



FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Troubadour Resources Inc.

Opinion

We have audited the accompanying financial statements of Troubadour Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 on the financial statements, which indicates the Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these events and conditions 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 judgement, were of most significance in our audit of the financial statements of the current year. 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, we have determined the matter described below to be the key audit matter to be communicated in our audit report.

Assessment of Impairment Indicators of Mineral Property Assets

As described in Note 4 to the financial statements, the carrying amount of the Company's Mineral Property Assets was \$1,709,732 as of December 31, 2022. As more fully described in Note 3 to the financial statements, management assesses Mineral Property Assets for indicators of impairment at the end of each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of Mineral Property Assets is a key audit matter are that there was judgment by management when assessing whether there were indicators of impairment for the Mineral Property Assets, specifically related to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Mineral Property Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures include, among others:

- Obtaining an understanding of the key controls associated with evaluating the Mineral Property Assets for impairment;
- Evaluating management's assessment of impairment indicators;
- Evaluating the intent for the Mineral Property Assets through discussion and communication with management;
- Reviewing the Company's recent expenditure activity;
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances;
- Assessing the Company's right to explore Mineral Property Assets;
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the Mineral Property Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 4, 2023

TROUBADOUR RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	December 31, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 85,967	\$ 127,227
Prepaid expenses	5,208	-
Receivables	2,723	3,219
	93,898	130,446
Reclamation deposit (Note 4)	16,850	16,850
Mineral property (Note 4)	1,709,732	1,695,293
	\$ 1,820,480	\$ 1,842,589
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 360,006	\$ 235,513
	360,006	235,513
Shareholders' equity		
Share capital (Note 6)	3,297,496	3,211,246
Reserves (Note 6)	340,640	320,605
Deficit	(2,177,662)	(1,924,775)
	1,460,474	1,607,076
	\$ 1,820,480	\$ 1,842,589

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on April 4, 2023.

<i>"Gary Schellenberg"</i>	Director	<i>"Geoff Schellenberg"</i>	Director
Gary Schellenberg		Geoff Schellenberg	

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

TROUBADOUR RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended December 31,	2022	2021
Expenses		
Consulting fees (Note 5)	\$ 120,000	\$ 139,644
Filing and transfer agent fees	18,610	26,743
Investor relations	4,375	24,679
Interest and bank charges	242	897
Office and administration	19,355	22,442
Professional fees (Note 5)	61,354	60,471
Rent (Note 5)	21,600	19,200
Share-based payments (Notes 5, 6)	20,035	62,484
	(265,571)	(356,560)
Flow-through premium recognized (Note 6)	10,050	1,945
Interest income	2,634	561
Loss and comprehensive loss for the year	\$ (252,887)	\$ (354,054)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	14,460,463	13,438,909

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

TROUBADOUR RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended December 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (252,887)	\$ (354,054)
Non-cash items:		
Share-based payments	20,035	62,484
Flow-through premium recognized	(10,050)	(1,945)
Non-cash working capital item changes:		
Receivables	496	2,451
Prepaid expenses	(5,208)	-
Accounts payable and accrued liabilities	128,487	54,682
Net cash used in operating activities	<u>(119,127)</u>	<u>(236,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property tax credits received	162,098	-
Mineral property expenditures	<u>(144,531)</u>	<u>(628,866)</u>
Net cash provided by (used in) investing activities	<u>17,567</u>	<u>(628,866)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	60,300	720,000
Proceeds from warrant exercises	-	71,000
Share issuance costs	<u>-</u>	<u>(1,080)</u>
Net cash provided by financing activities	<u>60,300</u>	<u>789,920</u>
Change in cash for the year	(41,260)	(75,328)
Cash, beginning of year	<u>127,227</u>	<u>202,555</u>
Cash, end of year	<u>\$ 85,967</u>	<u>\$ 127,227</u>

No cash was paid for interest or taxes for the periods ended December 31, 2022, and 2021.

During the year ended December 31, 2022, the Company accrued \$4,748 (2021 - \$8,742) in mineral property costs through accounts payable and accrued liabilities and recognized \$36,000 (2021 - \$142,500) in additions to mineral properties on the issuance of 600,000 (2021 - 600,000) common shares.

