



HANSTONE GOLD

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)



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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of:
Hanstone Gold Corp.**

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net comprehensive loss of \$1,443,229 during the year ended December 31, 2022 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$7,911,155 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 practitioner on the audit resulting in this independent auditor's report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
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April 27, 2023

HANSTONE GOLD CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31

(All amounts expressed in Canadian dollars unless indicated otherwise)

	2022 \$	2021 \$
Assets		
Current assets		
Cash and cash equivalents	373,496	766,893
Goods and Services Tax receivable	10,025	266,084
Prepaid expenses and deposits	25,637	55,054
Subscription receivable (Note 6)	-	69,750
Total current assets	409,158	1,157,781
Non-current assets		
Property and equipment (Note 4)	193,842	269,766
Exploration and evaluation assets (Note 5)	1,159,000	1,059,000
Total assets	1,762,000	2,486,547
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	893,725	993,690
Flow-through shares premium liability (Note 11)	129,827	-
Total liabilities	1,023,552	993,690
Shareholders' equity		
Share capital (Note 6)	7,577,287	7,257,726
Warrants reserve (Note 6)	382,483	101,070
Stock options reserve (Note 6)	689,833	601,987
Deficit	(7,911,155)	(6,467,926)
Total shareholders' equity	738,448	1,492,857
Total liabilities and shareholders' equity	1,762,000	2,486,547

Going concern (Note 1)
Basis of presentation (Note 2)
Subsequent event (Note 13)

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

Approved and authorized for issuance on behalf of the Board of Directors on April 27, 2023

/s/ Andre Douchane
Andre Douchane, Director

/s/ Bob Hans
Bob Hans, Director

HANSTONE GOLD CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

	2022	2021
	\$	\$
Expenses		
Exploration expenditures (Note 5 and 7)	789,322	2,586,841
Consulting (Note 7)	288,545	387,472
Advertising	287,376	452,747
Stock-based compensation	87,407	416,250
Listing, filing and transfer agent	54,310	95,154
Legal	44,754	87,592
Office supplies and services	34,138	25,932
Audit and accounting	36,756	33,000
Rent	28,000	36,000
Interest expense	-	4,622
Finance expense (Note 6)	260,471	-
Total expenses	1,911,079	4,125,610
Loss from operations	(1,911,079)	(4,125,610)
Other income		
Flow-through shares premium recovery (Note 11 and 12)	29,231	251,763
Government grant (Note 5)	437,888	-
Interest income	731	106
Net loss and comprehensive loss	(1,443,229)	(3,873,741)
Net loss per share		
Basic and diluted (Note 6)	(0.04)	(0.13)
Weighted average number of common shares outstanding	38,407,509	29,765,539

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

HANSTONE GOLD CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

	Number of Shares	Share Capital \$	Stock Options Reserve \$	Warrants Reserve \$	Deficit \$	Total Equity \$
Balance, December 31, 2020	26,628,914	4,063,996	282,689	-	(2,594,185)	1,752,500
Private placement (Note 6)	10,046,211	3,563,526	-	-	-	3,563,526
Fair value of warrants (Note 6)	-	(101,070)	-	101,070	-	-
Share issuance costs	-	(181,323)	42,408	-	-	(138,915)
Exercise of warrants (Note 6)	100,000	25,000	-	-	-	25,000
Flow-through share premium (Note 11)	-	(251,763)	-	-	-	(251,763)
Share-based compensation	268,000	139,360	276,890	-	-	416,250
Net loss for the year	-	-	-	-	(3,873,741)	(3,873,741)
Balance, December 31, 2021	37,043,125	7,257,726	601,987	101,070	(6,467,926)	1,492,857
Private placement (Note 6)	2,000,000	500,000	-	-	-	500,000
Fair value of warrants (Note 6)	-	(20,942)	-	20,942	-	-
Fair value adjustments to warrants extended (Note 6)	-	-	-	260,471	-	260,471
Share issuance costs	-	(439)	439	-	-	-
Flow-through share premium (Note 11)	-	(159,058)	-	-	-	(159,058)
Share-based payments	-	-	87,407	-	-	87,407
Net loss for the year	-	-	-	-	(1,443,229)	(1,443,229)
Balance, December 31, 2022	39,043,125	7,577,287	689,833	382,483	(7,911,155)	738,448

