Consolidated Financial Statements of

WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of West High Yield (W.H.Y.) Resources Ltd.

Opinion

We have audited the consolidated financial statements of West High Yield (W.H.Y.) Resources (the "Company"), which comprise:

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

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that the Company is in the process of exploring and evaluating its mineral properties, has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable and will require additional capital to continue operations and exploration and evaluation activities.

As stated in Note 1 in the financial statements, these events or conditions along with other matters as set forth in Note 1 in the financial statements, 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of indicators of impairment for exploration and evaluation assets

Description of the matter

We draw attention to note 2(d) and note 5 to the financial statements. Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount or if sufficient data exists to determine technical feasibility and commercial viability. The Company assesses its exploration and evaluation assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of mineral properties are planned, whether commercially viable quantities of mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered. At December 31, 2022, the Company has exploration and evaluation assets of $1,508,364. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2022.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures with respect to the Company's indicators of impairment assessment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Company's indicators of impairment assessment by:

- Assessing the remaining period and right to explore for a selection of mineral claims
- Assessing whether further expenditures for exploration and evaluation of mineral properties are planned by examining the Company's internal documents and certain minutes of the meetings of the Board of Directors
- Assessing whether data exists to suggest the carrying amount of exploration and evaluation assets is unlikely to be recovered by examining external market and industry data, the Company's press releases and certain minutes of the meetings of the Board of Directors.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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

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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s 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 auditor’s report is Stephanie Regier Pankratz.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 27, 2023

WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Financial Position
Stated in Canadian dollars

	Year ended	
	December 31, 2022	**December 31, 2021**
Assets		
Current Assets:		
Cash and cash equivalents	1,046,225	133,465
Accounts receivable	117,783	23,738
Subscription receivable (*Note 8(b)*)	-	2,499,951
Prepaid expenses	62,264	148,103
	1,226,272	**2,805,257**
Restricted deposits *(Note 3)*	68,568	68,568
Property and equipment (*Note 4*)	47,251	15,321
Exploration and evaluation assets (*Note 5)*	1,508,364	1,508,364
Total Assets	**2,850,455**	**4,397,510**
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	1,980,243	2,201,053
Flow-through premium liabilities (*Note 8(b)*)	125,600	416,659
Lease liabilities (*Note 10*)	6,212	6,212
Liabilities due to related parties (*Note 9)*	3,747,637	3,531,438
	5,859,692	**6,155,362**
Long term debt *(Note 7)*	-	1,801,705
Total Liabilities	**5,859,692**	**7,957,067**
Shareholders' Equity		
Common shares *(Note 8(b))*	19,894,401	16,403,581
Warrants *(Note 8(c))*	1,542,232	705,938
Contributed surplus	8,537,996	8,502,911
Deficit	(32,977,482)	(29,165,631)
Total shareholders' equity	**(3,002,853)**	**(3,553,201)**
Non-controlling interest	(6,384)	(6,356)
Total Liabilities and Shareholders' Equity	**2,850,455**	**4,397,510**

Going concern (*Note 1*)
Commitments and contingencies (*Note 5,16)*
Subsequent events (*Note 17)*

Approved on behalf of the Board of Directors

"Frank Marasco" *"Patricia Nelson"*

Frank Marasco Jr., CEO and Director **Patricia Nelson**

See accompanying notes to the consolidated financial statements.

WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss
Stated in Canadian dollars

	Year ended	
	December 31, 2022	**December 31, 2021**
Expenses		
Head office expense	1,413,671	974,910
Exploration expense (*Note 6)*	2,581,838	204,746
Interest and bank charges *(Note 7)*	257,247	194,155
Interest on long term debt (*Note 7*)	81,916	194,838
Gain on settlement of debt (*Note 7)*	(156,969)	-
Foreign exchange (gain) or loss	320	1,188
Stock based compensation (*Note 8)*	27,774	988,518
Depreciation and amortization (*Note 4)*	22,741	11,466
	4,228,538	**2,569,821**
Net loss before income taxes	4,228,538	2,569,821
Deferred income tax recovery (*Note 12*)	(416,659)	-
Net loss and comprehensive loss attributable to:	**(3,811,879)**	**(2,569,821)**
W.H.Y. Resources Ltd.	(3,811,851)	(2,563,465)
Non-controlling interest	(28)	(6,356)
Loss per common share attributable to W.H.Y. Resources Ltd.		
Basic and diluted	(0.05)	(0.04)
Weighted average number of shares outstanding		
Basic and diluted	79,279,840	69,370,630

See accompanying notes to the consolidated financial statements.

WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Shareholders' Deficit
Stated in Canadian dollars

	Year ended	
	December 31, 2022	December 31, 2021
Common shares (*Note 8(b)*)		
Balance, beginning of year	16,403,581	13,960,001
Private placement	3,361,759	2,372,759
Warrants exercised	241,471	226,083
Share issue costs	(112,410)	(155,262)
Balance, end of year	**19,894,401**	**16,403,581**
Warrants *(Note 8(c))*		
Balance, beginning of year	705,938	49,458
Issued on private placement	878,827	705,938
Warrants exercised	(35,222)	(49,458)
Warrants expired unexercised	(7,311)	-
Balance, end of year	**1,542,232**	**705,938**
Contributed surplus		
Balance, beginning of year	8,502,911	7,514,393
Transfer on expiry of warrants	7,311	-
Stock based compensation	27,774	988,518
Balance, end of year	**8,537,996**	**8,502,911**
Deficit		
Balance, beginning of year	(29,165,631)	(26,602,166)
Net loss	(3,811,851)	(2,563,465)
Balance, end of year	**(32,977,482)**	**(29,165,631)**
Total Shareholder's equity	**(3,002,853)**	**(3,553,201)**

See accompanying notes to the consolidated financial statements.

WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Cash Flow

	Year ended	
	December 31, 2022	**December 31, 2021**
Cash provided by (used in)		
Operating		
Net loss	(3,811,879)	(2,569,821)
Add (deduct) non-cash items:		
Interest accrued - related party loan (*Note 7)*	216,200	192,354
Interest accrued - long term loan *(Note 7)*	81,916	194,838
Deferred income tax recovery	(416,659)	-
Gain on settlement of debt *(Note 7)*	(156,969)	-
Stock based compensation *(Note 8)*	27,774	988,518
Depreciation and amortization *(Note 4)*	22,741	11,466
	(4,036,876)	**(1,182,645)**
Net change in non-cash working capital *(Note 15*)	2,270,932	(2,752,172)
Cash Flow used in operating activities	**(1,765,944)**	**(3,934,817)**
Financing		
Proceeds from related party loan *(Note 9)*	-	774,000
Repayment of related party loan (Note 9)	-	(193,260)
Issue of shares and warrants *(Note 8*)	2,845,762	3,671,980
Shares and warrant issue costs	(112,388)	(155,262)
Payment of lease liabilities	(9,196)	(9,196)
Cash Flow from financing activities	**2,724,178**	**4,088,262**
Investing		
Purchase of vehicle	**(45,474)**	-
Purchase of mineral property	-	(27,381)
Purchase of equipment and software	-	(10,614)
Cash flow used in investing activities	**(45,474)**	**(37,995)**
Increase in cash and cash equivalents	912,760	115,450
Cash and cash equivalents, beginning of period	133,465	18,015
Cash and cash equivalents, end of period	**$ 1,046,225**	$ 133,465
Interest paid	**$ 41,047**	$ 1,803

Cash and cash equivalents are comprised of cash deposits at the bank.

See accompanying notes to the consolidated financial statements.

West High Yield (W.H.Y.) Resources Ltd. (the “Company”) was incorporated on August 29, 2003 under the laws of the Province of Alberta and its principal business activities are the acquisition, exploration and development of mineral properties in British Columbia, Canada. The Company’s shares trade on the TSX Venture Exchange under the trading symbol WHY. The Company’s registered head office is P.O. Box 68121, Calgary, AB, T3G3N8.

1. Going Concern and nature of operations

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying amount and classification of assets and liabilities and the amount of reported expenses. Such adjustments could be material.

For the year ended December 31, 2022, the Company had incurred a net loss of $3,811,879 and used cash in operations of $1,765,944. As at December 31, 2022, the Company had a working capital deficiency of $4,633,420.

The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The ability of the Company to continue as a going concern is dependent on continued forbearance of the amounts due to related parties and the Company’s ability to obtain financing to continue exploration and development of the mineral property. There is no certainty that the Company will be able to obtain the financing required to continue exploration and development activities or of the ongoing forbearance of related parties and other creditors. In addition, there is no certainty that the mineral property will contain economically recoverable reserves. These conditions create a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. Significant accounting policies, judgments and estimation uncertainty

(a) <u>Basis of presentation and measurement</u>

Statement of compliance:

The consolidated financial statements for the years ended December 31, 2022 and 2021 have been prepared using accounting policies in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on April 27, 2023.

