

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(EXPRESSED IN U.S. DOLLARS)

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Independent Auditor's Report

To the Shareholders of Western Exploration, Inc. (formerly, Crystal Peak Minerals Inc.):

Opinion

We have audited the consolidated financial statements of Western Exploration, Inc. (formerly, Crystal Peak Minerals Inc.) and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 Consolidated 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 consolidated 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 consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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 on this other information, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

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

MNP LLP

Toronto, Ontario
April 11, 2023

Chartered Professional Accountants
Licensed Public Accountants

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSTION
(EXPRESSED IN US DOLLARS)

As at	December 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	\$ 1,266,462	\$ 5,495,609
Other receivable	998	1,060
Prepaid expenses	124,530	28,847
	<u>1,391,990</u>	<u>5,525,516</u>
Non-current Assets		
Mineral properties (note 7)	7,865,000	7,865,000
Property and equipment (note 8)	101,446	112,017
Restricted cash (note 6)	610,950	623,297
Deposits	7,107	6,886
	<u>8,584,503</u>	<u>8,607,200</u>
Total Assets	<u>\$ 9,976,493</u>	<u>\$ 14,132,716</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 109,416	\$ 1,267,359
Due to related party (note 12)	-	446,346
Warrant liability (note 11)	14,350	-
	<u>123,766</u>	<u>1,713,705</u>
Non-current Liabilities		
Warrant liability (note 11)	-	276,110
Due to related party (note 12)	440,095	-
Reclamation provision (note 10)	501,160	507,952
	<u>941,255</u>	<u>784,062</u>
Total Liabilities	<u>1,065,021</u>	<u>2,497,767</u>
Shareholders' equity		
Share capital (note 11)	46,899,792	45,764,078
Contributed surplus	17,419,658	15,782,047
Accumulated deficit	(55,349,394)	(49,965,659)
Accumulated other comprehensive income	(58,584)	54,483
	<u>8,911,472</u>	<u>11,634,949</u>
Total Shareholders' Equity	<u>8,911,472</u>	<u>11,634,949</u>
Total Liabilities and Shareholders' Equity	<u>\$ 9,976,493</u>	<u>\$ 14,132,716</u>
Nature of Operations and Going Concern (note 1)		

(Signed) "Brian Kennedy", Director

(Signed) "Marceau Schlumberger", Director

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	December 31, 2022	December 31, 2021
Operating expenses		
Exploration and evaluation expenditures (note 13)	\$ 2,155,527	\$ 845,546
General and administrative expenses (notes 14)	<u>3,454,622</u>	<u>1,096,857</u>
	5,610,149	1,942,403
Other (income) expense		
Foreign exchange (gain) loss	(55,076)	4,214
Loss (gain) on fair value of warrant liability (note 11)	(261,760)	3,464
Gain on sale of royalty	-	(1,650,103)
Gain on sale of property and equipment (note 8)	(10,000)	(22,500)
Loss (gain) on settlement of debt (note 11)	113,834	(297,874)
Interest income	(13,412)	-
Interest expense	-	21,134
Listing expense (note 5)	-	1,854,970
Accretion expense (note 10)	<u>-</u>	<u>1,244</u>
	(226,414)	(85,451)
Net loss for the year	<u>\$ (5,383,735)</u>	<u>\$ (1,856,952)</u>
Cumulative translation adjustment	(113,067)	54,483
Net loss and comprehensive loss for the year	<u>\$ (5,496,802)</u>	<u>\$ (1,802,469)</u>
Basic and diluted net loss per share (note 15)	\$ (0.18)	\$ (0.06)
Weighted average number of shares outstanding	30,649,398	29,534,726

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	\$ 44,522,658	\$ 14,779,061	\$ (51,409,367)	\$ -	\$ 7,892,352
Shares issued on RTO	772,120	-	-	-	772,120
Units issued for cash	3,185,190	1,002,986	-	-	4,188,176
Shares issued in settlement of debt	857,416	-	-	-	857,416
Shares redemption	(3,573,306)	-	3,300,660	-	(272,646)
Cumulative translation adjustment	-	-	-	54,483	54,483
Net loss for the year	-	-	(1,856,952)	-	(1,856,952)
Balance at December 31, 2021	\$ 45,764,078	\$ 15,782,047	\$ (49,965,659)	\$ 54,483	\$ 11,634,949
Units issued in settlement of debt	339,440	127,146	-	-	466,586
Vesting of restricted stock units	82,237	(82,237)	-	-	-
Stock-based compensation	-	1,472,632	-	-	1,472,632
Units issued for cash	714,037	120,070	-	-	834,107
Cumulative translation adjustment	-	-	-	(113,067)	(113,067)
Net loss for the year	-	-	(5,383,735)	-	(5,383,735)
Balance at December 31, 2022	\$ 46,899,792	\$ 17,419,658	\$ (55,349,394)	\$ (58,584)	\$ 8,911,472