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

HANSTONE GOLD CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

	2022 \$	2021 \$
Cash flows provided by (used in):		
Operating activities		
Net loss	(1,443,229)	(3,873,741)
Adjustment for non-cash items:		
Depreciation included in exploration expenditures	75,924	73,032
Flow-through share premium recovery	(29,231)	(251,763)
Finance expense	260,471	-
Stock-based compensation	87,407	416,250
Changes in non-cash working capital:		
Prepays and deposits	29,417	(55,054)
Goods and Services Tax receivable	256,059	(172,994)
Subscription receivable	69,750	(69,750)
Accounts payable and accrued liabilities	(99,965)	874,341
Net cash used in operating activities	(793,397)	(3,059,679)
Investing activities		
Exploration and evaluation assets	(100,000)	(163,000)
Purchase of property and equipment	-	(28,924)
Net cash used in investing activities	(100,000)	(191,924)
Financing activities		
Net proceeds from issuance of common shares	500,000	3,424,611
Exercise of warrants	-	25,000
Net cash provided by financing activities	500,000	3,449,611
Change in cash	(393,397)	198,008
Cash, beginning of year	766,893	568,885
Cash, end of year	373,496	766,893

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

HANSTONE GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hanstone Gold Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on October 11, 2018. Effective on August 19, 2020, the Company changed its name.

The principal business of the Company is the acquisition and exploration of mineral properties. The registered office of the Company is Suite 600-1090 West Georgia Street, Vancouver, BC V6E 3V7, while the head office and principal business address of the Company is 970-777 Hornby Street, Vancouver, BC V6Z 1S4.

The Company entered into two asset purchase agreements on March 17, 2020 to purchase the Doc and Snip North Properties in northern British Columbia. The transactions closed on August 18, 2020 (Note 4).

Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at December 31, 2022, the Company has not generated any revenues from operations and has an accumulated deficit of \$7,911,155.

The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

Global Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 virus. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted.

As the Company does not have production activities, the ability to fund ongoing exploration is affected by the availability of financing. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of mineral property impairment and going concern uncertainty. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. These financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

HANSTONE GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

2. BASIS OF PRESENTATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or 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.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

i) Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At present, the Company classifies all financial assets as held at amortized cost. Cash is classified as a financial asset.

HANSTONE GOLD CORP.
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Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of loss and comprehensive loss in the period in which it arises.

ii) Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into using the residual value method into: i) share capital; and ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial liability until paid.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Impairment of long-lived assets

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 profit or loss for the period. For an asset that does not generate largely independent cash flows, 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.

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(All amounts expressed in Canadian dollars unless indicated otherwise)

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Provision and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, basic per share amounts are the same as on a diluted basis as the result would be anti-dilutive.

HANSTONE GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

Valuation of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, evaluation of permitting and environmental issues and local support for the project.

Share based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can significantly change the fair value estimate and the Company's earnings and equity reserves.

Deferred income taxes

Judgement is required in determining whether deferred tax assets are recognized in the statements of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable income in future periods, in order to utilize deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statements of financial position could be impacted. The Company has not recorded any deferred tax assets.

HANSTONE GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(All amounts expressed in Canadian dollars unless indicated otherwise)

4. PROPERTY AND EQUIPMENT

	Camp Building \$	Equipment \$	Total \$
Costs:			
Balance, December 31, 2020	368,232	-	368,232
Additions	-	28,924	28,924
Recovery	(17,535)	-	(17,535)
Balance, December 31, 2021	350,697	28,924	379,621
Additions	-	-	-
Balance, December 31, 2022	350,697	28,924	379,621
Accumulated Depreciation:			
Balance, December 31, 2020	36,823	-	36,823
Depreciation	70,140	2,892	73,032
Balance, December 31, 2021	106,963	2,892	109,855
Depreciation	70,139	5,785	75,924
Balance, December 31, 2022	177,102	8,677	185,779
Net Book Value:			
Balance, December 31, 2021	243,734	26,032	269,766
Balance, December 31, 2022	173,595	20,247	193,842

During the year ended December 31, 2022, the Company recorded a depreciation expense of \$75,924 (2021 - \$73,032) related to the Camp Building and Equipment which has been included in the exploration expenditures for the year.

