

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of ProAm Explorations Corporation

Opinion

We have audited the consolidated financial statements of ProAm Explorations Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information. (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate 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 of the current period. 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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Surrey

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Tri-Cities

700 - 2755 Lougheed Hwy
Port Coquitlam, BC V3B 5Y9
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Victoria

320 - 730 View St.
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Other Information

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

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

In connection with our 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, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2024

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022
(Expressed in Canadian Dollars)

| | Notes | 2023 | 2022 |
|--|-------|--------------|--------------|
| ASSETS | | | |
| Current | | | |
| Cash | | \$ 102,980 | \$ 70,025 |
| Short-term investments | 4 | 283 | 441 |
| Prepaid expenses | | 74 | 74 |
| Accounts receivable | 5 | 2,723 | 12,505 |
| | | 106,060 | 83,045 |
| Reclamation deposits | 7 | 16,646 | 16,646 |
| Exploration and evaluation assets | 7 | 498,334 | 430,904 |
| Property and equipment | 8 | - | 404,594 |
| TOTAL ASSETS | | \$ 621,040 | \$ 935,189 |
| LIABILITIES AND EQUITY | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 6 | \$ 54,743 | \$ 39,796 |
| Current portion of loan | 14 | 49,044 | 20,000 |
| Due to related parties | 13 | 18,758 | 3,078 |
| | | 122,545 | 62,874 |
| Loan payable | 14 | - | 29,044 |
| Decommissioning liabilities | 9 | 1,653 | 134,290 |
| | | 124,198 | 226,208 |
| Equity | | | |
| Share capital | 11 | 7,982,536 | 7,973,786 |
| Reserves | 12 | 2,774,681 | 2,777,258 |
| Deficit | | (10,260,375) | (10,042,063) |
| | | 496,842 | 708,981 |
| | | \$ 621,040 | \$ 935,189 |

Nature and continuance of operations - Note 1

Subsequent event - Note 18

Approved and authorized by the Board on April 30, 2024

"Donald L. MacDonald"
Director

"Al Fabbro"
Director

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

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

| | Notes | 2023 | 2022 |
|---|--------------|---------------------|--------------------|
| REVENUE | | | |
| Oil and gas revenue | 16 | \$ 6,234 | \$ 31,963 |
| EXPENSES | | | |
| Accretion, amortization and depletion | 8, 9 | - | 9,998 |
| General and administrative | 17 | 67,867 | 101,095 |
| Operating expenses | | 8,816 | 12,126 |
| | | <u>76,683</u> | <u>123,219</u> |
| Net loss from operations | | (70,449) | (91,256) |
| OTHER ITEMS | | | |
| Gain on settlement of debt | 11 | 3,750 | - |
| Gain on sale of property and equipment | 8 | 23,541 | - |
| Write-off of property and equipment | 8 | (172,619) | - |
| Write-off of accounts receivable | | (2,535) | - |
| Net loss for the year | | <u>(218,312)</u> | <u>(91,256)</u> |
| Other comprehensive loss | | | |
| Investment revaluation gain (loss) | | (158) | (133) |
| Foreign currency gain (loss) on translation of foreign operations | | (2,419) | 11,567 |
| | | <u>(2,577)</u> | <u>11,434</u> |
| COMPREHENSIVE LOSS FOR THE YEAR | | <u>\$ (220,889)</u> | <u>\$ (79,822)</u> |
| Basic and diluted loss per common share | | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Weighted average number of common shares outstanding | | <u>16,610,793</u> | <u>16,546,409</u> |