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	December 31, 2022	December 31, 2021
Operating Activities		
Net loss	\$ (5,383,735)	\$ (1,856,952)
Adjustments to reconcile net loss to net cash:		
Depreciation expense (note 8)	10,571	12,536
Accretion expense (note 10)	-	1,244
Reclamation provision	(6,792)	105,168
Foreign exchange	(113,005)	54,483
Listing expense (note 5)	-	706,610
Loss (gain) on fair value of warrant liability (note 11)	(261,760)	3,464
Stock-based compensation	1,472,632	-
Accrued interest	-	21,134
Loss (gain) on sale of property and equipment	(10,000)	(22,500)
Loss (gain) on settlement of debt for units (note 11)	113,834	(297,874)
Changes in operating assets and liabilities:		
Prepaid expenses	(95,683)	3,050
Deposits	(221)	(1,600)
Accounts payable and accrued liabilities (note 9)	(805,191)	998,368
Due to related party (note 12)	(6,251)	6,251
Cash used in operating activities	(5,085,601)	(266,618)
Investing Activities		
Acquisition of property and equipment	-	(43,834)
Cash acquired on RTO	-	64,450
Sale of property and equipment	10,000	22,500
Cash provided by (used in) investing activities	10,000	43,116
Financing Activities		
Net proceeds from capital contributions (note 11)	834,107	4,188,176
Proceeds from loan payable	-	275,000
Cash provided by financing activities	834,107	4,463,176
Net change in cash	(4,241,494)	4,239,674
Cash, beginning of year	\$ 6,118,906	\$ 1,879,232
Cash, end of year	\$ 1,877,412	\$ 6,118,906
Reconciliation of cash and restricted cash:		
Cash	\$ 1,266,462	\$ 5,495,609
Restricted cash in non-current assets	610,950	623,297
Total cash and restricted cash	\$ 1,877,412	\$ 6,118,906
Supplemental Cash Flow Information		
Debt settled for units (note 11)	\$ 352,752	\$ 1,155,290

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in U.S. Dollars)

1. Nature of Operations and Going Concern

Western Exploration, Inc., formerly Crystal Peak Minerals Inc. (an exploration stage company referred to as the “Company” or “Western” or “WEX” was originally incorporated in the Yukon territory, Canada on June 25, 2015. The Company commenced trading on the TSX Venture Exchange (the “TSXV”) under the symbol “CPM”. Effective November 13, 2020, the listing of the Company’s common shares was transferred from the TSXV to the TSX NEX Board as a result of the corporate restructuring in connection with the reverse takeover transaction (the “RTO”) (note 5). The Company’s registered and records office is located at Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia. The Company has an operations and project office in the United States at Suite 140, 121 Woodland Avenue in Reno, Nevada.

On December 22, 2021, the Company changed its name from Crystal Peak Minerals Inc. to Western Exploration Inc. in conjunction with the RTO and resumed trading on the TSXV at the opening of the market under the new symbol “WEX” on January 19, 2022.

The Company is engaged in the business of exploration, acquisition, development, and mining (if warranted) of precious metal and other mineral deposits in the State of Nevada. All the Company’s projects are conducted pursuant to claims, leases, permits, and licenses granted by appropriate authorities or on fee land controlled by the Company. In the future, when deemed appropriate certain projects may be pursued on a joint venture basis to share the associated risk and to assist in the project funding.

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. Several adverse conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption. At December 31, 2022, the Company had working capital of \$1,268,224, an accumulated deficit of \$55,349,394, produced a net loss of \$5,383,735 and used funds in operations of \$5,085,601 for the year ended. The Company has incurred operating losses to date and is currently unable to self-finance any future operations. The Company’s ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary in the consolidated statement of financial position classifications used. Such adjustments could be material.

During the 2020 fiscal year, there was a global outbreak of COVID-19 (“Coronavirus”), which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the U.S. government or local state authorities, and other countries to fight the virus. While the extent of the impact is unknown, the Company has employed new standards of operation and safety at its field sites.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. Nature of Operations and Going Concern (continued)

The Company formally adopted the Association of Mineral Exploration in British Columbia's "COVID-19 Exploration Fieldwork Safety Guidelines". The guidelines define best practices for preventing and controlling the spread of COVID-19 in a remote exploration environment. Western Exploration LLC requires all contractors and employees to self-monitor their health at all times and not report to work if they have any associated symptoms. There has been no impact on operations as a result of COVID-19.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

These consolidated 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"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at April 11 2023, the date the Board of Directors approved the consolidated financial statements.

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Western Exploration LLC, incorporated under the laws of the State of Nevada in the United States of America. All intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

(c) Functional and presentation currency

These consolidated financial statements have been prepared in US dollars ("USD"), which is the Company's presentation currency. As of December 31, 2022 and 2021, the functional currency was determined to be USD for the Western Exploration LLC and Canadian dollars ("CAD") for Western Exploration Inc.