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

TROUBADOUR RESOURCES INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, December 31, 2020	10,897,134	\$ 2,278,826	\$ 258,121	\$ (1,570,721)	\$ 966,226
Shares issued for cash	2,400,000	720,000	-	-	720,000
Shares issued for warrant exercises	284,000	71,000	-	-	71,000
Shares issued for mineral property	600,000	142,500	-	-	142,500
Share issuance costs – cash	-	(1,080)	-	-	(1,080)
Share-based payments	-	-	62,484	-	62,484
Loss for the year	-	-	-	(354,054)	(354,054)
Balance, December 31, 2021	14,181,134	3,211,246	320,605	(1,924,775)	1,607,076
Shares issued for cash	335,000	60,300	-	-	60,300
Shares issued for mineral property	600,000	36,000	-	-	36,000
Share-based payments	-	-	20,035	-	20,035
Flow-through premium	-	(10,050)	-	-	(10,050)
Loss for the year	-	-	-	(252,887)	(252,887)
Balance, December 31, 2022	15,116,134	\$ 3,297,496	\$ 340,640	\$ (2,177,662)	\$ 1,460,474

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Troubadour Resources Inc. (the “Company”) was incorporated in Canada under the British Columbia Corporations Act on March 22, 2012. The Company is principally engaged in the acquisition and exploration of resource properties. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol TR. The head office, records office, and principal address of the Company is 488-625 Howe Street, Vancouver, British Columbia, V6C 2T6.

The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The Company’s primary focus is on two properties in British Columbia: the Amarillo Property, located in the Osoyoos Mining District, and the Texas Property, located in the Greenwood Mining District (Note 4).

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

Recent global issues, including the ongoing COVID-19 pandemic and the 2022 Russian invasion of Ukraine have adversely affected workplaces, economies, supply chains, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company's business or results of operations this time.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

2. BASIS OF PREPARATION (cont'd...)

Use of estimates and critical judgments

The recognition of exploration and evaluation assets requires judgments regarding future recoverability and carrying cost. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

The determination of income tax is inherently complex and requires making certain judgments about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Fair value through profit or loss ("FVTPL") - financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

The Company's cash is recorded at FVTPL. The Company's receivables and reclamation deposit are recorded at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

Amortized cost: This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

Valuation of equity units issued in private placements

When determining the fair value of equity units issued in private placements, the fair value of the common shares issued in private placements is determined to be the more easily measurable component and is valued at fair value, as determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Exploration and evaluation - mineral property

Pre-exploration costs are expensed as incurred. Costs related to the acquisition of mineral properties and the exploration of mineral properties are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

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

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. A premium liability is recognized for the share price premium, if any, paid by investors when acquiring the flow-through shares. The premium liability is reduced and other income is recognized at the time the eligible expenditures are incurred presuming management intends to retrospectively renounce the tax deductions.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a period of up to two-years.

4. MINERAL PROPERTY

As at December 31, 2022, the Company held \$16,850 (2021 - \$16,850) in deposits with a financial institution as security for reclamation requirements.

Amarillo Property, BC

The Company owns a 100% interest in certain claims located in the Osoyoos Mining District, British Columbia, comprising the Amarillo property. The seller retains a 1.5% Net Smelter Returns (“NSR”) royalty, of which the Company may purchase 1.0% for a payment of \$1,000,000.

Texas Property, BC

On October 6, 2020, the Company entered into a mineral property option agreement with 1218802 B.C. Ltd. (the “Vendor”) to acquire a 100% interest in the Texas property, located in the Greenwood Mining District in Southern British Columbia. The Company can acquire a 100% interest by paying the Vendor a total of \$80,000 and issuing 1,200,000 shares and incurring \$250,000 in exploration expenditures over a two-year period as follows:

- (a) paying \$30,000 (paid) and issuing 600,000 shares (issued with a fair value of \$142,500 – Note 6) within fifteen business days of exchange approval; and
- (b) paying \$50,000 (paid) and issuing 600,000 (issued with a fair value of \$36,000 – Note 6) shares on or before the first anniversary.

During the year ended December 31, 2021, the Company entered into an agreement with the Vendor to extend the remaining \$50,000 payment and 600,000 share issuances by six-months to April 6, 2022, by paying \$5,000 (paid). The agreement was further extended during the year ended December 31, 2022, by to October 6, 2022, by paying an additional \$5,000 (paid). During the year ended December 31, 2022, the Company satisfied the option by paying \$50,000 and issuing 600,000 common shares valued at \$36,000 (Note 6) to 1218802 B.C. Ltd.