5. EXPLORATION AND EVALUATION ASSETS

Exploration assets consist entirely of costs incurred in relation to the acquisition of the Company's mineral properties. All exploration expenditures are expensed in the period incurred.

	Doc Property \$	Snip North Property \$	Total \$
Balance, December 31, 2020	860,000	36,000	896,000
Property acquisition costs - cash	163,000	-	163,000
Balance, December 31, 2021	1,023,000	36,000	1,059,000
Property acquisition costs - cash	100,000	-	100,000
Balance, December 31, 2022	1,123,000	36,000	1,159,000

The outcome of ongoing exploration activities, and therefore whether the carrying value of exploration assets will ultimately be recovered, is inherently uncertain. Management has reviewed the projects above at December 31, 2022 for any indicators of impairment and determined that no indicators were present. This assessment includes a review of the expiry dates of claims, the likelihood of meeting the annual expenditure requirements to maintain the claims in good standing, management's assessments of the results of geological studies, drilling and the intentions to carry on future work on these claims based on the results to date.

HANSTONE GOLD CORP.
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Doc Property

The Company and Milestone Infrastructure Inc. ("Milestone") entered into an asset purchase agreement dated as of March 17, 2020 (the "Milestone Agreement") respecting the acquisition of Milestone's option agreement on the Doc Property (the "Transaction"). The Doc Property is comprised of 8 mineral claims located in the Skeena Mining Division in British Columbia. The Company also entered into an assignment and assumption agreement ("Bot Option Agreement") with Mr. John Bot ("Bot") to continue with the original option agreement entered into with Milestone. As a result of the assumption agreement, the Company has the exclusive and irrevocable right to acquire a 100% interest in the Doc Property from Bot. Under the Bot Option Agreement, to successfully exercise the option to acquire 100% of the Doc Property, the Company is required to make cash payments having an aggregate of \$1,825,000 to Bot, over six years as follows:

1. \$50,000 on July 3, 2019, being the effective date of the original Option Agreement (paid);
2. \$50,000 on or before (a) the date which is seven days after resumption of trading of Hanstone shares on the TSXV following the completion of its Qualifying Transaction; and (ii) September 30, 2020 (paid);
3. \$50,000 on July 3, 2021 (paid);
4. \$200,000 on July 3, 2022;
5. \$400,000 on July 3, 2023;
6. \$500,000 on July 3, 2024; and
7. \$575,000 on July 3, 2025.

In addition, under the Bot Option Agreement, the Company has granted Bot a 1.5% net smelter returns royalty (the "Bot NSR") on the Doc Property. The Company has the right at any time to repurchase the Bot NSR from Bot by paying \$500,000 to Bot. Until the Company has successfully exercised the option under the Bot Option Agreement, the Company is required to pay Bot a bulk sample royalty of 5% on the Doc Property. Under the Milestone Agreement, the Company issued an aggregate of 4,500,000 common shares of the Company to Milestone's stakeholders at a deemed price of \$0.18 per share for a value of \$810,000. The Transaction was completed on August 19, 2020. Under the terms of the Milestone Agreement an option payment of \$50,000 was made on August 19, 2020.

On June 30, 2022, the Company signed an Amending Agreement with Bot that rescheduled the timing of the remaining payment obligation of \$1,675,000 under the Bot Option Agreement as follows:

1. \$25,000 on July 31, 2022 (paid);
2. \$75,000 on December 25, 2022 (paid);
3. \$500,000 on July 3, 2023;
4. \$500,000 on July 3, 2024; and
5. \$575,000 on July 3, 2025.

For the year ended December 31, 2022, the Company has spent \$789,322 in exploration expenditures (2021 - \$2,586,841) for a cumulative total of \$5,421,691 on the Doc Property. The Company also received government grants of \$437,888 with respect to the exploration expenditures spent on this property in prior years.

