Prisma Exploration Inc.

Financial Statements

For the Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

10290 171A STREET
SURREY, BC V4N 3L2

T: **604.318.5465**
F: **778.375.4567**

Adam Kim
ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Prisma Exploration Inc.

Opinion
I have audited the financial statements of Prisma Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023, and December 31, 2022, and the statements of loss and comprehensive loss, and statements of changes in equity and cashflows for the years ended December 31, 2023, and December 31, 2022, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and December 31, 2022, and its financial performance and its cash flow for the years ended December 31, 2023, and December 31, 2022 in accordance with International Financial Reporting Standards (IFRSs).

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

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $33,208 during the period ended December 31, 2023 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $228,922 since its inception, and expects to incur further losses in the development of its business. 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. My opinion is not modified in respect of this matter.

Key Audit Matter
Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the auditor's report, I have determined the matters described below to be the key audit matters to be communicated in my auditors' report.

Evaluation of indicators of impairment for exploration and evaluation assets

<u>Description of the matter</u>

I draw attention to Notes 4 to the financial statements. The Company has exploration and evaluation assets of $234,575 as at December 31, 2023. The carrying amounts of the Company's exploration and evaluation assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Significant judgment is required in assessing indicators of impairment. The Company completes an evaluation at each reporting period of potential impairment indicators.

<u>Why the matter is a key audit matter</u>
I identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of exploration and evaluation assets. This matter was of most significance due to the difficulties in evaluating the result of my audit procedures to assess the Company's determination of whether the factors, individually and in the aggregate, resulted in indicators of impairment.

How the matter was addressed in the audit

The following are the primary procedures I performed to address this key audit matter.

I evaluated the Company's analysis of impairment indicators by:

- Obtaining an understanding of management's process for developing an assessment of the existence of impairment indicators.
- Assessing whether the information in the analysis was consistent with information included in internal communicates to management and the Board of Directors, the Company's press releases, management's discussion and analysis, and other public filings
- Reading updated technical reports for any indicators of impairment arising from changes to estimates of mineral reserves and resources
- Considering evidence obtained in other areas of the audit, including the status of significant mineral licenses and expenditures on mineral properties, the results of exploration activities and any updates to estimates of mineral reserves and resources
- Comparing the Entity's market capitalization to the carrying value of its net assets.

Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I 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 IFRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

10290 171A Street
Surrey, BC, Canada V4N 3L2
April 16, 2024

Prisma Exploration Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		$	11,761	$	105,099
			11,761		105,099
Non-current assets					
Exploration and evaluation assets	4		234,575		163,159
TOTAL ASSETS		**$**	**246,336**	**$**	**268,258**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	5	$	52,463	$	54,677
Obligation to issue shares	4		21,000		17,500
TOTAL LIABILITIES			**73,463**		**72,177**
SHAREHOLDERS' EQUITY					
Share capital	6		401,795		391,795
Accumulated deficit			(228,922)		(195,714)
TOTAL SHAREHOLDERS' EQUITY			172,873		196,081
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**246,336**	**$**	**268,258**

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved by the board of directors and authorized for issue on April 16, 2024:

"Michelle Bikic"
Michelle Bikic, Director

"David Eaton"
David Eaton, Director

Prisma Exploration Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Expenses			
Office and administration costs		$ 121	$ 107
Investor relations		468	415
Management fees		-	50,000
Filing and regulatory fees		12,439	24,071
Professional and consulting fees		33,840	38,758
Transfer agent fees		2,840	9,200
Fair value adjustment on obligation to issue shares	4	(16,500)	4,000
Net loss and comprehensive loss		**$ (33,208)**	**$ (126,551)**
Loss per share – basic and diluted		**$ (0.00)**	**$ (0.02)**
Weighted average number of common shares outstanding		**7,133,504**	**7,050,216**

Prisma Exploration Inc.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

		Share capital			
	Notes	Number of shares	Amount	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2021		6,960,901	$ 381,795	$ (69,163)	$ 312,632
Share issued for acquisition of property interest	6	100,000	10,000	-	10,000
Net loss for the year		-	-	(126,551)	(126,551)
Balance at December 31, 2022		**7,060,901**	**$ 391,795**	**$ (195,714)**	**$ 196,081**
Balance at December 31, 2022		7,060,901	$ 391,795	$ (195,714)	$ 196,081
Share issued for acquisition of property interest	4,6	100,000	10,000	-	10,000
Net loss for the year		-	-	(33,208)	(33,208)
Balance at December 31, 2023		**7,160,901**	**$ 401,795**	**$ (228,922)**	**$ 172,873**