The Company must incur \$250,000 in exploration expenditures as follows:

- (a) \$100,000 on or before the first anniversary (spent); and
- (b) \$150,000 on or before the second anniversary (spent).

Upon vesting the Vendor will retain a 1.5% NSR of which Troubadour can purchase 1% for \$1,000,000 any time prior to commencement of commercial production.

TROUBADOUR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Canadian Dollars)

4. MINERAL PROPERTY (cont'd...)

During the year ended December 31, 2022, the Company incurred the following in relation to mineral properties:

	Amarillo Property		Texas Property		Total
<i>Acquisition Costs</i>					
Balance, December 31, 2021	\$	66,202	\$	178,326	\$ 244,528
Additions		-		92,981	92,981
Balance, December 31, 2022		66,202		271,307	337,509
<i>Exploration Costs</i>					
Balance, December 31, 2021		936,285		514,480	1,450,765
Assays		-		23,028	23,028
Field expenditures		1,748		19,094	20,842
Field personnel		3,000		14,000	17,000
Geological consulting		-		21,750	21,750
Mobilization		-		936	936
BC Mining Exploration Tax Credit		(25,648)		(136,450)	(162,098)
Balance, December 31, 2022		915,385		456,838	1,372,223
Total, December 31, 2022	\$	981,587	\$	728,145	\$ 1,709,732

During the year ended December 31, 2021, the Company incurred the following in relation to mineral properties:

	Amarillo Property		Texas Property		Total
<i>Acquisition Costs</i>					
Balance, December 31, 2020	\$	66,202	\$	826	\$ 67,028
Additions		-		177,500	177,500
Balance, December 31, 2021		66,202		178,326	244,528
<i>Exploration Costs</i>					
Balance, December 31, 2020		848,984		50,034	899,018
Administrative Expenditures		-		195	195
Assays		-		48,835	48,835
Drilling		-		291,159	291,159
Field expenditures		-		51,655	51,655
Field personnel		500		26,824	27,324
Geological Consulting		750		42,658	43,408
Geophysical		84,206		1,056	85,262
Mobilization		398		2,064	2,462
Staking		1,447		-	1,447
Balance, December 31, 2021		936,285		514,480	1,450,765
Total, December 31, 2021	\$	1,002,487	\$	692,806	\$ 1,695,293

TROUBADOUR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Company paid or accrued \$85,536 (2021 - \$177,353) included in mineral property expenditures and \$21,600 (2021 - \$19,200) included in rent expense recognized in loss and comprehensive loss to a company related to two officers of the Company. Included in accounts payable and accrued liabilities as at December 31, 2022 was \$359,147 (2021 - \$230,785) payable to companies controlled by officers of the Company.

Key management personnel consist of directors and senior management including the President, Chief Executive Officer, and Chief Financial Officer. During the year ended December 31, 2022, the Company paid or accrued, to key management personnel and their related companies:

	Professional fees	Consulting fees	Share-based payments	Total
Chief Executive Officer	\$ -	\$ 30,000	\$ 2,222	\$ 32,222
President	-	90,000	3,889	93,889
Chief Financial Officer	30,000	-	1,389	31,389
Non-executive Directors	-	-	2,778	2,778
Total	\$ 30,000	\$ 120,000	\$ 10,278	\$ 160,278

During the year ended December 31, 2021, the Company paid or accrued, to key management personnel and their related companies:

	Professional fees	Consulting fees	Share-based payments	Total
Chief Executive Officer	\$ -	\$ 30,000	\$ -	\$ 30,000
President	-	90,000	-	90,000
Chief Financial Officer	30,000	-	-	30,000
Non-executive Directors	-	1,050	-	1,050
Total	\$ 30,000	\$ 121,050	\$ -	\$ 151,050

6. SHAREHOLDERS' EQUITY

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2022, the Company:

- a) closed a private placement by issuing 335,000 flow-through share units (each, a "FT Unit") at \$0.18 per FT Unit for gross proceeds of \$60,300. Each FT Unit consisted of one flow-through common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one additional common share at a price of \$0.25 for a period of two years.

The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$10,050. During the year ended December 31, 2022, the Company spent the entire required flow-through expenditures under the issuance and \$10,050 was recognized to loss and comprehensive loss; and

- b) issued 600,000 common shares valued at \$36,000 to 1218802 B.C. Ltd., as stipulated in its mineral property option agreement for the Texas Property (Note 4); and

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6. SHAREHOLDERS' EQUITY (cont'd...)