For the purpose of presenting consolidated financial statements, the assets and liabilities are presented in USD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate fluctuated significant during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a cumulative translation adjustment in other comprehensive income in the consolidated statements of loss and comprehensive loss.

2. Summary of Significant Accounting Policies (continued)

(d) Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for reclamation obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

The recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure has been capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

2. Summary of Significant Accounting Policies (continued)

Fair value of equity instruments and warrant liability

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

(e) Mineral properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. If the technical and economic feasibility of the mineral property is established and a decision is made to commence development of the project, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

(f) Restricted Cash

Reclamation bonds are required by various U.S. and local government agencies as part of the permitting process and to secure clean-up costs if the projects are abandoned or closed. The bonds are recorded at amortized cost and restricted as amounts are on deposit. See Note 6 for further details.

(g) Related party transactions

Parties are considered 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 related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies (continued)

(h) Income taxes

Current income tax

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

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies (continued)

(i) Share capital

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 records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. The proceeds from the issuance of units are allocated between common shares and warrants based on the proportionate fair value of both the common share and warrant on the date of issuance. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in contributed surplus is transferred to share capital.

Repurchases by the Company of its own common shares are accounted for as a charge to share capital to the extent of the average carrying value of the Company's common shares on the date of repurchase. Any amount of the fair value of consideration given up on the date of repurchase that are in excess or shortfall of the average carrying value of the common shares repurchased are recognized as a direct charge to accumulated deficit.

The fair value of warrants is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions.

Loss per share

The Company presents basic and diluted loss per share data for its shares, calculated by dividing the loss attributable to subordinate shareholders of the Company by the weighted average number of subordinate shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to subordinate shareholders and the weighted average number of subordinate shares outstanding for the effects of other equity instruments such as warrants and options that may add to the total number of subordinate shares.

Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The corresponding amount is recorded to contributed surplus. The Company records stock-based compensation expense for service-based stock options and restricted share units ("RSU's") on a graded method over the requisite service period. The Company records stock-based compensation expense for non-market performance-based stock options on a graded method over the requisite service period, and only if performance-based conditions are considered probable to be satisfied.

2. Summary of Significant Accounting Policies (continued)

(j) Financial instruments

IFRS 9 includes guidance on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below- market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets and liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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2. Summary of Significant Accounting Policies (continued)

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The following table summarizes the classification and measurement under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash	Amortized cost
Restricted cash	Amortized cost
Due to related party	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Warrant liability	FVTPL

(k) Financial instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on 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); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Warrant liability falls under level 2, subject to inputs that are not based on observable market data.

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2. Summary of Significant Accounting Policies (continued)

(l) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

(m) Property and equipment

Items of property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and fair value of any other consideration given to acquire the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of loss and comprehensive loss when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed each reporting period and adjusted prospectively if appropriate.

(n) Cash

Cash in the consolidated statements of financial position comprise cash at banks, cash held in trust and short-term bank deposits with original maturity of three months or less. The Company's cash is invested with two major financial institutions in business accounts and in trust with a law firm that are available on demand by the Company for its programs.

2. Summary of Significant Accounting Policies (continued)

(o) Reclamation obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work are discounted to their net present value and expensed to loss and comprehensive loss, to the extent that the disturbances relate to the exploration and evaluation of mineral properties as soon as the obligation to incur such costs arises.

The use of a discount rate to reflect the time value of money are used to calculate the net present value of the reclamation obligation. The related liability is adjusted for at each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Such amounts are included in loss and comprehensive loss.

3. Financial Risk Management

The Company's financial instruments include cash and restricted cash which are classified as financial assets measured at amortized cost, accounts payable and accrued liabilities, and due to related parties, which are classified as financial liabilities measured at amortized cost and warrant liability which is classified as a financial liability measured at FVTPL. The carrying values of the Company's financial instruments approximate fair value due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, liquidity risk, and credit risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Interest Rate Risk

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

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure. As at December 31, 2022, all of the Company's financial liabilities with the exception of amounts due to related parties are either due immediately or have contractual maturities of less than 90 days.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is mainly exposed to credit risk with respect to managing its cash and restricted cash. The Company's risk management policies require that cash deposits are held with U.S. FDIC insured banks. Restricted cash is secured against the Company's future reclamation obligation on its Aura project. All investments with the exception of restricted cash must be less than one year in duration.

4. Capital Risk Management

The Company's capital is the shareholders' equity balance. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its shareholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities. As the Company is in the exploration stage, its operations have been substantially funded by the issuance of common stock and mineral property earn-in agreements. The Company is not subject to any externally imposed credit or capital requirements. However, the Company will continue to rely on such funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the year ended December 31, 2022.