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Financial results as determined by actual events may differ.

The identification of impairment indicators requires judgment, and if identified, the determination of the recoverable amount of the related asset requires several estimates that are inherently subject to uncertainty. The recoverability of amounts for mineral properties is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production from its mineral properties.

The measurement of stock-based compensation requires management's estimate as to the valuation methodology and several inputs, including the estimated volatility of the Company's stock and the forfeiture rate.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities which the Company controls by having the power to govern the entity's financial and operating policies. The Company consolidates all of its wholly-owned subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The consolidated financial statements of the Company include MG Innovations Inc., a private Alberta company of which the Company holds 40% ownership for the period ending December 31, 2022.

(c) Property and equipment:

Property and equipment are recorded at historical cost. Depreciation is recognized on a straight-line basis over three to ten years, which represents the estimated useful lives of the assets. Depreciation rates, estimated lives and salvage values are reassessed annually.

(d) Exploration and evaluation assets:

Pre-permit costs are recognized in earnings as incurred. Exploration expenditures incurred prior to the determination of the feasibility of mining operations are expensed as incurred, with the exception of costs to acquire and maintain the mineral leases. The amounts shown for exploration and evaluation assets represents costs incurred to date and are not intended to reflect present or future values. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of feasibility of mining operations, are capitalized following commencement of commercial production. Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount or if sufficient data exists to determine technical feasibility and commercial viability. For purposes of impairment testing, mineral exploration and development assets are allocated to cash generating units ("CGU's"). Impairment indicators may include a decision to abandon, curtail activity, negative exploration results or anticipated future mineral prices, anticipated costs of developing and operating a producing mine are not economical or the general likelihood that the Company will not continue exploration on the exploration and evaluation assets. When there is little prospect of further work on a property being carried out by the Company or other indicators of impairment, the capitalized costs associated with the exploration and evaluation assets are written down to their estimated recoverable amount.

To determine if an exploration and evaluation asset is technically feasible and commercially viable a review of each exploration permit is carried out, at least annually, to ascertain whether a mineral resource has been identified in sufficient quantities and certainty and can be mined economically. When an exploration and evaluation asset is determined to be commercially viable, the related carrying amounts are transferred to property and equipment. The costs related to exploration and evaluation assets from which there is production, together with the costs of production equipment, will be depleted and amortized on the unit-of-production method based upon estimated reserves as determined by independent consulting engineers. If the exploration and evaluation asset is abandoned or it is determined that its carrying amount cannot be supported by future production or sales, the related costs will be recorded in earnings in the year of abandonment or determination of an impairment.

The Company assesses its exploration and evaluation assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of exploration and evaluation assets are planned, whether commercially viable quantities of mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

(e) Impairment:

(i) Financial assets:

The Company has elected to measure loss allowances for receivables at an amount equal to lifetime expected credit losses ("ECLs"). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Impairment losses on financial assets are recorded in earnings. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses on financial assets carried at amortized cost are recorded in earnings in subsequent periods if the amount of the loss decreases.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Exploration and evaluation assets will be allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(f) Leased assets:

When the Company is party to a lease arrangement as the lessee, it recognizes a right -of-use ("ROU asset") and a corresponding lease obligation on the balance sheet on the date that a leased asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase to the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Depreciation on ROU assets is recognized in depreciation and amortization. ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed leased payments, variable lease payments based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Low-value asset leases are not recognized on the consolidated statement of financial position and lease payments are instead recognized in the consolidated financial statements as incurred. For certain classes of leases, the Company does not separate lease and non-lease components, accounting for these leases as a single lease component.

(g) Foreign currency translation:

Foreign currency amounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars using the exchange rate in effect at that date. At the yearend date, monetary assets and liabilities are translated by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are recorded in earnings.

(h) Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recognized in accordance with the Company's policy for the related asset. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

The Company's estimates of future decommissioning obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. The Company has not recognized any decommissioning liabilities as at December 31, 2022.

(i) Income taxes:

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

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 at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. 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.

