineral claim located 24 kilometres southwest of Port Alberni, British Columbia. As consideration for the acquisition, the Company paid $3,333 cash and issued 416,666 common shares with a fair value of $158,333 to an arm's length private company.

Tyber Project

On July 5, 2020, the Company acquired the Tyber Project, which is comprised of one mineral claim located 1.4 kilometres south of Arrowsmith Lake, British Columbia. As consideration for the acquisition, the Company paid $3,333 cash and issued 416,667 common shares with a fair value of $158,333 to an arm's length private company.

Destiny Project

On November 27, 2020, the Company entered into an Option Agreement (the "Destiny Agreement") with Big Ridge Gold Corp. ("Big Ridge") to acquire up to 100% of the Destiny Project (the "Option"). During the period ended March 31, 2022, the Company provided cancellation notice and terminated the option agreement with Big Ridge. The Company wrote off all capitalized acquisition costs and surface rights totaling $1,912,525 at December 31, 2021.

Pursuant to the terms of the Destiny Agreement, the Company could an earn a 100% interest in the Destiny Project by making the following payments to Big Ridge:

(EXPRESSED IN CANADIAN DOLLARS)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Destiny Project (continued)

Payment Date	Cash Payment Amount	Shares Issuance Amount ($)	Interest Earned in Destiny Project
On execution of the Letter of Intent dated October 29, 2020	$50,000 (paid in fiscal 2020)	-	-
Within 60 days of the execution of the Destiny Agreement	$450,000 (paid on January 26, 2021)	$1,000,000 (685,391 shares issued on January 26, 2021)	-
12 months from the closing date of the Destiny Agreement	$750,000	$1,000,000	-
24 months from the closing date of the Destiny Agreement	$750,000	$1,500,000	49% earned
36 months from the closing date of the Destiny Agreement	$1,000,000	$2,000,000	100% earned
Total	**$3,000,000**	**$5,500,000**	**100% earned**

The Company paid $255,000 as an arm’s length finder’s fee (equal to 3% of the aggregate consideration).

Acquisition of surface rights over Destiny Project

On May 6, 2021, the Company purchased surface rights of two lots over a key portion of the Destiny Project.

The Company agreed to pay $125,000 per lot for total consideration of $250,000. The Company made an initial payment of $25,000 per lot at closing and $25,000 per lot on August 12, 2021 and December 22, 2021, with the remaining balance of $50,000 per lot included in accounts payable and accrued liabilities.

(EXPRESSED IN CANADIAN DOLLARS)

4. EXPLORATION AND EVALUATION ASSETS (continued)

The following table is a reconciliation of exploration and evaluation assets for the year ended December 31, 2022.

	Destiny Project	**Empirical Project**	**Gretna Green Project**	**Tyber Project**	**Eddies Cove Project**	**Harp Lake Project**	**Hare Bay Project**	**KM 381 Project**	**Fecteau Project**	**Total**
Acquisition costs, December 31, 2020	$ 305,000	$ 228,681	$161,666	$ 161,666	$ -	$ -	$ -	$ -	$ -	$ 857,013
Additions	1,607,525	-	-	-	-	-	-	-	-	1,607,525
Termination of option agreement	(1,912,525)	-	-	-	-	-	-	-	-	(1,912,525)
Acquisition costs, December 31, 2021	-	228,681	161,666	161,666	-	-	-	-	-	552,013
Additions - cash	-	-	-	-	1,451	11,131	2,418	-	60,000	75,000
Additions – shares	-	-	-	-	50,296	385,878	83,826	176,000	41,250	737,250
Acquisition costs, December 31, 2022	$ -	$ 228,681	$161,666	$ 161,666	$ 51,747	$ 397,009	$ 86,244	$ 176,000	$ 101,250	$1,364,263

(EXPRESSED IN CANADIAN DOLLARS)

4. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2022, the Company incurred exploration costs as follows:

Exploration Expenditures	Destiny Project	Empirical Project	Gretna Green Project	Tyber Project	Eddies Cove Project	Hare Bay Project	KM381	Fecteau	Total
Administration	$ -	$ -	$ -	$ -	$ 1,774	$ 2,541	$ 10	$ 10	$ 4,335
Assays	29,465	11,476	365	-	1,200	1,470	-	66,636	110,612
Drilling	10,000	-	-	-	-	-	-	894,358	904,358
Field Expenditure	-	-	-	-	1,176	3,123	69,095	156,910	230,304
Geological	-	-	-	-	6,000	8,000	51,420	24,340	89,760
Mapping	-	-	-	-	-	-	-	4,200	4,200
Meals and lodging	15,122	-	-	-	450	1,350	1,125	1,125	19,172
Mobilization/Demobilization	-	-	-	-	3,000	3,000	2,500	30,721	39,221
Property access payments	100,000	-	-	-	-	-	-	-	100,000
Database maintenance	10,800	-	-	-	-	-	56,445	30,000	97,245
Licenses and permits	6,799	4,412	3,912	3,912	-	-	11,507	11,507	42,049
Survey	-	-	-	-	-	-	155,417	234,244	389,661
	$ 172,186	$ 15,888	$ 4,277	$ 3,912	$ 13,600	$ 19,484	$ 347,519	$ 1,454,051	$ 2,030,917

(EXPRESSED IN CANADIAN DOLLARS)

4. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2021, the Company incurred exploration costs as follows:

Exploration Expenditures	Destiny Project	Empirical Project	Gretna Green Project	Tyber Project	Total
Administration	$ 3,218	$ 21,995	$ -	$ -	$ 25,213
Assays	86,498	18,968	400	-	105,866
Drilling	1,199,734	-	-	-	1,199,734
Engineering	26,348	-	-	-	26,348
Field expenditures	167,677	31,753	12,376	7,962	219,768
Geological	208,615	45,500	-	-	254,115
Geophysical	27,961	-	-	-	27,961
Licenses and permits	44,904	-	-	-	44,904
Line cutting	37,199	-	-	-	37,199
Meals and lodging	62,446	18,000	1,500	825	82,771
Mobilization/demobilization	35,331	-	-	-	35,331
Sampling	164,225	-	-	-	164,225
Transportation	45,209	42,317	-	1,000	88,526
	$ 2,109,365	$ 178,533	$ 14,276	$ 9,787	$ 2,311,961

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable (Note 10)	$ 269,724	$ 87,274
Accrued liabilities	250,659	74,722
	$ 520,383	$ 161,996

6. SHARE CAPITAL

Authorized

The authorized share capital consists of an unlimited number of common and preferred shares without par value.

As at December 31, 2022, the total common shares outstanding are 43,362,592 (December 31, 2021 - 28,142,592) and nil preferred shares issued.

Escrowed shares

As at December 31, 2022, the Company had 1,132,500 shares in escrow, of which, 412,500 will be released on June 29, 2023, the 36-month anniversary from the commencement of trading on the CSE. The remaining 720,000 shares will be released in 90,000 increments every four months beginning April 6, 2023.

These escrow shares may not be transferred, assigned, or otherwise dealt without the consent of regulatory authorities.

6. SHARE CAPITAL (continued)

Share issuances

Year ended December 31, 2022:

Shares issued for Newfoundland Properties

On August 23, 2022, the Company issued 4,000,000 common shares with a fair value of $520,000 as project acquisition costs pursuant to the Newfoundland Agreement (Note 4).

Shares issued for Quebec Properties

On December 19, 2022, the Company issued 250,000 finder's shares with a fair value of $50,000 as project acquisition costs in connection with the Lithium381 project (Note 4).

On December 28, 2022, the Company issued 250,000 finder's shares with a fair value of $41,250 as project acquisition costs pursuant to the Fecteau Agreement (Note 4).

On December 29, 2022, the Company issued 720,000 common shares with a fair value of $126,000 as project acquisition costs pursuant to the Lithium381 Agreement (Note 4).

Private placements

On December 28, 2022, the Company completed a non-brokered private placement of 10,000,000 units at a price of $0.10 per unit ("Units") for gross proceeds of $1,000,000. Each Unit consisted of one common share in the capital of the Company and one common share purchase warrant. Each share purchase warrant is exercisable into one additional common share at a price of $0.12 per common share until December 28, 2025.

The Company paid cash finder's fees of $5,100, and issued 51,000 agent options with a fair value of $5,606, which were recorded as share issue costs. Each agent option is exercisable into one additional common share at a price of $0.12 per common share until December 28, 2025. The fair value of the agent options was determined using the Black-Scholes option pricing model with the following inputs: volatility 92.96%, expected life of 3 years, and a risk-free rate of 3.77%.

Year ended December 31, 2021:

Private placements

- On January 11, 2021, the Company completed the first tranche of a non-brokered private placement of 1,563,956 units at a price of $0.96 per unit ("Units") for gross proceeds of $1,501,398. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of $1.25 per common share until January 11, 2022.