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Snip North Property

The Company entered into an asset purchase agreement with Richard Mill ("Mill") dated as of March 17, 2020 (the "Mill Agreement") respecting the proposed acquisition from Mill of 100% of Mill's right, title and interest in and to the Snip North property (the "Snip North Property"), comprised of 5 mineral claims located in British Columbia, approximately 50 kilometers north of the Doc Property. As consideration for the acquisition of the Snip North Property, the Company issued an aggregate of 200,000 common shares of the Company to Mill at a deemed price of \$0.18 per share for a value of \$36,000. The transaction was completed on August 19, 2020.

6. SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited common shares, without par value.

Share issuances

On January 29, 2021, the Company issued 268,000 common shares to the Company's Chief Executive Officer valued at \$107,200 in compensation for his services.

On June 30, 2021, the Company closed a private placement financing for gross proceeds of \$954,396. The Company raised \$510,480 in gross proceeds through the issuance of 1,276,200 subscription units at a price of \$0.40 per unit, with each unit comprised of one common share and one common share purchase warrant. The remaining gross proceeds of \$443,916 were raised through the issuance of 1,008,900 "flow-through" units at a price of \$0.44 per FT Unit, with each FT Unit comprised of one "flow-through" common share and one common share purchase warrant. In connection with the private placement, the Company paid share issue costs in cash of \$110,283 and issued 142,844 compensation options valued at \$30,873. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.40 for a period of 24 months.

On July 29, 2021, the Company closed the first tranche of its private placement financing for gross proceeds of \$1,323,420 through the issuance of 3,007,770 "flow-through" units at a price of \$0.44 per FT Unit, with each FT Unit comprised of one "flow-through" common share and one common share purchase warrant.

On September 1, 2021, the Company closed the second and final tranche of its private placement financing for gross proceeds of \$438,210. The Company raised \$389,000 in gross proceeds through the issuance of 972,500 subscription units at a price of \$0.40 per unit, with each unit comprised of one common share and one common share purchase warrant. The remaining gross proceeds of \$49,210 were raised through the issuance of 111,841 "flow-through" units at a price of \$0.44 per FT Unit, with each FT Unit comprised of one "flow-through" common share and one common share purchase warrant. In connection with closing, the Company paid finder's fees of \$16,032 and issued 39,800 compensation options valued at \$7,982. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.40 for a period of 24 months.

On September 22, 2021, the Company issued 100,000 common shares upon exercise of warrants at \$0.25 per share for a gross proceed of \$25,000.

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On December 23, 2021, the Company closed a private placement financing for gross proceeds of \$772,500. The Company raised \$279,000 in gross proceeds through the issuance of 1,395,000 subscription units at a price of \$0.20 per unit, with each unit comprised of one common share and one common share purchase warrant. The remaining gross proceeds of \$493,500 were raised through the issuance of 1,974,000 “flow-through” units at a price of \$0.25 per FT Unit, with each FT Unit comprised of one “flow-through” common share and one common share purchase warrant. In connection with the private placement, the Company paid share issue costs in cash of \$7,350 and issued 31,150 compensation options valued at \$1,961. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.30 for a period of 24 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the compensation options will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the compensation options. The Company allocated fair value of \$101,070 from share capital to warrants issued pursuant to this financing based on the residual value method.

On December 31, 2021, the Company closed the follow-on tranche of its private placement financing for gross proceeds of \$75,000 through the issuance of 300,000 “flow-through” units at a price of \$0.25 per FT Unit, with each FT Unit comprised of one “flow-through” common share and one common share purchase warrant. In connection with the private placement, the Company paid share issue costs in cash of \$5,250 and issued 21,000 compensation options valued at \$1,592. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.30 for a period of 24 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the compensation options will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the compensation options. As at December 31, 2022, the Company had a subscription receivable balance of \$Nil (December 31, 2021 - \$69,750).

On April 26, 2022, the Company closed a non-brokered private placement and raised aggregate gross proceeds of \$500,000 through issuance of an aggregate of 2,000,000 flow-through units of the Company at a price of \$0.25 per unit. Each unit is comprised of one flow-through common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire an additional common share (which will not be issued on a flow-through basis) at a price of \$0.30 per share until April 26, 2023. In connection with closing, the Company issued 7,000 non-transferable compensation options valued at \$439, each entitling the holder thereof to purchase one common share at an exercise price of \$0.30 until April 26, 2024. The Company allocated fair value of \$20,942 from share capital to warrants issued pursuant to this financing. Insiders of the Company purchased an aggregate of 300,000 FT Units under the Offering, for gross proceeds of \$75,000.