(j) Share based payments:

The grant date fair value of options granted to employees, officers, consultants and directors is recognized as share-based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. A Black-Scholes option pricing model was used to estimate the fair value of share-based payments.

(k) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached. Share purchase warrants issued in connection with share capital are fair valued and recorded separately from share capital. A Black-Scholes option pricing model was used to estimate the fair value of warrants.

(l) Flow-through shares:

The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the balance sheet. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit or loss. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

(m) Loss per share:

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

(n) Financial Instruments:

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") - debt investment;
- FVTOCI - equity investment; and
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments.

The following summarizes the Company's financial assets and financial liabilities:

- Cash and cash equivalents, accounts receivable, restricted deposits, accounts payable and accrued liabilities, due to related party, and long term debt have been measured at amortized cost using the effective interest rate method
- All financial assets and liabilities for which fair value is measured or disclosed are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:
    - Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
    - Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
    - Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(o) Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant relate to income or expense, it is recognized in the consolidated statements of income. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset.

3. Restricted deposits

As at December 31, 2022, the Company has $68,568 in deposits in restricted accounts as required by the British Columbia Ministry of Mining (as at December 31, 2021, this amount was $68,568).

4.Property and equipment

December 31, 2022	Cost	Accumulated amortization	Net book value
Buildings	29,692	29,692	-
Office equipment	85,412	81,178	4,234
Automotive equipment	181,434	144,548	36,886
Field equipment	82,449	82,449	-
Right of use asset	66,152	60,021	6,131
	445,139	397,888	47,251

December 31, 2021	Cost	Accumulated amortization	Net book value
Buildings	29,692	29,692	-
Office equipment	85,412	76,222	9,190
Automotive equipment	135,962	135,962	-
Field equipment	82,449	82,449	-
Right of use asset	56,955	50,824	6,131
	390,470	375,149	15,321

5. Exploration and evaluation assets

In September 2003, the Company acquired exploration and evaluation assets for a total cost of $1,258,509. The exploration and evaluation assets consist of eight crown granted mineral claims, three modified grid claims and six staked claims in the Rossland Mining Camp located in the Trail Creek Mining district in southeastern British Columbia, Canada.

During 2021, the Company acquired additional exploration and evaluation assets consisting of mineral claims for a total cost of $27,381.

There were no impairment indicators for the exploration and evaluation assets as of December 31, 2022.

	Amount
Balance as at December 31, 2020:	**1,480,983**
Additions:	27,381
Balance as at December 31, 2021:	**1,508,364**
Additions:	-
Balance as at December 31, 2022	**1,508,364**

6. Exploration and evaluation costs

Exploration costs expensed by the Company on its mineral property are detailed in the following table:

	Year ended	
	December 31, 2022	**December 31, 2021**
Consulting and labour	497,783	117,244
Assay	115,789	78,990
Drilling	1,534,956	-
Pre-feasibility	193,945	-
Field equipment and supplies	173,610	-
Miscellaneous field office	7,720	2,004
Accommodation and meals	12,328	1,680
Travel and transportation	22,811	1,085
Freight and equipment transport	19,185	373
Property and mineral taxes	3,711	3,370
Total	**2,581,838**	**204,746**

During 2022, the Company continued to work on the environmental study, stakeholder engagement, and mine plan development as required by the Environmental Assessment Certification and permit processes set out by the BC Ministry of Mines.

The Company also engaged service firms to perform a series of hydrometallurgical tests on the Company's magnesium ore to evaluate magnesium and recovery alternatives.

During the year ended December 31, 2022, the Company closed on a brokered flow-through private placement offering (the "2022 FT Private Placement") for gross proceeds of $785,000. The terms underlying the 2022 FT Private Placement require the Company to incur $785,000 of qualifying Canadian exploration expenses (the "CEEs") and renounce the CEEs to the Company's shareholders who subscribed for securities under the 2022 FT Private Placement with the effective date of December 31, 2022.

During the year ended December 31, 2021, the Company closed on a brokered flow-through private placement offering (the "2021 FT Private Placement") for gross proceeds of $2,499,951. The terms underlying the 2021 FT Private Placement requires the Company to incur $2,499,951 of CEEs and renounce the CEEs to the Company's shareholders who subscribed for securities under the 2021 FT Private Placement with the effective date of December 31, 2021. These expenditures were renounced in 2022.

The Company has commitments to spend $985,000 in exploration and evaluation costs in 2023.