5. Reverse Takeover Transaction

On December 22, 2021, Western Exploration LLC completed its RTO with Crystal Peak Minerals Inc. ("CPM") pursuant to which the Company indirectly acquired all the issued and outstanding member units of Western Exploration LLC. through the amalgamation of WEX Holdings Inc., an entity incorporated under the Business Corporations act of British Columbia for the purpose of the RTO and 1331971 B.C. Ltd., a former wholly owned subsidiary of CPM. As part of the transaction, the Company changed its name to Western Exploration Inc.

The terms of the RTO were as follows:

- A total of 178,222,314 issued and outstanding common shares of CPM shall consolidate at a ratio of 363.3, resulting in a total of 490,566 resulting issuers shares;
- All outstanding capital of Western Exploration LLC shall be exchanged for a total of 29,509,468 Company shares;
- The Company shall complete a redemption agreement, resulting in the repurchase of 2,358,490 Company shares (note 11);
- The Company shall complete a debt settlement agreement, resulting in the issuance of 544,646 Company shares (note 11).

The acquisition of Western Exploration LLC was accounted for as a reverse takeover transaction that was not a business combination but effectively a capital transaction of the Company accounted for in accordance with IFRS 2 Share-based payments. The RTO is equivalent to the issuance of common shares by the non-public operating entity, Western Exploration LLC, for the net assets and the listing status of the non-operating public company, CPM.

Western Exploration LLC. has been treated as the accounting parent (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) on closing of the transaction. As Western Exploration LLC was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Western Exploration Inc.'s financial results have been consolidated from the date of closing of the RTO. The legal capital continues to be that of Western Exploration Inc., the legal parent.

The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Western Exploration Inc., determined to be \$1.57 on the date of closing.

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5. Reverse Takeover Transaction (continued)

Upon closing of the RTO on December 22, 2021, the transaction was recorded as follows:

Purchase Price Consideration	22-Dec-21
Fair value of common shares issued	\$ 772,120
Net identifiable assets acquired:	
Cash	64,450
Other receivables	1,060
	65,510
Allocated to listing expense	\$ 706,610

In addition, the Company incurred \$1,148,360 in legal and filing fees in connection with the reverse takeover transaction recognized in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2021.

6. Restricted Cash

The Company held restricted cash outstanding in the amounts of \$610,950 (December 31, 2021 - \$623,297) as of December 31, 2022, for the Wood Gulch and Doby George Projects as required by the U.S. Forest Service and Bureau of Land Management.

During the years ended December 31, 2022 and 2021, these amounts were held in a restricted fund to be held as collateral for surety bonds in place to cover current and future reclamation obligations.

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7. Mineral Properties

Total mineral property acquisition costs as at December 31, 2022 and 2021 were \$7,865,000.

Aura Project

The Aura project consists of 709 unpatented lode mining claims, totaling 12,848 acres, and mineral leases on 2,296 acres of fee land in nine different parcels. The Aura project is an amalgamation of three projects, Doby George, IL Ranch and Wood Gulch.

The current mineral lease agreement has an expiration date of December 31, 2031.

The Aura project is subject to a 2% Net Smelter Royalty (NSR) on precious metals and a 1.4% NSR on base metals payable to IL Minerals LLC. RG Royalties holds a 2% NSR after the first 400,000 ounces of gold production at Doby George. When the RG Royalties royalty becomes effective the IL Minerals NSR decreases to 1% on the RG Royalties area. There is also additional 1% NSR and production royalties ranging from .1% to 1% payable to Tyler Shepard on claims overlying the Wood Gulch.

On December 22, 2021, the Company granted a 1% royalty on the entire Aura project to Agnico Eagle in exchange for the redemption of 2,358,490 Western shares (note 11). The royalty has a \$5,000,000 buyback option for 2 years and thereafter the buyback escalates by \$500,000 per year up to a maximum of \$9,000,000 on the tenth anniversary date, thereafter, increasing to \$10,000,000 up until the eleventh anniversary and expiring thereafter. As of the date of grant, the fair value of the royalty was deemed to be \$nil as it was undetermined at the time of grant whether the Company will achieve commercial production with its property.

Trout Creek Project

In January 2019, the Company purchased property and water rights for certain properties from Doby George, LLC for \$100,000. Subsequently, the property and water rights were sold to Marigold Mining Company for \$1,050,000. As part of the sale agreement, Western is entitled to a top up payment of up to \$4,000,000 in cash proceeds based on exploration success as well as up to a 1% NSR on the property.

On October 5, 2021, Western LLC entered into a Purchase and Sale Agreement with Marigold Mining Company ("Marigold") for the sale of a retained resource discovery payment and a royalty on property sold to Marigold on January 23, 2019. The sale resulted in Western LLC receiving cash in the amount of \$1,650,000 recognized as a gain on sale of royalty in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2021. As of both December 31 2022 and 2021, the Company held no continuing rights or involvement in the Trout Creek Property.