  The Company paid $6,240 in legal fees, cash finder's fees of $56,447, and issued 58,694 agent options with a fair value of $32,357, which were recorded as share issue costs. Each agent option is exercisable into one additional common share at a price of $0.96 per common share until January 11, 2022. The fair value of the agent options was determined using the Black-Scholes option pricing model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.18%.

(EXPRESSED IN CANADIAN DOLLARS)

6. SHARE CAPITAL (continued)

Share issuances (continued)

Year ended December 31, 2021 (continued):

Private placements (continued)

- On January 28, 2021, the Company completed the second tranche of a non-brokered private placement flow-through shares of 3,167,340 Units at a price of $0.96 per Unit for gross proceeds of $3,040,646. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of $1.25 per common share until January 28, 2022.

  The Company paid $12,669 in legal fees, cash finder's fees of $149,061, and issued 155,272 agent options with a fair value of $124,027, which were recorded as share issue costs. Each agent option is exercisable into one additional common share at a price of $0.96 per share until January 28, 2022. The fair value of the agent options was determined using the Black-Scholes option pricing model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.15%.

- On March 5, 2021, the Company completed a non-brokered flow-through private placement of 2,054,405 common shares at $1.85 per common share for gross proceeds of $3,800,649.

  The Company paid $3,296 in legal fees, cash finder's fees of $266,045 and issued 143,808 agent options with a fair value of $65,602 in connection with the private placement. Each agent option is exercisable at $1.85 per common share on a non-flow-through basis until March 5, 2023. The fair value of the agent options was determined using the Black-Scholes option pricing model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.30%.

Shares issued for Destiny Project

On January 26, 2021, the Company issued 685,391 common shares with a fair value of $1,007,525 pursuant to the Destiny Property Agreement.

Exercised warrants

During the year ended December 31, 2021, the Company issued 300,000 common shares pursuant to the exercise of 300,000 warrants exercisable at $0.35 per common share, for total proceeds of $105,000.

Warrants

The following is a summary of the Company's warrant activity:

	Number of warrants	**Weighted average exercise price $**
Balance, December 31, 2020	**1,079,000**	**0.35**
Issued	2,365,648	1.25
Exercised	(300,000)	0.35
Balance, December 31, 2021	**3,144,648**	**1.03**
Issued	10,000,000	0.12
Expired	(3,144,648)	1.03
Balance, December 31, 2022	**10,000,000**	**0.12**

(EXPRESSED IN CANADIAN DOLLARS)

6. SHARE CAPITAL (continued)

Agent options

The following is a summary of the Company's agent options activity:

	Number of agent options	Weighted average exercise price $
Balance, December 31, 2020	**686,810**	**0.19**
Issued	357,773	1.32
Balance, December 31, 2021	**1,044,583**	**0.58**
Granted	51,000	0.12
Expired	(1,044,583)	0.58
Balance, December 31, 2022	**51,000**	**0.12**

Options

The following is a summary of the Company's options activity:

	Number of options	Weighted average exercise price $
Balance, December 31, 2020	**1,100,000**	**1.11**
Granted	550,000	1.48
Forfeited	(50,000)	1.21
Balance, December 31, 2021	**1,600,000**	**1.23**
Granted	1,600,000	**0.14**
Balance, December 31, 2022	**3,200,000**	**0.69**

As of December 31, 2022, the Company had options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise Price $	Remaining life (years)	Number of options outstanding	Number of options exercisable
July 31, 2023	1.00	0.58	100,000	100,000
August 21, 2023	1.06	0.64	100,000	100,000
September 11, 2023	1.06	0.7	500,000	500,000
December 2, 2023	1.21	0.92	350,000	350,000
March 15, 2024	1.48	1.20	550,000	550,000
December 7, 2025	0.14	2.94	1,600,000	1,600,000
		1.75	**3,200,000**	**3,200,000**

During the year ended December 31, 2022, the Company recognized a total of $199,501 (2021 - $444,055) in share-based compensation which was comprised of the following:

6. SHARE CAPITAL (continued)

Options (continued)

On December 7, 2022, the Company granted 1,600,000 share options to two consultants. Each option is exercisable at $0.14 per share until December 7, 2025. All of the options vested upon date of grant. The estimated fair value of the options was $144,711 measured using the Black-Scholes option pricing model with the following assumptions: share price – $0.15; exercise price – $0.14; expected life – 3 years; volatility – 90.34%; dividend yield – $0; and risk free rate – 3.48%.