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

PROAM EXPLORATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | | | | Deficit | Total |
|---|------------------|--------------|-----------------------------|--------------------------------------|--------------------------------|-----------------|------------|-------|
| | Number of shares | Amount | Share-based payment reserve | Foreign currency translation reserve | Investment revaluation reserve | | | |
| Balance at December 31, 2021 | 16,546,409 | \$ 7,973,786 | \$ 2,769,594 | \$ 18,720 | \$ (65,302) | \$ (9,950,807) | \$ 745,991 | |
| Share based compensation (Note 11) | - | - | 42,812 | - | - | - | 42,812 | |
| Net loss for the year | - | - | - | - | - | (91,256) | (91,256) | |
| Investment revaluation | - | - | - | - | (133) | - | (133) | |
| Foreign exchange gain | - | - | - | 11,567 | - | - | 11,567 | |
| Balance at December 31, 2022 | 16,546,409 | \$ 7,973,786 | \$ 2,812,406 | \$ 30,287 | \$ (65,435) | \$ (10,042,063) | \$ 708,981 | |
| Shares issued for debt settlement (Note 11) | 250,000 | 8,750 | - | - | - | - | 8,750 | |
| Net loss for the year | - | - | - | - | - | (218,312) | (218,312) | |
| Investment revaluation | - | - | - | - | (158) | - | (158) | |
| Foreign exchange gain/loss | - | - | - | (2,419) | - | - | (2,419) | |
| Balance at December 31, 2023 | 16,796,409 | 7,982,536 | 2,812,406 | 27,868 | (65,593) | (10,260,375) | \$ 496,842 | |

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

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|-------------------|------------------|
| Cash flows from operating activities | | |
| Net loss for the year | \$ (218,312) | \$ (91,256) |
| Non-cash operating items | | |
| Accretion, amortization and depletion | - | 9,998 |
| Gain on settlement of debt | (3,750) | - |
| Write-off of property and equipment | 172,619 | - |
| Gain on sale of property and equipment | (23,541) | - |
| Stock-based compensation | - | 42,812 |
| Changes in non-cash working capital items | | |
| Accounts receivables | 9,782 | (8,181) |
| Prepaid expenses | - | 5,000 |
| Accounts payable and accrued liabilities | 14,947 | 4,370 |
| Due to related parties | 15,680 | (55,309) |
| | <u>(32,575)</u> | <u>(92,566)</u> |
| Cash flows from investing activities | | |
| Reclamation deposit | - | (460) |
| Proceeds on sale of property and equipment | 124,875 | - |
| Expenditures on exploration and evaluation assets | (54,930) | (154,700) |
| | <u>69,945</u> | <u>(155,160)</u> |
| Effect of foreign exchange | <u>(4,415)</u> | <u>(102)</u> |
| Change in cash for the year | 32,955 | (247,828) |
| Cash, beginning | 70,025 | 317,853 |
| Cash, ending | <u>\$ 102,980</u> | <u>\$ 70,025</u> |

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

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

1. Nature and continuance of operations

ProAm Explorations Corporation (the "Company") was incorporated under the laws of the province of British Columbia. The Company's shares trade on the TSX Venture Exchange (the "Exchange") (symbol ("PMX")). The corporate headquarters and registered office of the Company is located at 867 West 3rd Street, North Vancouver, British Columbia, V7P 1E2.

The Company's principal business activities are oil and gas production and the exploration and development of its exploration and evaluation assets ("E&EA"). The Company is in the process of exploring and developing its E&EA, however, on the basis of information to-date, has not yet determined whether any of these E&EA contain reserves which are economically recoverable. The underlying value of these E&EA is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

The Company has not generated profitable operations and incurred a net loss of \$218,312 for the year ended December 31, 2023 and has an accumulated deficit of \$10,260,375. As such, material uncertainties exist which could adversely affect the Company's ability to continue to finance its activities. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management's plan may include continuing to pursue sources of financing and reducing overhead costs. With the use of existing funds, and advances from directors, management expects that the Company will have sufficient capital to fund operations and keep its E&EA in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 15.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. These adjustments could be material.

2. Material accounting policy information

These consolidated financial statements were approved by the Board of Directors of the Company on April 30, 2024.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

| | Country of incorporation | Percentage owned* | |
|-------------------------------|--------------------------|-------------------|------|
| | | 2023 | 2022 |
| OSEC Petroleum Canada Limited | Canada | 100% | 100% |
| OSEC Trading Corp. | Canada | 100% | 100% |
| OSEC Petroleum Inc. | USA | 100% | 100% |

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. Material accounting policy information (cont'd)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of E&EA and property and equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as E&EA expenditures, property and equipment or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currencies of the subsidiaries are as follows:

| | Functional currency |
|-------------------------------|----------------------------|
| OSEC Petroleum Canada Limited | Canadian |
| OSEC Trading Corp. | Canadian |
| OSEC Petroleum Inc. | U.S. |

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statements of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statements of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit and loss. The financial results and financial position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

2. Material accounting policy information (cont'd)

Foreign currency translation (cont'd)

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the consolidated statements of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Acquisition and exploration costs are accumulated on a field-by-field basis. Acquisition and exploration expenditures 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. Costs incurred before the legal rights to explore an area have been obtained 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, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGUs).