Issued share capital (cont'd...)

During the year ended December 31, 2021, the Company:

- a) issued 600,000 common shares valued at \$142,500 to 1218802 B.C. Ltd., as stipulated in its mineral property option agreement for the Texas Property (Note 4); and
- b) closed a non-brokered private placement by issuing 2,400,000 units at a price of \$0.30 per unit for gross proceeds of \$720,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.45 for a period of 18-months. In connection with the offering, the Company paid finders' fees of \$1,080.

Warrants

The following is a summary of warrants outstanding as at December 31, 2022 and December 31, 2021 and changes during the years then ended:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	2,186,000	\$ 0.26
Issued during the year	1,200,000	0.45
Exercised during the year	(284,000)	0.25
Expired during the year	(1,776,000)	0.25
Balance, December 31, 2021	1,326,000	0.44
Issued during the year	167,500	0.25
Expired during the year	(1,326,000)	0.44
Balance, December 31, 2022	167,500	\$ 0.25

As at December 31, 2022 the following warrants were outstanding:

	Number outstanding and exercisable	Exercise Price	Expiry Date
Warrants	167,500	\$ 0.250	June 1, 2024
	167,500		

Stock Options

On September 25, 2017, the Company adopted a stock option plan. The stock option plan provides that, subject to the requirement of the TSXV, the aggregate number of securities reserved for issuance will be 10% of the number of common shares of the Company issued and outstanding from time to time. In addition, the number of common shares which may be reserved for issuance on a yearly basis to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued shares calculated at the time of grant. All options granted under the stock option plan will expire no later than the date that is ten years from the date that such options are granted.

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6. SHAREHOLDERS' EQUITY (cont'd...)

Stock Options (cont'd...)

During the year ended December 31, 2022 the Company granted nil (2021 – 160,000) stock options with a weighted average fair value of \$nil (2021 - \$0.39). Total share-based payments recognized in the statement of loss and comprehensive loss for the year ended December 31, 2022 was \$20,035 (2021 - \$62,484) related to the repricing of stock options and options granted and vested, and was recognized in profit or loss.

The fair value of options at the date of grant and repricing was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	2.53%	0.48%
Expected life of option	1.60 years	3 years
Expected annualized volatility	123.69	145.18%
Expected dividend rate	0%	0%

The following is a summary of stock options outstanding as at December 31, 2022 and 2021 and changes during the years ended:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2020	1,020,000	0.27
Issued during the year	160,000	0.45
Balance, December 31, 2021, and 2022	1,180,000	0.15^{1 2}

As at December 31, 2022 the following stock options were outstanding:

Number outstanding	Number outstanding and exercisable	Exercise Price	Expiry Date
580,000	580,000	\$ 0.160 ¹	September 11, 2023
440,000	440,000	\$ 0.125	February 27, 2025
160,000	160,000	\$ 0.160 ²	May 10, 2024
1,180,000	1,180,000		

1. During the year ended December 31, 2022, these options were repriced from \$0.375 to \$0.16.
2. During the year ended December 31, 2022, these options were repriced from \$0.45 to \$0.16.

7. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in one geographical location, being Canada.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, reclamation bond, and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is carried at fair value through profit or loss. Receivables, reclamation bond, and accounts payable and accrued liabilities are carried at amortized cost.

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss of a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and reclamation bond are held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of Goods and Services Tax receivable from the government of Canada and the Company considers credit risk associated with these amounts to be low.

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 manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at December 31, 2022, the Company is not exposed to significant interest rate risk.

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8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management (cont'd...)

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

9. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Loss before income taxes	\$ (252,887)	\$ (354,054)
Expected income tax (recovery)	\$ (68,000)	\$ (96,000)
Permanent differences	3,000	17,000
Impact of flow-through shares	16,000	4,000
Adjustment to prior years provision versus statutory returns	60,000	(58,000)
Change in unrecognized deductible temporary differences	(11,000)	133,000
Income tax recovery	\$ -	\$ -

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9. INCOME TAXES (cont'd...)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2022	Expiry Date Range	2021
Exploration and evaluation assets	\$ (611,000)	N/A	\$ (391,000)
Share issue costs	1,000	2041-2045	4,000
Non-capital losses	<u>1,873,000</u>	2032-2042	<u>1,626,000</u>
	<u>\$ 1,263,000</u>		<u>\$ 1,239,000</u>