7. Long term debt

On April 27, 2016, the Company received a $1,000,000 unsecured loan with a 10-year repayment term, which bears interest at 11.61% payable at end of term. Loan repayment terms advance in the event the Company achieves cumulative net cash flow from operations of greater than $5,000,000 subsequent to April 27, 2026, which has not occurred to date.

On May 20, 2022, the Company entered into a debt settlement agreement with an arm's length creditor of the Company whereby it agreed to convert $1,883,822 of debt owed to said creditor by issuing 3,139,370 common shares of the Company (the "Settlement Shares") at a fair value of $0.55 per Settlement Share in full and final satisfaction of the debt owing to the creditor and a gain on settlement of $156,969. The Settlement Shares were issued in reliance of certain prospectus exemptions available under Canadian securities legislation and were subject to the standard four month and one day hold period from their date of issuance.

	Year ended	
	December 31, 2022	**December 31, 2021**
Loan due April 27, 2026	1,000,000	1,000,000
Cumulative unpaid interest	883,622	801,705
Settlement of debt	(1,883,622)	-
Total	**-**	**1,801,705**

Financing costs comprised of the following:

	Year ended	
	December 31, 2022	**December 31, 2021**
Interest on long-term debt	81,916	194,838
Interest on related party loans (*Note 9*)	216,200	192,352
Other interest and bank charges	41,047	1,803
Total	**339,163**	**388,993**
Interest on long term debt	**81,916**	**194,838**
Other interest and bank charges	**257,247**	**194,155**

8. Equity instruments

(a) Share capital:

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

(b) Common shares issued and outstanding:

The continuity of the Company's issued common share capital is as follows:

	Number of Shares	**Amount**
Balance as at December 31, 2020:	67,770,320	13,960,001
Share issue costs	-	(155,262)
Warrants exercised	588,750	226,083
Private placements (viii-xii)	5,928,237	2,372,759
Balance as at December 31, 2021:	74,287,307	16,403,581
Share issue costs	-	(112,410)
Warrants exercised	687,500	241,471
Private placements (i-vii)	8,977,714	3,361,759
Balance as at December 31, 2022	83,952,521	19,894,401

Notes:

(i) On January 19, 2022, the Company completed a second tranche closing (the "Second Tranche Closing") of the drawdown equity financing facility (the "ELOC Facility") of up to a total of $12,000,000 (the "Total ELOC Amount") with Alumina Partners (Ontario) Ltd. ("Alumina"), totaling 925,925 units issued to Alumina at a price of $0.54 per unit for total gross proceeds of $500,000. Each unit issued under the Second Tranche Closing consisted of one common share and one common share purchase warrant exercisable into one additional common share at a price of $0.8375 per common share for 36 months from the date of the Second Tranche Closing. Further details of the ELOC Facility are described under Note (xii).

(ii) On February 14, 2022, the Company issued 200,000 common shares upon the exercise of outstanding stock options of the Company by a single option holder for total gross proceeds of $24,000.

(iii) On March 11, 2022, the Company completed a third tranche closing (the "Third Tranche Closing") of the ELOC Facility, totaling 892,857 units issued to Alumina at a price of $0.56 per unit for total gross proceeds of $500,000. Each unit issued under the Third Tranche Closing consisted of one common share and one common share purchase warrant exercisable into one additional common share at a price of $0.875 per share for 36 months from the date of the Third Tranche Closing.

(iv) On April 25, 2022, the Company completed a fourth tranche closing (the "Fourth Tranche Closing") of the ELOC Facility totaling 724,637 units issued to Alumina at a price of $0.50 per unit for total gross proceeds of $ 362,319. Each unit issued under the Fourth Tranche Closing consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $0.775 per share for 36 months from the date of the Fourth Tranche Closing.

(v) On May 20, 2022, the Company entered into a debt settlement agreement with an arm's length creditor of the Company whereby it agreed to convert $1,883,822 in debt owed to said creditor by issuing 3,139,370 common shares of the Company (the "Settlement Shares") at a deemed price of $0.60 per Settlement Share in full and final satisfaction of the debt owing to the creditor (the "Debt Settlement Transaction").

(vi) On September 22, 2022, the Company completed a fifth tranche closing (the "Fifth Tranche Closing") of the ELOC Facility totaling 925,925 units issued to Alumina at a price of $0.27 per unit for total gross proceeds of $250,000. Each unit issued under the Fifth Tranche Closing consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $0.45 per share for 36 months from the date of the Fifth Tranche Closing.