The technical feasibility and commercial viability of extracting a resource is considered to be determined when proven reserves are determined to exist. A review of each exploration license or data field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to separate category within tangible assets referred to as property and equipment.

Property and equipment

Property and equipment, which includes oil and gas properties and production assets, are measured at cost, less accumulated depreciation and accumulated impairment losses. Property and equipment assets are grouped into CGUs for impairment testing.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property and equipment.

Where commercial production in an area of interest has commenced, oil and gas properties are depreciated on a unit-of-production basis over the proven reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Depreciation for equipment is recognized in profit or loss on the following basis, and at half the annual rate in the year of acquisition, at the following rates:

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

2. Material accounting policy information (cont'd)

Property and equipment (cont'd)

Furniture and computers 30% declining basis

Decommissioning liabilities

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources and equipment. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as decommissioning liabilities, which is depleted on a unit-of-production basis over the life of the assets. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Share-based payments

The Company has a stock option plan. 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 the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

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

(i) 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 Company's classification of financial assets and liabilities under IFRS 9:

| Financial assets/liabilities | Classification |
|------------------------------|----------------|
| Cash | FVTPL |
| Trade receivables | Amortized cost |
| Trade payables | Amortized cost |
| Short term investments | FVTOCI |
| Due to related parties | Amortized cost |
| Loan payable | Amortized cost |

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

2. Material accounting policy information (cont'd)

Financial instruments (cont'd)

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Equity investments at FVTOCI

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.

(iii) Impairment of financial assets at amortized cost

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 consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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.

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

2. Material accounting policy information (cont'd)

Loss per share

Loss per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. 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 year. The Company computes diluted earnings per share using the treasury stock method to determine the dilutive effect of securities or other contracts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the year. No adjustment to diluted earnings per share or diluted shares outstanding is made if the result of the calculations is anti-dilutive.

Cash

Cash include cash on hand and deposits held at call with banks.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an expense reduction in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net loss over the expected useful life of the related asset through lower charges to depreciation and impairment.

Revenue

The Company recognizes revenue based on IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). This standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. This standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party, can be reasonably estimated and collectability is reasonably assured. This is generally at the time product enters the pipeline or any other means of transportation. Revenue is measured net of any royalties.

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.

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

2. Material accounting policy information (cont'd)***Income taxes (cont'd)***

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 is provided using the 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:

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.

3. Accounting standards issued by not yet effective

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

4. Short-term investments

Short-term investments consist of shares of unrelated listed companies.

5. Accounts receivable

| | December 31, 2023 | | December 31, 2022 | |
|----------------------|--------------------------|-------|--------------------------|--------|
| Trade receivables | \$ | - | \$ | 11,946 |
| Sales tax receivable | | 2,723 | | 559 |
| | \$ | 2,723 | \$ | 12,505 |

6. Accounts payable and accrued liabilities

| | December 31, 2023 | | December 31, 2022 | |
|---------------------|--------------------------|--------|--------------------------|--------|
| Trade payables | \$ | 29,294 | \$ | 24,796 |
| Accrued liabilities | | 25,449 | | 15,000 |
| | \$ | 54,743 | \$ | 39,796 |

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

7. Exploration and evaluation assets

Included in exploration and evaluation assets are the following:

Tucker County

A 3.6% revenue, net of royalty, interest in 1 unproven well. At December 31, 2023 and 2022, the Company holds its interest in the Tucker County West Virginia property at a nominal value of \$1.

Samuel Lake

Pursuant to certain agreements, the Company owns an option to acquire an undivided 100% interest, subject to a 2.5% Net Smelter Royalty ("NSR"), in certain claims comprising the Samuel Lake Property located in Ontario, Canada.