On March 15, 2021, the Company granted 550,000 share options to a member of the Company's Advisory Board, and two consultants. Each option is exercisable at $1.48 per share until March 15, 2023. All of the options vested upon date of grant. The estimated fair value of the options was $424,896, measured using the Black-Scholes option pricing model with the following assumptions: share price – $1.48; exercise price – $1.48; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.31%.

On July 31, 2020, the Company granted 100,000 share options to a member of the Company's Advisory Board under its share option plan. Each option is exercisable at $1.00 per share until July 31, 2023. The options are subject to vesting provisions, with one-third vested on the grant date, one-third on the first anniversary of the date of grant, and one-third on the second anniversary thereof. The total estimated fair value of the options was $57,478, of which $4,790 was recorded as share-based compensation during the period ended September 30, 2022, $19,159 was recorded during the year ended December 31, 2021, and $33,529 during the year ended December 31, 2020. The fair value of the options was measured using the Black-Scholes option pricing model with the following assumptions: share price – $0.95; exercise price – $1.00; expected life – 3 years; volatility – 100% (with comparable companies); dividend yield – $0; and risk-free rate – 0.25% (using Government of Canada Benchmark Bond yields).

Restricted Share Units

The Company has a long-term incentive plan ("LTIP"). The restricted share units ("RSUs") granted under the LTIP entitles directors, officers, or employees to common shares of the Company upon vesting, based on vesting terms determined by the Company's Board of Directors at the time of grant.

During the year ended December 31, 2022, the Company granted an aggregate of 2,500,000 RSUs which vest on June 7, 2023. For the year ended December 31, 2022, the Company recognized $50,000 in share-based compensation related to the RSUs.

7. FLOW-THROUGH SHARE LIABILITY AND RECOVERY OF FLOW-THROUGH PREMIUM

During the year ended December 31, 2021 the Company raised $3,040,646 through the issuance of 2,054,405 flow-through shares in a private placement (Note 6), recording $801,218 in flow-through premium. During the year ended December 31, 2022, the Company:

- Incurred eligible flow-through expenditures of $1,810,875 (2021 - $1,995,064).
- Reported a recovery of flow-through premium of $380,637 (2021 - $420,581), and as at December 31, 2022 had a remaining flow-through liability of $Nil (December 31, 2021 - $380,637).

As at December 31, 2022, the Company had $Nil (December 31, 2021 - $1,805,585) in unspent flow-through funds.

(EXPRESSED IN CANADIAN DOLLARS)

7. FLOW-THROUGH SHARE LIABILITY AND RECOVERY OF FLOW-THROUGH PREMIUM (continued)

In accordance with the flow-through share agreements, the Company may be required to indemnify the holders of any such shares any tax and other costs payable to them in the event the Company does not fulfil its flow-through expenditure requirements.

8. LEASES

The Company had a two-year lease agreement for the Company's head office in Vancouver, British Columbia. The discount rate used was 8%. During the year ended December 31, 2021, the Company amended the lease agreement such that the lease terminated on December 31, 2021.

Set out below are the carrying amounts of the right-of-use asset and lease liability recognized and the movements during the years ended December 31, 2021 and 2022.

	Right-of-use asset $	Lease Liability $
As at December 31, 2020	40,322	41,108
Depreciation	(26,184)	-
Lease cancellation	(14,138)	(15,828)
Accretion	-	3,242
Payments	-	(28,522)
As at December 31, 2021 and December 31, 2022	-	-

9. FINANCIAL RISK MANAGEMENT

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

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. The Company's cash is deposited in bank accounts held with major banks in Canada.

As most of the Company's cash is held by the banks there is a concentration of credit risk. This risk is managed by using major banks that are high quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

9. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

As at December 31, 2022, the Company has cash of $1,085,019 (December 31, 2021 - $2,750,286) to settle $520,383 (December 31, 2021 - $161,996) in accounts payable and accrued liabilities that are due within 90 days of period-end.

Currency risk

The Company currently has minimal foreign exchange risk as it conducts the majority of its business within Canada in Canadian dollars.

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements and there were no changes in the Company's capital management during the year ended December 31, 2022.

Fair value hierarchy

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

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

The fair value of the Company's financial instruments which includes cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these financial instruments. Lease liability is classified as level 3.

10. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resource or obligations between related parties.