As at December 31, 2022, the Company had 39,043,125 common shares issued and outstanding.

Escrow Shares

As at December 31, 2022, a total of 2,276,073 common shares were subject to a Capital Pool Company (“CPC”) Escrow Agreement and a Tier 2 Exchange Escrow Agreement. Under both the CPC Escrow Agreement and the Tier 2 Exchange Agreement, 10% of the escrowed common shares were released from escrow on the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release.

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Stock Option Plan

On December 4, 2018 the Company adopted an incentive stock option plan (the “Option Plan”) which allows the Company’s Board of Directors, at its discretion and in accordance with TSX Venture Exchange requirements, to grant non-transferable options to purchase common shares to its directors, officers, employees and consultants to the Company. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant and vesting terms will be determined at the time of grant by the Board of Directors.

Incentive Stock Options

On January 29, 2021, the Company granted 875,000 stock options to officers, directors and consultants of the Company with an exercise price of \$0.40 per share for five years and have an expiry date of January 29, 2026. The fair value of these options was calculated to be \$258,757 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 5 years; expected volatility: 100%; expected dividend yield: 0%; and risk-free interest rate: 0.44%.

On September 1, 2021, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of \$0.40 per share for five years and have an expiry date of September 1, 2026. These options vest 25% on November 30, 2021, and then 25% every three months thereafter. The fair value of these options was calculated to be \$29,672 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 5 years; expected volatility: 100%; expected dividend yield: 0%; and risk-free interest rate: 0.82%.

On June 8, 2022, the Company granted 709,000 stock options to officers, directors and consultants of the Company with an exercise price of \$0.18 per share for five years and have an expiry date of June 8, 2027. The fair value of these options was calculated to be \$75,868 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 5 years; expected volatility: 96%; expected dividend yield: 0%; and risk-free interest rate: 3.18%.

A summary of the Company’s stock option plan as at December 31, 2022 and December 31, 2021:

Description	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	2,745,000	0.27	1,770,000	0.21
Granted	709,000	0.18	975,000	0.40
Outstanding, end of year	3,454,000	0.25	2,745,000	0.27
Exercisable, end of year	3,454,000	0.25	2,670,000	0.27

As at December 31, 2022, 500,000 stock options are exercisable at \$0.10 per share expiring on April 29, 2029, 1,120,000 stock options are exercisable at \$0.20 per share expiring on August 19, 2030, 150,000 stock options are exercisable at \$0.58 per share expiring on December 8, 2025, 875,000 stock options are exercisable at \$0.40 per share expiring on January 29, 2026, 100,000 stock options are exercisable at \$0.40 per share expiring on September 1, 2026 and 709,000 stock options are exercisable at \$0.18 per share expiring on June 8, 2027.

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Share Purchase Warrants

Under the private placement dated June 30, 2021, the Company issued an aggregate of 2,285,100 share purchase warrants exercisable for one common share at an exercise price of \$0.47 per share, for two years and have an expiry date of June 30, 2023.

Under the private placement dated July 29, 2021, the Company issued an aggregate of 3,007,770 share purchase warrants exercisable for one common share at an exercise price of \$0.47 per share, for two years and have an expiry date of July 29, 2023.

Under the private placement dated September 1, 2021, the Company issued an aggregate of 1,084,341 share purchase warrants exercisable for one common share at an exercise price of \$0.47 per share, for two years and have an expiry date of September 1, 2023.

Under the private placement dated December 23, 2021, the Company issued an aggregate of 3,369,000 share purchase warrants exercisable for one common share at an exercise price of \$0.30 per share, for 12 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the warrants will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the warrants.

Under the private placement dated December 31, 2021, the Company issued an aggregate of 300,000 share purchase warrants exercisable for one common share at an exercise price of \$0.30 per share, for 12 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the warrants will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the warrants.