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8. Property and Equipment

Cost

Balance, January 1, 2021	\$ 452,357
Additions	43,834
Disposals	(53,296)
Balance, December 31, 2021	\$ 442,895
Disposals	(16,573)
Balance, December 31, 2022	\$ 426,322

Accumulated Depreciation

Balance, January 1, 2021	\$ 371,638
Depreciation for the year	12,536
Disposals	(53,296)
Balance, December 31, 2021	\$ 330,878
Depreciation for the year	10,571
Disposals	(16,573)
Balance, December 31, 2022	\$ 324,876

Carrying amount

Balance, December 31, 2021	112,017
Balance, December 31, 2022	101,446

During the year ended December 31, 2022, the Company disposed of equipment with a carrying value of \$nil for gross proceeds of \$10,000, resulting in a gain of \$10,000 that is recognized in the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2021, the Company disposed a vehicle with a carrying value of \$nil for gross proceeds of \$22,500, resulting in a gain of \$22,500 that is recognized in the consolidated statement of loss and comprehensive loss.

9. Accounts Payable and Accrued Liabilities

	December 31, 2022	December 31, 2021
Trade payables	\$ 56,487	\$ 1,208,160
Accrued liabilities	52,929	59,199
	\$ 109,416	\$ 1,267,359

10. Reclamation Provision

The provision for environmental rehabilitation consists of land rehabilitation and related costs. Although the ultimate amount of the environment rehabilitation provision is uncertain, the amount of these obligations is based on information currently available, including closure plans and the Company's interpretation of current regulatory requirements.

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10. Reclamation Provision (continued)

The provision for environmental rehabilitation relates to reclamation and closure costs of the Company's Aura Project. The undiscounted provision for environmental rehabilitation is estimated at \$503,700 as at December 31, 2022 (December 31, 2021: \$379,488), over a period of 4-5 years, inflated using rates ranging from 3.64% to 3.94% (December 31, 2021 – 7%) per annum and discounted using a risk-free rate of 3.99% (December 31, 2021: 1.26%) per annum.

Balance as of January 1, 2021	\$ 401,540
Accretion	1,244
Additions	105,168
Balance as of December 31, 2021	\$ 507,952
Accretion	6,400
Reduction	(13,192)
Balance as of December 31, 2022	\$ 501,160

11. Share Capital Authorized

Share Capital

Prior to closing of the RTO on December 22, 2021, the Company's authorized capital consisted of membership interests represented by units consisting of four classes: "Class A", "Class A-1", "Class B" and "Common units". Class A, Class-1 and Class B units entitled the holders to share in the income, gains, losses, deductions, credits, or similar items of distribution. Class A and Class A-1 membership interests have a distribution priority equal to a cumulative 6% annual return, compounded annually on any unreturned capital contributions.

Upon closing of the RTO, the Company's authorized capital consisted solely of voting common shares without par value.

On October 24, 2022, the Company amended its notice of articles to change the identifying name of its outstanding class of shares from "Common Shares" to "Variable Voting Shares" to reflect that the outstanding class of listed shares of the Company are subject to a voting reduction to the shares held by residents of the United States to ensure that not more than 50% of the outstanding voting securities of the Company are held, directly, or indirectly, by residents of the United States.

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11. Share Capital Authorized (Continued)

Issued Share Capital

31,481,117 common shares issued and outstanding as at December 31, 2022.

During the years ended December 31, 2022 and 2021, the Company issued the following shares:

	Number of units/shares			
	Class A	Class A-1	Class B	Common Shares
Balance - January 1, 2021	17,634	993	1,560	-
Conversion as a result of RTO (note 5)	(17,634)	(993)	(1,560)	29,509,468
Shares issued on RTO	-	-	-	490,566
Units issued for cash	-	-	-	2,248,936
Shares issued in settlement of debt	-	-	-	544,646
Share redemption	-	-	-	(2,358,490)
Balance - December 31, 2021	-	-	-	30,435,126
Units issued in settlement of debt	-	-	-	169,205
Units issued for cash	-	-	-	814,286
Exercise of restricted stock units	-	-	-	62,500
Balance - December 31, 2022	-	-	-	31,481,117

	\$ value of units/shares				
	Class A	Class A-1	Class B	Common Shares	Amount
Balance - January 1, 2021	\$ 34,189,325	\$ 7,000,000	\$ 3,333,333	\$ -	\$ 44,522,658
Conversion as a result of RTO (note 5)	(34,189,325)	(7,000,000)	(3,333,333)	44,522,658	-
Shares issued on RTO	-	-	-	772,120	772,120
Units issued for cash	-	-	-	3,185,190	3,185,190
Shares issued in settlement of debt	-	-	-	857,416	857,416
Share redemption	-	-	-	(3,573,306)	(3,573,306)
Balance - December 31, 2021	\$ -	\$ -	\$ -	\$ 45,764,078	\$ 45,764,078
Units issued in settlement of debt	-	-	-	339,440	339,440
Units issued for cash	-	-	-	714,037	714,037
Exercise of restricted stock units	-	-	-	82,237	82,237
Balance - December 31, 2022	\$ -	\$ -	\$ -	\$ 46,899,792	\$ 46,899,792