Jet Property

On November 30, 2018, the Company entered into an option agreement to acquire an undivided 100% interest subject to 2.5% NSR, in certain claims comprising the Jet Property, located in Elko County, Nevada, for the following consideration:

- (i) Payment of \$2,000 (paid), issuance of 66,667 common shares with a fair value of \$2,000 (issued) upon execution of the agreement and expenditure of \$50,000 (incurred) on the property in the first 12 months;
- (ii) Payment of \$25,000 (paid) and issuance of 133,333 common shares with a fair value of \$17,333 (issued) on the first anniversary of the agreement and incur \$150,000 in expenditures (incurred) on the property by June 30, 2020. Upon completion of these undertakings, the Company will have earned a 50% interest in the property;
- (iii) Payment of \$50,000 (paid) and issuance of 133,333 common shares with a fair value of \$8,000 (issued) on the second anniversary of the agreement and incur \$500,000 in expenditures on the property in the ensuing 12 months to be completed by October 31, 2022 (extended to December 31, 2024). Upon completion of these undertakings, the Company will have earned a 70% interest in the property;
- (iv) Payment of \$125,000 and issuance of 166,667 common shares on the third anniversary of this agreement and complete a NI 43-101 resource calculation on the property in the ensuing 12 months. Upon completion of these undertakings, the Company will have earned an 80% interest in the property;
- (v) Payment of \$250,000 on the fourth anniversary of this agreement. Upon completion of this undertaking, the Company will have earned a 100% interest in the property.

On October 1, 2019 and February 7, 2020, the date on which the first anniversary of the agreement was defined was extended from November 30, 2019 to February 28, 2020 and June 30, 2020 respectively. The Company paid the optionor a fee of US \$5,000 for the extension, which was expensed during the year ended December 31, 2020.

On August 13, 2021, the date on which the second anniversary of the agreement was defined was extended to October 21, 2021, and the ensuing 12 months in which the incurrence of \$500,000 in expenditures needed to be completed was extended to October 31, 2022 (subsequently extended to June 30, 2023).

On November 21, 2022, the due date of the incurrence of \$500,000 in expenditures was extended to June 30, 2023, and the date on which the third anniversary and fourth anniversary of the agreement was defined was extended to December 31, 2023 and June 30, 2024 respectively.

On April 2, 2024, the due date of the incurrence of \$500,000 in expenditures was extended to December 31, 2024, and the date on which the third anniversary and fourth anniversary of the agreement was defined was both extended to July 1, 2025. The Company is required to pay \$5,000 per the amendment.

Utah Property

During the year ended December 31, 2023, the Company staked 10 mining claims in Elko County, Utah.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

7. Exploration and evaluation assets (cont'd)

A continuity of exploration and evaluation assets is as follows:

| | Tucker County | Samuel Lake | Jet | Utah | Total |
|----------------------------|--------------------------|--------------------|------------|-------------|--------------|
| Balance, December 31, 2021 | \$ 1 | \$ 9,917 | \$ 266,286 | \$ - | \$ 276,204 |
| Exploration expenditures | - | - | 154,700 | - | 154,700 |
| Balance, December 31, 2022 | \$ 1 | \$ 9,917 | \$ 420,987 | \$ 8,643 | \$ 430,904 |
| Exploration expenditures | - | - | 58,787 | 8,643 | 67,430 |
| Balance, December 31, 2022 | \$ 1 | \$ 9,917 | \$ 479,774 | \$ 8,643 | \$ 498,334 |

A bond in the amount of \$16,646 (2022 - \$16,646) has been paid to the Bureau of Land Management in Nevada. The bond will be returned when the exploration disturbances have been remediated.

8. Property and equipment

The Company owns working interests in a number of oil and gas properties as follows:

United States

Muskingum County, Eastern Ohio: 2 natural gas wells (1 producing; 1 non-producing) ranging from a 2.8% - 4.2% revenue, net of royalty, interest. These wells were relinquished during the year ended December 31, 2023 and have been written off.

Indiana County, Pennsylvania: A 75% revenue, net of royalty, interest in 41 nonproducing oil wells. During the year ended December 31, 2023, the Company sold its interest in these non-producing wells for consideration of US\$90,000 (\$124,875) and recorded a gain on sale of \$23,541.

Logan County, Arkansas: 1 gas producing well with 10.1% revenue, net of royalty, interest. As at December 31, 2023, the wells are no longer economical and have been written off.

Oklahoma City, Oklahoma: A 10.1% revenue, net of royalty, interest in 1 natural gas producing well. As at December 31, 2023, the wells are no longer economical and have been written off.

Canada

Okotoks Alberta: 50% Working interest in two producing gas wells. These wells were relinquished during the year ended December 31, 2023 and have been written-off.