(vii) On December 22, 2022, the Company completed an initial tranche closing of a concurrent brokered private placement offering (the "Concurrent Offering") by issuing 1,570,000 flow-through units (the "Flow-Through Units") at a price of $0.50 per Flow-Through Unit for gross proceeds of $785,000 and 399,000 ordinary units (the "Ordinary Units") at a price of $0.42 per Ordinary Unit for gross proceeds of $167,580, representing aggregate gross proceeds of $952,580. Each Flow-Through Unit consisted of one common share issued on a flow-through basis and one-half of one common share purchase warrant (the "FT Warrants"). Each Ordinary Unit consisted of one common share and one common share purchase warrant (the "Ordinary Warrants"). One full FT Warrant, together with $0.70, entitles each holder to acquire one additional common share of the Company for a period of 18 months from the closing date. One full Ordinary Warrant, together with $0.70, entitles each holder to acquire one additional common share of the Company for a period of 24 months from the closing date. In connection with the closing of the Concurrent Offering, the Company issued 113,942 non-transferable share purchase warrants (the "Broker Warrants") to and as directed by GloRes Securities Inc. ("Broker"), equal to 6% of the number of Flow-Through Units and Ordinary Units issued under the Concurrent Offering to subscribers introduced by the Broker, and paid the Broker a cash commission of $55,056, being 6% of the aggregate proceeds from the number of Flow-Through Units and Ordinary Units issued under the Concurrent Offering to subscribers introduced by the Broker. The Broker Warrants have identical terms to the Ordinary Warrants. All securities issued in connection with the Concurrent Offering were subject to the standard four month and one day hold period from their date of issuance.

(viii) On April 29, 2021, the Company completed the final tranche closing of Private Placement #1 totaling of 1,325,000 units for gross proceeds of $265,000. Each unit was priced at $0.20 per unit and included one common share and one share purchase warrant, where two full share purchase warrants entitles the holder to purchase one additional common share of the Company at an exercise price of $0.30 per common share for a period of 12 months from the date of closing.

(ix) On August 4, 2021, the Company completed its sole tranche closing of a standard non-brokered private placement offering ("Private Placement #2") totaling 332,735 units for gross proceeds of $116,457. Each unit was priced at $0.35 per unit and included one common share and one-quarter of one share purchase warrant, where one full share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.45 per common share for a period of 12 months from the date of closing.

(x) On December 15, 2021, the Company entered into a definitive agreement (the "Investment Agreement") for the ELOC of up to $12,000,000 with Alumina, an affiliate of New York-based private equity firm Alumina Partners LLC. The Investment Agreement provides the Company with a financing facility over a period of 24 months (the "Term") during which the Company can draw down equity private placement tranches over the Term, with each tranche being in the amount of up to $500,000. Each tranche will be comprised of units issued at a price equivalent to a 15-25% discount to the market price of a common share of the Company, and each unit consists of one common share and one share purchase warrant (with the Exercise price of the warrants being a 25% premium over the market price of the shares). On December 15, 2021, the Company completed an initial tranche closing of the ELOC Facility totaling 724,637 units issued to Alumina at a price of $0.69 per share for total gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of $1.06 per share for 36 months from the date of closing. The Investment Agreement can be terminated with 10-day notice by either party.

(xi) On December 30, 2021, the Company closed on a brokered flow-through private placement offering (the "FT Offering") by issuing 2,976,133 units at a price of $0.84 per share. Each unit consisted of one common share issued on a flow-through basis and one-half of one common share purchase warrant. One full warrant, together with $1.25, entitles each holder to acquire one additional common share of the Company for a period of 18 months from the closing date. In connection with the closing of the Concurrent Offering, the Company issued 178,567 non-transferable share purchase warrants to and as directed the Broker, equal to 6% of the number of units issued under the FT Offering to subscribers introduced by the Broker, and paid the Broker a cash commission of $149,997, being 6% of the aggregate proceeds from the number of units issued under the FT Offering to subscribers introduced by the Broker. The share purchase warrants issued to the Broker have identical terms to the warrants. All securities issued in connection with the FT Offering were subject to the standard four month and one day hold period from their date of issuance. The funds were received on January 4, 2022 and therefore, a receivable of $2,499,951 was set up at December 31, 2021.