Under the private placement dated April 26, 2022, the Company issued an aggregate of 2,000,000 share purchase warrants exercisable for one common share at an exercise price of \$0.30 per share, for one year and have an expiry date of April 26, 2023.

On August 5, 2022, the Company extended the exercise period of a total of 18,812,014 share purchase warrants. 12,515,766 of the warrants, exercisable at \$0.25 per common share, were extended by 12 months to August 19, 2023, 2,927,248 of the warrants, exercisable at \$0.35 per common share, were extended by 12 months to August 19, 2023, and 3,369,000 of the warrants, exercisable at \$0.30 per common share, were extended by 12 months to December 23, 2023.

As a result of the exercise period extensions of 18,812,014 share purchase warrants, the Company recorded additional fair value of warrants during the year ended December 31, 2022 of \$260,471 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 1 year; expected volatility: 98%-159%; expected dividend yield: 0%; and risk-free interest rate: 3.25%.

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A summary of the Company's share purchase warrants as at December 31, 2022 and December 31, 2021:

Description	December 31, 2022 Number of warrants	December 31, 2022 Weighted Average Exercise Price (\$)	December 31, 2021 Number of warrants	December 31, 2021 Weighted Average Exercise Price (\$)
Outstanding, beginning of year	25,489,225	0.32	15,543,014	0.27
Issued	2,000,000	0.30	10,046,211	0.41
Forfeited	(300,000)	0.30	-	-
Exercised	-	-	(100,000)	0.25
Outstanding, end of year	27,189,225	0.32	25,489,225	0.32

As at December 31, 2022, 12,515,766 share purchase warrants are exercisable at \$0.25 per share expiring on August 19, 2023, 2,927,248 share purchase warrants are exercisable at \$0.35 per share expiring on August 19, 2023, 2,285,100 share purchase warrants are exercisable at \$0.47 per share expiring on June 30, 2023, 3,007,770 share purchase warrants are exercisable at \$0.47 per share expiring on July 29, 2023, 1,084,341 share purchase warrants are exercisable at \$0.47 per share expiring on September 1, 2023, 3,369,000 share purchase warrants are exercisable at \$0.30 per share expiring on December 23, 2023 under the condition mentioned above, and 2,000,000 share purchase warrants are exercisable at \$0.30 per share expiring on April 26, 2023.

Compensation Options

In connection with the private placement on June 30, 2021, the Company issued 142,844 compensation options. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.40 for a period of 24 months. The fair value of these options was calculated to be \$30,873 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 2 years; expected volatility: 104%; expected dividend yield: 0%; and risk-free interest rate: 0.46%.

In connection with the private placement on September 1, 2021, the Company issued 39,800 compensation options. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.40 for a period of 24 months. The fair value of these options was calculated to be \$7,982 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 2 years; expected volatility: 95%; expected dividend yield: 0%; and risk-free interest rate: 0.40%.

In connection with the private placement on December 23, 2021, the Company issued 31,150 compensation options. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.30 for a period of 24 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the compensation options will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the compensation options. The fair value of these options was calculated to be \$1,961 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 2 years; expected volatility: 97%; expected dividend yield: 0%; and risk-free interest rate: 1.00%.

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In connection with the private placement on December 31, 2021, the Company issued 21,000 compensation options. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.30 for a period of 24 months, provided that if the common shares trade at or above \$0.40 per share for 10 consecutive trading days, then the expiry date of the compensation options will be accelerated to the date that is 30 days after the date the Company provides an acceleration notice by press release to the holders of the compensation options. The fair value of these options was calculated to be \$1,592 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 2 years; expected volatility: 97%; expected dividend yield: 0%; and risk-free interest rate: 0.97%.

In connection with the private placement on April 26, 2022, the Company issued 7,000 compensation options. Each compensation option entitles the holder to purchase one unit at an exercise price of \$0.30 for a period of 24 months. The fair value of these options was calculated to be \$439 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 2 years; expected volatility: 102%; expected dividend yield: 0%; and risk-free interest rate: 2.47%.