During the year ended December 31, 2023, there were a number wells that were determined to be uneconomical and were dropped during the year. A total write-off of property and equipment of \$172,619 was recorded to the consolidated statement of comprehensive loss.

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

8. Property and equipment (cont'd)

| | Furniture and Computers \$ | Oil and Natural Gas Properties \$ | Total \$ |
|---|-------------------------------------|--|----------------|
| Cost | | | |
| As at December 31, 2021 | 43,028 | 1,972,865 | 2,015,893 |
| Change in asset retirement cost | - | 95,463 | 95,463 |
| As at December 31, 2022 | 43,028 | 2,068,328 | 2,111,356 |
| Disposal | - | (1,344,875) | (1,344,875) |
| Write-off | (1,268) | (170,952) | (172,220) |
| As at December 31, 2023 | 41,760 | 552,501 | 594,261 |
| Accumulated amortization and depletion | | | |
| As at December 31, 2021 | 41,760 | 1,676,496 | 1,718,256 |
| Amortization and depletion | - | 2,305 | 2,305 |
| Foreign exchange adjustment | - | (13,799) | (13,799) |
| As at December 31, 2022 | 41,760 | 1,665,002 | 1,706,762 |
| Disposal | - | (1,114,776) | (1,114,776) |
| Foreign exchange adjustment | - | 2,275 | 2,275 |
| As at December 31, 2023 | 41,760 | 552,501 | 594,261 |
| Net Book Value | | | |
| As at December 31, 2022 | 1,268 | 403,326 | 404,594 |
| As at December 31, 2023 | - | - | - |

9. Decommissioning Liabilities

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. A credit adjusted risk-free rate of 3.88% and an inflation rate of 2.50% was used to calculate the present value of US \$1,250. A Canadian property included in this amount has a retirement obligation of \$Nil. The asset retirement obligations for the periods ended are as follows:

| | | |
|---|-----------|--------------|
| Balance, December 31, 2021 | \$ | 31,961 |
| Change in estimated cash flow and discount rate | | 94,949 |
| Accretion | | 4,827 |
| Foreign exchange adjustment | | 2,553 |
| Balance, December 31, 2022 | \$ | 134,290 |
| De-recognition on disposal | | (129,424) |
| Change in estimated cash flow and discount rate | | (5,746) |
| Accretion | | - |
| Foreign exchange adjustment | | 2,533 |
| Balance, December 31, 2023 | \$ | 1,653 |

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Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

10. Income tax expense and deferred tax assets and liabilities

The components of the Company's income tax recovery are as follows:

| | 2023 | 2022 |
|--|--------------|-------------|
| Income (loss) for the year before income taxes | \$ (218,312) | \$ (91,256) |
| Statutory tax rates | 28.7% | 28.6% |
| Expected income tax recovery at the statutory tax rate | (62,676) | (26,131) |
| Increase (decrease) resulting from | | |
| Permanent differences | (12,702) | 13,488 |
| Change in valuation allowance | 75,378 | 12,643 |
| | \$ - | \$ - |

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized.

| | December 31, 2023 | December 31, 2022 |
|---|--------------------------|--------------------------|
| Exploration and evaluation assets and oil and gas | \$ 4,562,194 | \$ 4,267,220 |
| Loss carry-forwards | 1,656,036 | 1,591,735 |
| Equipment | - | (1,667) |
| Decommissioning Liability | (1,250) | 100,619 |
| | 6,216,981 | 5,957,907 |

At December 31, 2023, the Company has the following tax pools available for deduction in future years which expire as follows:

| | Canadian non-capital losses | US non-capital losses | Canadian resource pools |
|-----------|--|--------------------------------------|--|
| 2028 | \$ 52,978 | \$ - | \$ - |
| 2029 | 149,475 | 7,766 | - |
| 2030 | 68,293 | 90,877 | - |
| 2031 | 157,496 | 110,691 | - |
| 2032 | 138,444 | 41,063 | - |
| 2033 | 186,893 | - | - |
| 2034 | 88,494 | 16,317 | - |
| 2035 | 28,838 | 101,469 | - |
| 2036 | - | 2,521 | - |
| 2037 | 15,164 | 17,296 | - |
| 2038 | 81,759 | - | - |
| 2039 | 60,282 | 26,072 | - |
| 2040 | 57,854 | - | - |
| 2041 | 43,210 | - | - |
| 2042 | 20,898 | 17,215 | - |
| 2043 | 68,025 | 6,646 | - |
| No expiry | - | - | 4,562,194 |
| | \$ 1,218,104 | \$ 437,932 | \$ 4,562,194 |

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

11. Share capital**Authorized share capital**

Unlimited number – Common shares without par value.