(c) <u>Warrants</u>

The number of warrants in the table below have been adjusted to reflect the number of shares that would be issued upon exercise of the warrant based on the conversion factor.

	Number of Warrants	Amount
Balance at December 31, 2020	**588,750**	**49,458**
Private Placement	588,750	49,458
Private Placement	3,349,454	705,938
Warrants exercised	(588,750)	(49,458)
Balance at December 31, 2021	**3,349,454**	**705,938**
Private Placement	4,767,282	878,827
Warrants expired unexercised	(120,682)	(7,311)
Warrants exercised	(837,500)	(35,222)
Balance at December 31, 2022	**7,158,352**	**1,542,232**

(d) Stock Options:

The Company has a stock option plan (the "Plan") for its officers, directors, employees and consultants. The maximum number of common shares issuable under the Plan cannot exceed 10% of the Company's issued and outstanding common shares. Under the Plan, all options expire no later than five years from the grant date and vest immediately upon the grant.

The following table summarizes the status of the options issued pursuant to the plan.

	Stock Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, December 31, 2021	7,002,000	$	0.32	3.32
Options granted, Aug. 17, 2022	80,000		0.43	4.63
Options expired Aug. 8,2022	(75,000)		0.12	
Options exercised, Feb. 8,2022	(400,000)		0.12	
Balance, December 31 ,2022	**6,607,000**	**$**	**0.32**	**3.10**
Exercisable options as at December 31, 2022	**6,607,000**	**$**	**0.32**	**3.10**

Notes:

(i) The fair value of the 80,000 stock options granted to consultants on August 17, 2022 of $0.43 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 3.4%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 115%.

(ii) The fair value of the 500,000 stock options granted to officers and consultants on April 15, 2021 of $0.18 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 2.7%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 129%.

(iii) The fair value of the 1,150,000 stock options granted to officers and consultants on May 7, 2021 of $0.20 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 2.8%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 117%.

(iv) The fair value of the 350,000 stock options granted to officers and consultants on October 21, 2021 of $0.34 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 7.7%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 112%.

(v) The fair value of the 727,000 stock options granted to officers and consultants on November 18, 2021 of $1.05 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.98%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 123%.

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2022 is as follows:

Exercise Price	Awards Outstanding and Exercisable	Remaining contractual life (years)	Weighted Average Exercise Price($)
$0.12-$0.35	5,800,000	2.72	0.22
$0.43	80,000	4.63	0.43
$1.05	727,000	3.88	1.05
	6,607,000	3.10	0.32

9. Related party transactions

The Company has received loans from Big Mountain Development Corp. Ltd. (“**Big Mountain**”), a related party and significant shareholder of the Company, as detailed in the table below. The loans received from Big Mountain are secured by promissory notes and a general security agreement over all the assets of the Company.

The Company did not receive any additional loans from any of its directors during the period ended during the year ended December 31, 2022.

During the year ended December 31, 2021, the Company received a loan from one of its directors in the amount of $38,000. This loan was subsequently repaid. Furthermore, during the year ended December 31, 2021, the Company repaid all amounts outstanding on the loans from directors.

	Year ended	
	December 31, 2022	**December 31, 2021**
Big Mountain loan:		
Loan due December 31, 2022 (bears interest at 8%)	1,700,000	1,700,000
Advance on loan (8%)	65,788	65,788
Advance on loan (10%)	750,000	750,000
Accrued interest at end of year:	1,231,849	1,015,650
	3,747,637	**3,531,438**

Directors’ loans		
Loans, non-interest bearing	-	193,260

Loan repayment	-	(193,260)
Balance, end of period	**3,747,637**	**3,531,438**

Interest on related party loans is as follows:

	Year ended	
	December 31, 2022	**December 31, 2021**
Interest on related party loans	216,199	192,352

10. Lease liability

	Year ended	
	December 31, 2022	**December 31, 2021**
Balance, December 31, 2021	**6,212**	**6,212**
Additions	9,197	9,197
Lease interest expense	403	403
Lease payments	(9,600)	(9,600)
Balance, December 31, 2022	**6,212**	**6,212**

11. Key management personnel

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	Year ended	
	December 31, 2022	**December 31, 2021**
Wages, consulting fees and benefits	651,696	554,482
Stock based compensation expense	-	415,188
Total	**651,696**	**969,670**

As at December 31, 2022, $665,000 of wages and consulting fees is included in accounts payable and accrued liabilities (2021- $1,091,935).

