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**Altina Capital Corp.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Altina Capital Corp.

### *Opinion*

We have audited the accompanying financial statements of Altina Capital 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, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company has an accumulated deficit of \$566,908 as at December 31, 2022 and that the Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

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

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

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 Zachary Faure.

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

Vancouver, Canada

Chartered Professional Accountants

April 28, 2023

**Altina Capital Corp.**  
**Statements of Financial Position**  
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	317,018	381,685
Deferred financing costs	-	7,950
<b>TOTAL ASSETS</b>	<b>317,018</b>	<b>389,635</b>
<b>LIABILITIES AND SHAREHODERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	320,354	266,746
<b>TOTAL LIABILITIES</b>	<b>320,354</b>	<b>266,746</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	484,380	484,380
Contributed surplus (Note 6)	79,192	50,533
Deficit	(566,908)	(412,024)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>(3,336)</b>	<b>122,889</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>317,018</b>	<b>389,635</b>

NATURE OF BUSINESS AND CONTINUING OPERATIONS (NOTE 1)  
QUALIFYING TRANSACTION (NOTE 11)

Approved on behalf of the Board:

“Terry Salman” Director

“Mirza Rahimani” Director

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

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**Altina Capital Corp.**  
**Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

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	For the year ended December 31, 2022	For the year ended December 31, 2021
	\$	\$
<b>EXPENSES</b>		
Professional fees	105,188	315,321
Filing fees	21,037	17,562
Share-based payments (Notes 6)	28,659	–
<b>LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(154,884)</b>	<b>(332,883)</b>
<b>LOSS PER SHARE, BASIC AND DILUTED</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED</b>	<b>8,000,000</b>	<b>8,000,000</b>

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

**Altina Capital Corp.**  
**Statements of Cash Flows**  
(Expressed in Canadian dollars)

	For the year ended December 31, 2022	For the year ended December 31, 2021
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss for the year	(154,884)	(332,883)
Adjustments For Items Not Affecting Cash:		
Share-based compensation	28,659	–
Changes In Non-Cash Working Capital Items:		
Accounts payable and accrued liabilities	53,608	189,627
Deferred financing costs	7,950	11,442
Net cash used in operating activities	(64,667)	(131,814)
<b>CHANGE IN CASH FOR THE YEAR</b>	(64,667)	(131,814)
<b>CASH, BEGINNING OF YEAR</b>	381,685	513,499
<b>CASH, END OF YEAR</b>	<b>317,018</b>	<b>381,685</b>
Interest paid	–	–
Income tax paid	–	–

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

**Altina Capital Corp.**  
**Statements of Changes in Shareholders' Equity (Deficiency)**  
(Expressed in Canadian dollars)

	Number of shares	Share Capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
<b>Balance, December 31, 2020</b>	<b>8,000,000</b>	<b>484,380</b>	<b>50,533</b>	<b>(79,141)</b>	<b>455,772</b>
Loss for the year	–	–	–	(332,883)	(113,863)
<b>Balance, December 31, 2021</b>	<b>8,000,000</b>	<b>484,380</b>	<b>50,533</b>	<b>(412,024)</b>	<b>122,889</b>
Share based compensation	–	–	28,659	–	28,659
Loss for the year	–	–	–	(154,884)	(154,884)
<b>Balance, December 31, 2022</b>	<b>8,000,000</b>	<b>484,380</b>	<b>79,192</b>	<b>(566,908)</b>	<b>(3,336)</b>

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

## **1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

Altina Capital Corp. (TSXV: ALTN.P) (the “Company”) was incorporated on August 23, 2019, under the laws of British Columbia and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (TSX-V) Policy 2.4. The Company has not commenced commercial operations and has no significant assets. The activities of the Company are initially limited to the efforts to identify and evaluate the acquisition of assets and business, which would represent a “Qualifying Transaction” for regulatory purposes. Refer to Note 11. On September 21, 2020, the Company completed its initial public offering. The Company’s common shares are listed for trading on the TSX-V under the trading symbol ALTN.P. The head office and the records and registered office is located at 25th Floor, 700 W Georgia St. Vancouver, British Columbia, V7Y 1B3.

Since incorporation on August 23, 2019, the Company has had no active business operations. As a CPC, the Company’s principal business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has an accumulated deficit of \$566,908 as at December 31, 2022. The Company’s ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All of the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These financial statements were authorized by the Board of Directors on April 28, 2023.

## **2. STATEMENT OF COMPLIANCE**

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

## **3. BASIS OF PRESENTATION**

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company’s functional currency. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

b) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

c) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

d) Financial instruments

*Recognition*

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

##### d) Financial instruments *(continued)*

###### *Classification*

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized costs. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

- Cash is classified as assets at fair value and any period change in fair value is recorded in profit or loss.
- Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss.

###### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

###### *Impairment*

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

e) Share based compensation

The stock option plan allows Company directors, officers, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

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

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

f) Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

*Judgements*

*Going concern*

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management makes judgements regarding the Company's ability to continue as a going concern as discussed in Note 1.