On October 13, 2021, the Company completed a concurrent financing, issuing a total of 2,248,936 subscription receipts each at a price of CAD\$2.65 for aggregate proceeds of CAD\$5,959,680 (\$4,611,684). On closing of the RTO, each subscription receipt converted into one common share and one common share purchase warrant exercisable into one additional common share at a price of CAD\$3.975 up until October 13, 2023. The Company incurred cash broker fees and legal fees of \$423,508 in relation to the financing. Proceeds were allocated to common shares and warrants using the relative fair value method. The fair value of the warrants was determined to be \$975,801 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.03, risk free interest rate of 0.96%, an expected dividend yield of 0%, volatility rate of 94% based on historical share prices of comparable companies and an expected life of 1.81 years.

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11. Share Capital Authorized (Continued)

In addition to the cash broker fees and legal fees paid, the Company also issued a total of 89,957 broker warrants, each exercisable into a common share of the Company at a price of CAD\$3.05 for a period of one year from the closing date of the RTO. The fair value of the broker warrants was determined to be \$27,185 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.03, risk free interest rate of 0.96%, an expected dividend yield of 0%, volatility rate of 81% based on historical share prices of comparable companies and an expected life of 1 year.

Concurrent with the RTO transaction, on December 22, 2021, the Company entered into an agreement with Agnico to repurchase 2,358,490 post RTO common shares in exchange for a 1% net smelter royalty on the Aura project deemed to hold a fair value of \$nil (note 7) and 748,668 warrants (the "Redemption Agreement"). Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of \$2.67 up until May 15, 2023.

On closing of the Redemption Agreement, amounts totaling \$3,573,306, equal to the average cost of shares repurchased were charged to share capital, with amounts totaling \$3,300,660 in excess of the fair value of consideration paid totaling \$272,646 recognized directly as a charge to accumulated deficit.

The fair value of the warrants was determined to be \$272,646 on the date of issuance, estimated using the Black Scholes pricing model. As the exercise price of the warrants are denominated in a currency other than the Company's functional currency and therefore do not meet the fixed for fixed criteria, they have been classified as a derivative financial instrument held at FVTPL and included as a warrant liability on the consolidated statement of financial position. As at December 31, 2022, the warrant liability was revalued at \$14,350 (December 31, 2021 - \$276,110) resulting in a gain on fair value of warrant liability totaling \$261,760 (December 31, 2021 – loss of \$3,464) recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

The inputs utilized in the Black Scholes pricing model on the date of issuance and on revaluation at December 31, 2021 and December 31, 2022 were as follows: fair value share price of \$0.82 - \$1.60, risk free interest rate of 0.95% - 3.76%, an expected dividend yield of 0%, volatility rate of 84-115% based on historical share prices of comparable companies and the Company's own historical share price and an expected life of 0.37 - 1.40 years.

Concurrent with the RTO transaction, the Company settled debt owing to various related parties totaling \$1,155,290 through the issuance of 544,646 common shares valued at \$857,416, resulting in a gain on settlement of debt totaling \$297,874 recognized in the consolidated statement of loss and comprehensive loss.

On January 27, 2022, the Company settled an outstanding debt of \$352,752 (CAD\$448,394) to a legal advisor by issuing 169,205 units, each comprised of one common share and one common share purchase warrant exercisable into one additional common share at a price of CAD\$3.975 for a period of 24 months from the date of issuance. On the date of settlement, the fair value of the common shares was determined to be \$339,440. The fair value of the warrants was determined to be \$127,146 on the date of settlement, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.55, risk free interest rate of 1.27%, an expected dividend yield of 0%, volatility rate of 91% based on historical share prices of comparable companies and an expected life of 2 years. In connection with the settlement, a loss on settlement of debt totaling \$113,834 was included in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

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11. Share Capital Authorized (Continued)

On June 8, 2022, a total of 62,500 RSU's were exercised into 62,500 common shares of the Company at no additional cost. Upon exercise, the fair value of RSU's amounting to \$82,237 was transferred from contributed surplus to share capital.