100,000,000 – Class A voting common shares with no par value

4,474,000 – Preferred shares with no par value.

526,000 – 15% cumulative Series A preferred shares with no par value.

Issued share capital

On September 28, 2023, the Company issued 250,000 common shares to an arm's length party with a fair value of \$8,750 to settle \$12,500 of debt, resulting in a gain on debt settlement of \$3,750.

There were no common shares issued during the year ended December 31, 2022.

As at December 31, 2023 and December 31, 2022, the Company owns 973,402 of its own Class A voting common shares acquired at an average cost of \$889,957. These shares are recorded as a reduction in equity.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares. The Company expenses the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

The Company's stock option transactions are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning | 1,400,000 | \$ 0.07 | 775,000 | \$ 0.07 |
| Granted during the year | - | \$ - | 800,000 | \$ 0.07 |
| Forfeited during the year | - | \$ - | (175,000) | \$ 0.07 |
| Outstanding, ending | 1,400,000 | \$ 0.07 | 1,400,000 | \$ 0.07 |

As at December 31, 2023, the following stock options are outstanding and exercisable:

| Total number of options | Exercise price | Expiry dates |
|-------------------------|----------------|---------------|
| 600,000 | \$0.07 | May 4, 2025 |
| 500,000 | \$0.07 | March 9, 2027 |
| 300,000 | \$0.06 | June 2, 2027 |
| 1,400,000 | | |

As at December 31, 2023, the stock options outstanding have a weighted average outstanding life of 2.45 years.

During the year ended December 31, 2022, the Company granted stock options to various directors, officers, and consultants of the Company to purchase 800,000 common shares. 500,000 of these stock options are exercisable at \$0.07 per common share and 300,000 of these stock options are exercisable at \$0.06 per common share for a period of 5 years.

The Company did not grant any stock options during the year ended December 31, 2023.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

11. Share capital (cont'd)

During the year ended December 31, 2023, the Company recorded stock-based compensation of \$Nil (2022 - \$42,812) in connection with the stock options granted during the year. The fair value of the stock options granted was estimated as at the date of grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

| Years ended: | December 31, 2023 | December 31, 2022 |
|---------------------------------|------------------------------|------------------------------|
| Risk free interest rate | - | 2.95% |
| Expected life of options | - | 5 years |
| Expected dividend yield | - | - |
| Expected stock price volatility | - | 128.23% |
| Exercise price | - | \$0.07 |
| Stock price | - | \$0.06 |
| Fair value per option | - | \$0.05 |

Warrants

The Company's warrant transactions are as follows:

| | Number of warrants | Weighted average exercise price |
|----------------------------|---------------------------|--|
| Balance, December 31, 2021 | 8,696,200 | \$ 0.13 |
| Issued | - | \$ - |
| Balance, December 31, 2022 | 8,696,200 | \$ 0.13 |
| Expired | (8,696,200) | \$ 0.13 |
| Balance, December 31, 2023 | - | \$ - |

As at December 31, 2023, there were no share purchase warrants outstanding.

12. Reserves***Share based payment reserve***

The share based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on marketable securities financial assets, except for impairment losses and foreign exchange gains and losses.

13. Related party transactions***Related party balances***

The following amounts are due to related parties:

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Due to companies controlled by directors of the Company | \$ 18,758 | \$ 3,078 |

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

13. Related party transactions (cont'd)

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2023, stock-based compensation of \$Nil (2022 - \$32,514) related to stock options granted to directors.

14. Loan

The Company received the Canada Emergency Business Account ("CEBA") interest free loan of \$60,000, of which \$20,000 is forgivable if repaid by January 18, 2024 and \$20,000 is payable on demand. The loans were recorded at a fair value using an effective rate of 15%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$17,333 was recorded as other income for the year ended December 31, 2020. For the year ended December 31, 2023, interest of \$Nil (2022 - \$2,957) has been recognized in the consolidated statements of comprehensive loss and a balance of \$Nil (December 31, 2022 - \$29,044) is recorded as a long-term loan. Effective January 1, 2024, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. The loan was repaid on January 2, 2024.