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

Prisma Exploration Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year ended December 31, 2023		Year ended December 31, 2022
Operating activities				
Net loss for the period	$	(33,208)	$	(126,551)
Fair value adjustment on obligation to issue shares		(16,500)		4,000
Changes in working capital:				
Accounts payable and accrued liabilities		(32,214)		8,454
Prepaid expenses		-		10,000
Net cash flows used in operating activities		**(81,922)**		**(104,097)**
Investing activities				
Exploration and evaluation assets		(11,416)		(24,708)
Net cash flows used in investing activities		**(11,416)**		**(24,708)**
Net change in cash		(93,338)		(128,805)
Cash, beginning		105,099		233,904
Cash, ending	**$**	**11,761**	**$**	**105,099**
Non-cash activities:				
Shares issued for acquisition of property interest	$	10,000	$	10,000
Cash paid:				
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

1. Nature and continuance of operations

Prisma Exploration Inc. (the "Company") was incorporated on March 21, 2018, under the laws of the Province of British Columbia, Canada. The Company is a resource exploration company and is focused on the acquisition, exploration and development of mineral properties. On February 11, 2022, the Company changed its name from Prisma Capital Inc. to Prisma Exploration Inc. On February 11, 2022, the Company's shares began trading on the Canadian Securities Exchange under the stock symbol "PMS".

The head office, records office and registered address of the Company are located at 750 West Pender Street, Suite 401, Vancouver, British Columbia, Canada V6C 2T7.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At December 31, 2023, the Company had not yet achieved profitable operations and had accumulated losses of $228,922 since its inception (December 31, 2022 – accumulated losses of $195,714). The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

2. Statement of compliance and basis of presentation

Statement of compliance

These 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 International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting. The financial statements are presented in Canadian dollars unless otherwise specified.

New accounting pronouncements

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

3. Material accounting policies

Material accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax.

Critical judgments exercised in applying accounting policies that have the most material effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of mineral properties

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and other technical information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Financial instruments

The following is the Company's new accounting policy for financial instruments under IFRS 9:

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.

The following table shows the classification under IFRS 9:

	Classification under IFRS 9
Cash	FVTPL
Accounts payable	Amortized cost
Obligation to issue shares	FVTPL

3. Material accounting policies (continued)

***Financial instruments* (continued)**

Measurement

<u>Financial assets and liabilities at amortized cost</u>

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

<u>Debt investments at FVTOCI</u>

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

<u>Equity investments at FVTOCI</u>

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

<u>Impairment of financial assets at amortized cost</u>

The Company recognizes a loss 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 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

<u>Financial assets</u>

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 statements of comprehensive loss.

3. Material accounting policies (continued)

***Financial instruments* (continued)**

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on disposition of a mineral property. Any revenue, including the receipt of fees and similar payments, earned prior to the commencement of commercial production, and reasonably attributable to the costs historically incurred on a property, is also offset against those costs as received.

The Company capitalizes all costs, net of any recoveries, of acquiring, exploring and evaluating an exploration and evaluation asset, until the right to which they relate is placed into production, at which time these deferred costs will be amortized over the estimated useful life of the right upon commissioning the property, or written-off if the right is disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights.

3. Material accounting policies (continued)

***Exploration and evaluation assets* (continued)**

An indication of impairment includes but is not limited to expiration of the right to explore, absence of planned or budgeted substantive expenditure in the specific area, and the decision to discontinue exploration activity in a specific area.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments 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 and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. Material accounting policies (continued)

Income taxes

Current income tax

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

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 using the asset and liability method 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.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

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

The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

(Expressed in Canadian dollars)

4. Exploration and evaluation assets

McGillivray Property

On October 5, 2020, the Company entered into an option agreement to acquire 100% undivided interest in twenty (20) mineral claims comprising the property called "McGillivray" located near Lytton, in the Kamloops Mining Division of British Columbia.

In consideration for the 100% undivided interest in the property, the Company shall pay the aggregate sum of $212,500 which includes the deposit of $7,500, as paid at the time of signing of the agreement, issue to the optionor a total of 900,000 shares and complete a minimum expenditure, as per the below schedule:

Date	Shares		Cash Payment			Expenditures		
On signing	100,000	(issued)	$	7,500	(paid)	$	55,000	(met)
1st anniversary	100,000	(issued)		10,000	(paid)		-	
2nd anniversary	100,000	(issued)		15,000	(paid)		50,000	(waived)
3rd anniversary	200,000	(accrued)		30,000	(accrued)		-	
4th anniversary	200,000			50,000			50,000	
5th anniversary	200,000			100,000			-	
Total	**900,000**		**$**	**212,500**		**$**	**155,000**	

Further, under the McGillivray option agreement, the Company and the optionor have also agreed upon a net smelter return royalty (the "NSR"), pursuant to the terms and consideration of which the optionor shall receive the 2% NSR from the Company. The Company can repurchase the 1.5% NSR upon payment to the optionor of $1,000,000. On the commencement of commercial production, the NSR shall be increased to 3%.