On December 21, 2022, the Company completed a non-brokered private placement financing, issuing a total of 814,286 units each at a price of CAD\$1.40 for gross proceeds of CAD\$1,140,000 (USD \$837,496). Each Unit is comprised of one variable voting share of the Company and one-half of one Variable Voting Share purchase warrant of the Company. The Company incurred legal fees of \$3,389 in relation to the financing. Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of CAD\$1.96 up until December 21, 2024. Proceeds were allocated to common shares and warrants using the relative fair value method. The fair value of the warrants was determined to be \$120,070 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$1.40, risk free interest rate of 3.72%, an expected dividend yield of 0%, volatility rate of 76% based on historical share prices of comparable companies and an expected life of 2 years.

Share Purchase Warrants

On December 22, 2022 89,957 warrants priced at CAD\$3.05 expired.

As of December 31, 2022, the following share purchase warrants of the Company were issued and outstanding:

Total Warrants	Strike Price	Grant Date	Expiration Date
2,248,936	CAD\$3.975	2021-12-22	2023-10-13
748,668	\$2.67	2021-12-22	2023-05-15
169,205	CAD\$3.975	2022-01-27	2024-01-27
407,143	CAD\$1.96	2022-12-21	2024-12-21
3,573,952			

As of December 31, 2022, the weighted average remaining life of the share purchase warrants outstanding was 0.85 years.

Incentive Units

On October 1, 2020, a total of 1,639 incentive units were granted to certain officers, directors and consultants of the Company, with each incentive unit convertible into one common unit of the Company at no additional cost to the holder. Under the terms of the incentive units, a total of 1,357 incentive units are to vest immediately, with 59 units vesting on November 1, 2020, 23 units vesting on January 1, 2021, 23 units vesting on January 1, 2022 and the remaining 177 vesting upon the achievement of certain performance measures. The incentive units were estimated to have a nominal fair value as at the date of grant due to the subordinate nature of common units.

On closing of the RTO, all incentive units granted and outstanding were cancelled.

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11. Share Capital Authorized (Continued)

Restricted Stock Units

The Company has established a Restricted Share Unit Plan (the “RSU Plan”). Under the RSU Plan, together with any other share compensation arrangement. The Board may in its own discretion, at any time, and from time to time, grant RSUs to any employee, director or consultant of the Company or its subsidiaries, other than persons conducting investor relations activities, from time to time by the Board, subject to the limitations set forth in the RSU Plan. The Board may designate one or more performance periods under the RSU Plan.

On June 8, 2022, the Company granted a total of 125,000 RSU's, of which 62,500 RSU's vested immediately, with the remaining 62,500 vesting equally on the first and second anniversary from the date of grant. Each RSU is exercisable into one common share of the Company at no additional cost. On the date of grant, the fair value of RSU's granted was determined to be \$164,464 based on the fair market trading price of the Company's common shares. During the year ended December 31, 2022, \$117,024 (December 31, 2021 - \$nil) of stock-based compensation expense was recognized in the relation to the vesting of RSU's.

Following is a summary of changes in RSU's outstanding for the years ended December 31, 2022 and 2021:

Balance, January 1 and December 31, 2021	-
Granted	125,000
Exercised	(62,500)
Balance, December 31, 2022	62,500

As at December 31, 2022, 62,500 RSU's remain unvested and not exercisable.

Stock Options

The Company has established a rolling Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 5 years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options vest at the discretion of the Board of Directors.

On June 8, 2022, the Company granted a total of 1,596,025 options to directors, officers, employees and consultants of the Company. Under the terms of the options, a total of 50% of the options are to vest immediately, 25% vesting on June 8, 2023 and the remaining vesting on June 8, 2024. The fair value of the options was determined to be \$1,905,154 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$1.65, risk free interest rate of 3.18%, an expected dividend yield of 0%, and volatility rate of 157%. During the year ended December 31, 2022, \$1,355,608 (December 31, 2021 - \$nil) of stock-based compensation expense was recognized in the relation to the vesting of options.

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11. Share Capital Authorized (Continued)

Following is a summary of changes in stock options outstanding for the years ended December 31, 2022 and 2021:

	Amount	Weighted Average Exercise Price
Balance, January 1 and December 31, 2021	-	-
Granted	1,596,025	C \$2.65
Balance, December 31, 2022	1,596,025	C \$2.65

As at December 31, 2022, the weighted average remaining life of stock options outstanding is 4.44 years and 798,013 stock options are vested and exercisable.

12. Related Party Transactions

Related parties include the Board of Directors, officers and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The below noted transactions are in the normal course of business and are measured at the amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations. The Company considers key management to be officers and directors of the Company.

During the years ended December 31, 2022 and 2021, the Company paid, or accrued remuneration to key management of the Company as follows:

	December 31, 2022	December 31, 2021
Salaries and fees (i)	\$203,750	\$150,000
Director's fees (ii)	\$nil	\$18,750
Stock-based compensation (iii)	\$963,279	\$nil

(i) As at December 31, 2022, \$nil (December 31, 2021 - \$6,251) was due to key management of the Company and the amount were included in due to related party.