15. Financial risk and capital management

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:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and the United States. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and amounts due from the Company's partners from its oil and gas properties.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. 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 from oil and gas revenues. Management believes that its revenues are not adequate to pay for its day to day operations and has sold or written off its oil and gas properties. Additional sources of funding will be required. Liquidity risk has been assessed as high.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2023:

| | Within one year | Between one and five years | More than five years |
|------------------------|--------------------|-------------------------------|----------------------|
| Trade payables | \$ 29,294 | \$ - | \$ - |
| Due to related parties | 18,758 | - | - |
| Loan payable | 49,044 | - | - |
| | <u>\$ 97,096</u> | <u>\$ -</u> | <u>\$ -</u> |

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

15. Financial risk and capital management (cont'd)***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the Canadian dollar. The Company has not hedged its exposure to currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

| | December 31, 2023 | December 31, 2022 |
|---------------------|------------------------------|------------------------------|
| Cash | \$ 30,220 | \$ 13,166 |
| Accounts receivable | - | 11,946 |
| Accounts payable | (17,673) | (21,025) |
| | \$ 12,547 | \$ 4,087 |

Assuming that all variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

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. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest. Due to the limited and short-term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2023, the Company had not entered into any derivative contracts to manage this risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

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

Classification of financial instruments

Financial assets included in the consolidated statement of financial position are as follows:

| | December 31, 2023 | December 31, 2022 |
|------------------------|------------------------------|------------------------------|
| FVTPL: | | |
| Cash | \$ 102,980 | \$ 70,025 |
| Amortized Cost: | | |
| Trade receivables | - | 11,946 |
| FVTOCI: | | |
| Short-term investments | 283 | 441 |
| | \$ 103,263 | \$ 82,412 |

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Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2023

15. Financial risk and capital management (cont'd)***Classification of financial instruments (cont'd)***

Financial liabilities included in the statement of financial position are as follows:

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Financial liabilities at amortized cost: | | |
| Trade payables | \$ 29,294 | \$ 24,796 |
| Amounts due to related parties | 18,758 | 3,078 |
| Loan payable | 49,044 | 49,044 |
| | \$ 97,096 | \$ 76,918 |

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. 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 following is an analysis of the Company's financial assets measured at fair value as at December 31, 2023 and December 31, 2022:

| As at December 31, 2023 | | | |
|--------------------------------|-------------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 |
| Cash | \$ 102,980 | \$ - | \$ - |
| Short-term investments | 283 | - | - |
| | \$ 103,263 | \$ - | \$ - |
| As at December 31, 2022 | | | |
| | Level 1 | Level 2 | Level 3 |
| Cash | \$ 70,025 | \$ - | \$ - |
| Short-term investments | 441 | - | - |
| | \$ 70,466 | \$ - | \$ - |

16. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of resource properties.

Geographic segments

The Company's non-current assets are located in the following countries:

| | December 31 2023 | | |
|-----------------------------------|-------------------------|----------------------|--------------|
| | Canada | United States | Total |
| Revenue | \$ - | \$ 6,234 | \$ 6,234 |
| Exploration and evaluation assets | 9,917 | 488,417 | 498,334 |

| | December 31, 2022 | | |
|-----------------------------------|--------------------------|----------------------|--------------|
| | Canada | United States | Total |
| Revenue | \$ - | \$ 31,963 | \$ 31,963 |
| Exploration and evaluation assets | 9,917 | 420,987 | 430,904 |
| Property and equipment | 108,757 | 295,837 | 404,594 |

17. General and administrative expenses

| For the years ended: | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Exploration expense | \$ 891 | \$ 2,980 |
| Filing and transfer agent fees | 7,028 | 10,197 |
| Office and miscellaneous | 15,354 | 13,166 |
| Professional fees | 44,594 | 31,940 |
| Stock-based compensation (Notes 11 and 13) | - | 42,812 |
| | <u>\$ 67,867</u> | <u>\$ 101,095</u> |

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

18. Subsequent event

On April 24, 2024, the Company announced that the Board of Directors have approved a consolidation of the Company's share capital on a 2 to 1 basis, subject to the approval of the Exchange.