(EXPRESSED IN CANADIAN DOLLARS)

10. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2022, $45,222 (December 31, 2021 - $27,930) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company. Amounts due to related parties consist of charges accrued for accounting fees, consulting fees, corporate advisory fees, and exploration and evaluation costs. These amounts are due to a director and two companies controlled by two directors. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at December 31, 2022, $nil (December 31, 2021 - $15,674) was included in receivables and prepaid expenses from a company controlled by a Director and CEO of the Company.

The Company has identified all directors and officers as its key management personnel. The following are the transactions with related parties during the year ended December 31, 2022 and 2021:

For the year ended		**December 31, 2022**		**December 31, 2021**
Consulting fees to a company controlled by a Director and CEO of the Company	$	150,000	$	120,000
Director fees to a company controlled by a Director of the Company		18,000		3,000
Accounting fees to a company jointly controlled by a previous Director of the Company		-		22,925
Corporate advisory fees to a company jointly controlled by a previous Director of the Company		-		52,213
Consulting fees to a company controlled by the previous CFO of the Company		-		18,000
Accounting fees to a company that employs the CFO of the Company		60,000		15,000
Rent costs to a company controlled by a Director and CEO of the Company.		48,000		-
Exploration expenditures charged by a company controlled by a Director and CEO of the Company		229,794		744,551
Share based payments to officers and directors of the Company		34,000		-
	$	539,794	$	975,689

11. INCOME TAXES

The reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		December 31, 2022		**December 31, 2021**
Loss for the year before income taxes	$	(2,771,748)	$	(6,521,763)
Tax rate		27%		27%
Expected income tax recovery	$	(747,000)	$	(1,760,000)
Items not deductible for tax purposes		53,000		113,000
Under (over) provided in prior years		(3,000)		(31,000)
Origination and reversal of temporary differences		115,000		1,073,000
Benefits of tax losses not recognized		582,000		605,000
Total income tax recovery	$	-	$	-

(EXPRESSED IN CANADIAN DOLLARS)

11. INCOME TAXES (continued)

The Company has not recognized any deferred tax assets or liabilities as of December 31, 2022.

As at December 31, 2022, the Company has not recognized the benefit of the following deductible temporary differences:

		December 31, 2022		December 31, 2021
Non-capital loss carry-forwards expiration beginning 2039	$	4,776,000	$	3,668,000
Resource properties	$	872,000	$	1,215,000
Share issue costs	$	428,000	$	587,000

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transactions during the period ended December 31, 2022 were as follows:

a) On August 23, 2022, the Company issued 4,000,000 common shares with a fair value of $520,000 as project acquisition costs pursuant to the Newfoundland Agreement (Note 4).

b) On December 19, 2022, the Company issued 250,000 finder's shares with a fair value of $50,000 as project acquisition costs in connection with the Lithium381 project (Note 4).

c) On December 28, 2022, the Company issued 250,000 finder's shares with a fair value of $41,250 as project acquisition costs pursuant to the Fecteau Agreement (Note 4).

d) On December 29, 2022, the Company issued 720,000 common shares with a fair value of $126,000 as project acquisition costs pursuant to the Lithium381 Agreement (Note 4).

e) The Company recognized a recovery to share-based payment reserves in aggregate of $335,146 related to the expiry of agent options.

The Company's significant non-cash transactions during the period ended December 31, 2021 were as follows:

a) On January 11, 2021, the Company issued 58,694 agent options with a fair value of $32,357, which were recorded as share issue costs.

b) On January 26, 2021, the Company issued 685,391 common shares with a fair value of $1,007,525 pursuant to the Destiny Agreement.

c) On January 28, 2021, the Company issued 155,272 agent options with a fair value of $124,027, which were recorded as share issue costs.

d) On March 5, 2021, the Company issued 143,808 agent options with a fair value of $65,602, which were recorded as share issue costs.

e) On March 5, 2021, the Company recognized a flow through premium liability of $801,218 related to the issuance of flow through shares.

f) On December 1, 2021, the Company recognized a recovery to share-based payment reserves of $37,277 related to the cancellation of stock options.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (continued)

During the year ended December 31, 2022, the Company paid $nil (2021 - $nil) interest and taxes.

13. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at December 31, 2022, all the Company's assets were located in Canada.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company:

a) Entered into an early exercise agreement with the Fecteau Optionors to acquire 100% of the Fecteau Property. The Company made a cash payment of $35,000 and issued 185,185 common shares with a fair value of $46,296 to the Fecteau Optionors upon exercise of the early exercise agreement.

b) Cancelled 1,600,000 stock options.