12. Income taxes

(a) The income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to net loss. The major components of these differences are explained as follows:

	2022	2021
Net Loss	(4,228,538)	(2,569,821)
Corporate income tax rate	23.0%	23.0%
Computed expected tax recovery	(972,564)	(591,059)
Increase in income taxes resulting from:		
Non-deductible expenses	6,388	227,408
Change in unrecognized deferred tax asset	400,496	325,360
Other	149,020	38,291
Deferred income tax	(416,659)	-

(b) The components of the Company's unrecognized tax assets are as follows:

	2022	2021
Property, equipment and mineral property	7,764,492	7,669,112
Non-capital losses	14,529,181	12,905,820
Share issue costs	193,238	170,692
	22,486,911	**20,745,624**

(c) The Company has non-capital losses of approximately $14.5 million (2021 $13.0 million), which are available to reduce taxable income in future periods. These losses expire between 2026 and 2042. The future tax benefit of the non-capital losses has not been recognized in these consolidated financial statements.

13. Financial risk exposure, risk management and financial instruments

(a) Fair value:

Financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, restricted deposits, accounts payable and accrued liabilities, and due to related party. As at December 31, 2022, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and their estimated fair values as the amounts are short term in nature, or bear interest at market rates.

(b) Liquidity risk:

Cash forecasts are done to match spending on general and administration costs and exploration costs to available cash resources. Spending is increased or decreased to match available funds. Alternatively, the Company seeks capital through the offering of common shares or loans from related parties to fund general and administrative costs and exploration activities. As discussed in note 1, the Company will have to raise additional capital through the issue of shares or other means to discharge its current liabilities and the amount due to the related party or seek forbearance of the related party and other creditors.

(c) Interest rate risk:

Related party loans and long-term debt are at fixed rates therefore the Company is not exposed to interest rate fluctuations thereon except if the loans are refinanced at maturity versus settled.

(d) Credit risk:

Cash and cash equivalents are held with one bank. Accounts receivable is comprised predominantly of goods and services taxes input tax credits refundable therefore the Company's credit exposure is not significant. Accounts receivable of $117,783 (2021-$23,738) are considered current.

(e) Commodity price risk:

The Company is not currently exposed to commodity price risk, as the Company is in the pre-production phase. The overall development of the Company's properties is exposed to mineral price risks as a significant decrease in relevant prices would affect the economic returns of the mineral property.

14. Capital disclosures

The Company's capital historically has been derived from the issuance of equity and more recently from advances from a related party. Management monitors its financial position on an ongoing basis. Equity is issued or debt from related parties is obtained to finance drilling programs and Company's operations. Significant capital will be required for full development of commercial mining production if the properties are proven to be economic.

15. Supplemental cash flow information

	Year ended	
	December 31, 2022	**December 31, 2021**
Accounts receivable*(1)*	2,405,906	(2,515,879)
Prepaid expenses	85,839	(92,973)
Accounts payable and accrued liabilities	(220,813)	(143,320)
Net change in non-cash working capital	**2,270,932**	**(2,752,172)**

(1) Includes subscription receivable

16. Commitments and contingencies

The Company has a 10.5-hectare surface land lease to purchase agreement where rent is $800 per month for one year term ending August 31, 2023. At any time during the term, the Company has the option to purchase the lands for $340,000.

17. Subsequent events

On January 18, 2023, the Company completed a second tranche closing of the Concurrent Offering by issuing 309,530 Ordinary Units at a price of $0.42 per Ordinary Unit for total gross proceeds of $130,003. Each Ordinary Unit consisted of one common share and one share purchase warrant exercisable into one additional common share at a price of $0.70 per share for 24 months from the date of closing.

On January 26, 2023, the Company completed the final tranche closing of the Concurrent Offering by issuing 159,523 Ordinary Units at a price of $0.42 per Ordinary Unit for total gross proceeds of $67,000. Each Ordinary Unit consisted of one common share and one share purchase warrant exercisable into one additional common share at a price of $0.70 per share for 24 months from the date of closing.

On February 3, 2023, the Company's board of directors approved and authorized grant of 1,748,000 stock options to various directors and consultants of the Company effective February 3, 2023. All options vested on their date of grant. One option entitles the holder thereof to purchase one common share at a price of $0.45 per share for a period of five (5) years from the Option grant date.