During the year 2022, pursuant to the 2nd anniversary obligation laid out in the option agreement, the Company accrued $15,000 for the cash portion and recognized an obligation to issue 100,000 shares of the Company at a fair value of $17,500. On April 4, 2023, the Company made the cash payment and on April 11, 2023, the Company issued the 100,000 shares at a fair value of $10,000, with the gain on the fair value adjustment of $7,500 (2022 – $(4,000)) recorded on the statement of loss.

During the year ended December 31, 2023, pursuant to the 3rd anniversary obligation laid out in the option agreement, the Company accrued $30,000 for the cash portion and recognized an obligation to issue 200,000 shares of the Company at a fair value of $30,000. The Company adjusted its obligation to issue shares to a fair value of $21,000 on December 31, 2023, with the gain on the fair value adjustment of $9,000 recorded on the statement of loss.

Subsequent to December 31, 2023, the optionor agreed to extend the Company's obligations to fulfill the 3rd anniversary commitments to October 2, 2024 (Note 11).

(Expressed in Canadian dollars)

4. Exploration and evaluation assets (continued)

The following is a description of the Company's exploration and evaluation asset and the related expenditures incurred for the year ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Property acquisition costs		
Balance, beginning	$ 58,500	$ 30,000
Additions	60,000	28,500
Balance, ending	118,500	58,500
Exploration and evaluation costs		
Balance, beginning	104,659	59,998
Costs incurred during the year:		
Assaying	11,416	20,299
Consulting	-	20,213
Travel and accommodation	-	4,149
Balance, ending	116,075	104,659
Total	**$ 234,575**	**$ 163,159**

5. Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022
Accounts payable	$ 14,963	$ 33,511
Accrued liabilities	37,500	21,166
Total	**$ 52,463**	**$ 54,677**

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2023, there were 7,160,901 (December 31, 2022 – 7,060,901) issued and fully paid common shares.

On April 11, 2023, the Company issued the 100,000 shares at a fair value of $10,000 pursuant to the second anniversary obligation laid out in the option agreement (Note 4).

On February 9, 2022, the Company issued 100,000 shares with a fair value of $10,000 pursuant to the McGillivray option agreement (Note 4).

(Expressed in Canadian dollars)

6. Share capital (continued)

Warrants

The following is a summary of warrant transactions and warrants outstanding as at December 31, 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2023 and 2022	2,500,000	$0.15

The following is a summary of warrants outstanding as at December 31, 2023:

Expiry Date	Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (Years)
June 4, 2026	$0.15	2,500,000	2.43

Stock options

The Company has not issued any options and no options were outstanding as at December 31, 2023 and 2022.

7. Related party transactions

As at December 31, 2023 and 2022, the Company had no amount due to the related parties.

All related party transactions are in the normal course of operations and have been measured at the agreed amount, which is the amount of consideration established and agreed to by the related parties. The Company did not have any related party transactions during the year ended December 31, 2023.

During the year ended December 31, 2022, the Company paid $50,000 as management fees to a former director and chief executive officer of the Company.

8. Income taxes

The income taxes shown in the consolidated statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

(Expressed in Canadian dollars)

8. Income taxes (continued)

		December 31, 2023		December 31, 2022
Statutory tax rate		27.0%		27.0%
Profit / (Loss) before income taxes	$	33,208	$	126,551
Expected income tax recovery		(8,966)		(33,169)
Increase (decrease) in income tax recovery resulting from:				
- Items deductible and not deductible for income tax purposes				1,080
- Current and prior tax attributes not recognized		8,966		33,089
Deferred income tax recovery	$	-	$	-

Details of deferred tax assets are as follows:

		December 31, 2023		December 31, 2022
Non-capital losses	$	60,729	$	51,763
Mineral property and others		-		-
		60,729		51,763
Less: Unrecognized deferred tax assets		(60,729)		(51,763)
	$	-	$	-

The Company has approximately $225,000 of non-capital losses available, which begin to expire in 2039 through to 2042 and may be applied against future taxable income. The Company also has approximately $235,000 of exploration and development costs which are available for deduction against future income for tax purposes. At December 31, 2023, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

9. Financial Instruments

Fair value

The Company's financial instruments consist of cash, accounts payable and obligation to issue shares. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Cash as financial asset is classified as Level 1.

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 Company is exposed in varying degrees to a variety of 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:

9. Financial Instruments (continued)

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 is not exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Interest rate risk

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

Capital management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors do 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 properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. 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.

There were no changes in the Company's approach to capital management during the year ended December 31, 2023.

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

10. Segmented information

The Company operates in a single reportable operating segment – exploration of mineral properties.

11. Subsequent events

Subsequent to December 31, 2023, the Company received loans for an aggregate amount of $25,000 from various lenders. The loans are unsecured, non-interest bearing and payable on demand.

On March 28, 2024, the optionor of the McGillivray Property agreed to extend the Company's obligations to fulfill the 3rd anniversary commitments to October 2, 2024 (Note 4).