A summary of the Company's compensation options as at December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021
Description	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	234,794	0.38	-	-
Granted	7,000	0.30	234,794	0.38
Outstanding, end of year	241,794	0.38	234,794	0.38
Exercisable, end of year	241,794	0.38	234,794	0.38

As at December 31, 2022, 142,844 compensation options are exercisable at \$0.40 per unit expiring on June 30, 2023, 39,800 compensation options are exercisable at \$0.40 per unit expiring on September 1, 2023, 31,150 compensation options are exercisable at \$0.30 per unit expiring on December 23, 2023 under the condition mentioned above, 21,000 compensation options are exercisable at \$0.30 per unit expiring on December 31, 2023 under the condition mentioned above and 7,000 compensation options are exercisable at \$0.30 per unit expiring on April 26, 2024.

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options and warrants outstanding as at December 31, 2022 and 2021 as the effect is anti-dilutive.

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that this consists of corporate officers, executive and non-executive members of the Company's Board of Directors and companies owned by these individuals.

During the year ended December 31, 2022, key management personnel charged the Company \$159,250 of consulting fees (2021 - \$259,700) and \$153,000 in exploration expenditures (2021 - \$151,300). In addition, 709,000 stock options were issued with a value of 75,868 (2021 - \$214,399).

At December 31, 2022, the Company had \$255,085 payable to related parties included in accounts payable and accrued liabilities (December 31, 2021 - \$318,152).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2022, the Company's financial instruments are comprised of cash and accounts payable. The fair values of these financial instruments approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2022, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

The Company's risk exposure and the impact on the Company's financial instruments is summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2022, the Company had a cash balance of \$373,496 (December 31, 2021 - \$766,893) to settle current liabilities of \$893,725 (December 31, 2021 - \$993,690). While the Company has been successful in obtaining its required funding in the past, there is no assurance that this financing will be extended or that any future financing will be available.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. This risk is considered to be minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. There are no current assets held in other currencies and therefore the foreign exchange risk is assessed as low.

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9. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2022, the Company's shareholders' equity was \$738,448. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses. Additional funds may be required to finance the Company's future business opportunities.

The Company is not subject to any externally imposed capital requirements, except as noted above. There were no changes to the Company's approach to capital management during the year ended December 31, 2022.

10. SEGMENTED INFORMATION

The Company operates in one reportable segment, being exploration of mineral assets. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

11. FLOW-THROUGH PREMIUM LIABILITY AND RECOVERY

During the year of 2022, the Company issued flow-through shares to subscribed investors and recognized a flow-through premium liability of \$159,058 (2021 - \$251,763). As at December 31, 2022, the Company has \$408,111 (2021 - \$Nil) of exploration expenditures not yet spent, but its tax benefits have already been renounced to shareholders. As a result, as of December 31, 2022, \$29,231 (2021 - \$251,763) of flow-through premium has been recognized as flow-through premium recovery with the balance of \$129,827 (2021 - \$Nil) as flow-through premium liability.

12. INCOME TAXES

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

	2022	2021
	\$	\$
Loss before income taxes	(1,443,229)	(3,873,741)
Expected income tax (recovery)	(389,672)	(1,045,910)
Permanent differences	93,809	74,880
Change in prior year estimates	826,876	-
Flow-through premium liability	(29,231)	(251,763)
Change in unrecognized deferred tax assets	(531,012)	971,030
Total income tax recovery	(29,231)	(251,763)

The significant components of the Company's deferred income tax assets that have not been included on the statement of financial position are as follows:

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	2022	2021
	\$	\$
Deferred income tax assets:		
Non-capital loss carry forwards	515,122	320,953
Share issue costs	27,592	38,859
Exploration and development expenditures	486,665	1,221,079
Property and equipment	50,160	29,661
	1,079,540	1,610,552
Deferred tax assets not recognized	(1,079,540)	(1,610,552)
Net deferred tax assets	-	-

The tax pools relating to these deductible temporary differences expire as follows:

	Expiry Date Range
Temporary Differences	
Non-capital losses available for future period (Canada)	2038 to 2042
Share issue costs	2023 to 2026
Exploration and development expenditures	N/A
Property and equipment	N/A

13. SUBSEQUENT EVENT

On February 8, 2023, the Company granted 250,000 stock options to officers of the Company with an exercise price of \$0.10 per share for five years with an expiry date of February 8, 2028.