(ii) As at December 31, 2022, directors were owed \$nil (December 31, 2021 - \$18,750) and this amount was included in accounts payable and accrued liabilities.

(iii) On June 8, 2022, the Company granted 1,115,000 options and 20,000 RSU's to directors and officers of the Company (note 11).

On December 22, 2021, \$859,156 of the \$1,299,251 due to a corporation controlled by Marceau Schlumberger was settled in exchange for 405,262 common shares as part of the RTO (note 11). As at December 31, 2022, amounts totaling \$440,095 (December 31, 2021 - \$440,095) were due to a corporation controlled by a director of the Company. During the year ended December 31, 2022, the repayment terms of the payable were extended to January 1, 2024, bearing no interest.

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12. Related Party Transactions (Continued)

On June 9, 2021, the Company entered into a series of Promissory Notes totaling \$275,000 with certain Officers and Directors of the Company. Under the terms of the Notes, the Company promises to pay to the order of the noteholder or its registered assigns, the principal amount or such lesser amount as shall equal the outstanding principal amount hereof, together with simple interest from the date of the Promissory Note (the "Note") on the unpaid principal balance at a rate equal to 15% per annum, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then accrued but unpaid interest and any other amounts payable hereunder, shall be due and payable on the earliest to occur of (i) fifteen days following the demand of Holder, which demand may not be made earlier than June 9, 2022, (ii) the occurrence of an Event of Default, or (iii) such other time as expressly provided for in the Promissory Note.

On December 22, 2021 the promissory notes and accrued interest was \$296,134, which was settled in exchange for common shares as part of the RTO (note 11). During the year ended December 31, 2021 interest expense was \$21,134.

Concurrent with the RTO transaction, on December 22, 2021 the Company entered into an agreement with Agnico to repurchase 2,358,490 post RTO common shares in exchange for a 1% net smelter royalty on the Aura project deemed to hold a fair value of \$nil (note 7) and 748,668 warrants (the "Redemption Agreement"). Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of \$2.67 up until May 15, 2023 (note 11).

Major shareholders:

To the knowledge of the directors and senior officers of the Company, as at December 31, 2022, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common Shares	Percentage of outstanding shares
Golkonda LLC	19,969,391	63.4%
Agnico Eagle (USA) Ltd	5,442,191	17.3%

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12. Exploration Expenditures

The following table reflects the exploration expenditures incurred in the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Drilling	\$ 1,095,904	\$ 154,950
Permitting	83,280	56,820
Reclamation obligation	(6,792)	105,168
Geological	778,571	399,101
Land	125,613	126,357
Metallurgy	78,951	3,150
Total	\$ 2,155,527	\$ 845,546

13. General and Administrative Expenses

The following table reflects general and administrative expenses incurred in the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Director fees	\$ -	\$ 18,750
Salaries	377,241	387,931
Office and general	864,124	276,596
Audit and accounting fees	211,214	161,086
Stock-based compensation	1,472,632	-
Legal and regulatory fees	518,840	239,958
Depreciation	10,571	12,536
Total	\$ 3,454,622	\$ 1,096,857

14. Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on losses attributable to common shareholders of \$5,383,735 (December 31, 2021 –loss of \$1,856,952) and the basic weighted average number of common shares outstanding of 30,649,398 (December 31, 2021 – 29,534,726). Diluted loss per share did not include the effect of outstanding warrants, options and RSU's as they are anti-dilutive.

The basic weighted average number of common shares outstanding for the period prior to the date of closing of the RTO has been retrospectively adjusted to reflect the conversion of member's units to resulting issuer shares for comparative purposes.

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15. Income Taxes

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

	December 31, 2022	December 31, 2021
Net loss before income taxes	\$ (5,383,735)	\$ (1,856,952)
Canadian statutory income tax rate	27%	27%
Expected income tax recovery at statutory rate	(1,453,608)	(501,377)
Tax effect of:		
Difference in foreign tax rates	200,431	8,686
Permanent differences and others	201,043	(834)
RTO transaction costs	10,989	454,700
Share issuance costs booked through equity	(915)	(114,347)
Change in unrecognized deferred income tax assets	1,042,060	153,172
Income tax recovery	\$ -	\$ -

The approximate tax effect of each type of temporary difference that gives rise to the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
Non-capital loss carry forwards - Canada	\$ 226,025	\$ 31,148
Non-capital loss carry forwards - US	877,748	23,648
Property and equipment	(125)	(517)
Unpaid professional fees	-	7,415
Financing costs	91,583	91,478
Net unrecognized deferred income tax asset	\$ 1,195,231	\$ 153,172

The Company has non-capital loss carryforwards in Canada of \$837,130 (2021 - \$115,362) expiring in 2041-2042 and net operating loss carryforwards in the US of \$4,179,750 (2021 - \$112,609) with no fixed date of expiry which are available to reduce taxable income in Canada and the US, respectively.