- f) Critical accounting estimates and judgements (continued)

Estimates

*Deferred tax assets and liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

*Share-based payments*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payments expense is disclosed in Note 7.

## **5. CHANGES IN ACCOUNTING POLICIES**

### **New accounting standards and interpretations**

There were no new or amended accounting standards or interpretations adopted during the year ended December 31, 2022. Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **6. 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. 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.

As of December 31, 2022, and 2021, there were no amounts due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended December 31, 2022, the Company incurred share based compensation for key management of \$28,659 (2021 - \$Nil).

## 7. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value. The preferred shares may be issued from time to time in one or more series, each consisting of a number of preferred shares as determined by the board of directors of the Corporation which also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares

### b) Issued and outstanding

As at December 31, 2022, there are 8,000,000 common shares and no preferred shares issued and outstanding, of which 4,080,000 common shares are held in escrow (2021 – 4,080,000). Under the Escrow Agreement, 25% of the escrowed common shares will be release from escrow on the issuance of the Final Exchange Bulletin following the closing of the Qualifying Transaction, and an additional 25% will be released every six months thereafter for a period of 18 months.

There were no share transactions during the year ended December 31, 2022, and 2021.

### c) Warrants

A summary of the Company's warrants activity is as follows:

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2020 and December 31, 2021</b>	<b>400,000</b>	<b>\$ 0.10</b>
Expired	(400,000)	\$ –
<b>Balance, December 31, 2022</b>	<b>–</b>	<b>\$ –</b>

### d) Stock Options

During the year ended December 31, 2020, the Company adopted an incentive stock option plan whereby the Company may issue up to 700,000 incentive stock options until the completion of a Qualifying Transaction by the Corporation and 10% of the issued and outstanding common shares thereafter to eligible directors, officers, employees or consultants. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors. The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares, subject to a minimum exercise price of \$0.10. On September 15, 2021, the stock option plan was amended to allow the total number of common shares of the Company reserved for issuance under the plan both before and after completion of a Qualifying Transaction to equal up to 10% of the issued and outstanding common shares of the Company as at the date of grant, rather than at the closing date of the IPO. The amendment will also allow the number of common shares reserved for issuance to any individual director or senior office to not exceed 5% of the common shares outstanding as at the date of grant, rather than at the closing date of the IPO.

**7. SHARE CAPITAL** *(continued)*

d) **Stock Options** *(continued)*

Any Common Shares acquired pursuant to the exercise of options under the Option Plan prior to Completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

A summary of the Company's stock option activity is as follows:

	Number outstanding	Weighted average exercise price
<b>Balance, December 31, 2020 and December 31, 2021</b>	<b>700,000</b>	<b>\$ 0.10</b>
Granted	100,000	\$ 0.24
<b>Balance, December 31, 2022</b>	<b>800,000</b>	<b>\$ 0.12</b>

As at December 31, 2022, stock options outstanding are as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date	Remaining contractual life (years)
700,000	\$0.10	March 5, 2030	7.43
100,000	\$0.24	February 28, 2032	9.42
<b>800,000</b>	<b>\$0.12</b>		<b>7.68</b>

During the year ended December 31, 2022, the Company recorded share-based payments of \$14,490 (2021 - \$nil) in equity reserves. The fair values of options granted during the year was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividends and with the following weighted-average assumptions:

	2022	2021
Risk-free interest rate	1.81%	N/A
Estimated annualized volatility	100%	N/A
Expected life (years)	10	N/A
Expected dividend yield	0%	N/A

**8. MANAGEMENT OF CAPITAL**

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing 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. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is subject to an externally imposed capital requirement of a maximum of \$3,000 monthly spending on general and administrative expenses in accordance with the Exchange Policy 2.4. There were no changes to management's approach to capital management during the year ended December 31, 2022.

## **9. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The fair value of all other financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

### **Financial risk management**

- **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 liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

- **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 8.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. The Company does not have investments in any asset backed deposits.

- **Market Risk**

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

#### **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 is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

**9. FINANCIAL INSTRUMENTS (continued)**

**Currency Risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

**10. INCOME TAXES**

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2022	2021
Net loss before income taxes	\$ (154,884)	\$ (332,883)
Statutory income tax rate	27%	27%
Expected income tax recovery at statutory rate	(42,000)	(90,000)
Permanent differences	8,000	–
Adjustment to prior years provision versus statutory tax returns	66,000	–
Change in unrecognized deductible temporary differences	(32,000)	90,000
Deferred income tax recovery	\$ –	\$ –

The significant components of deferred income tax assets and liabilities are as follows:

	2022	2021
Share issue costs	\$ 10,000	\$ 19,000
Non-capital losses available for future period	93,000	116,000
Unrecognized deferred tax assets	103,000	135,000
Deferred income taxes recovered	(103,000)	(135,000)
	\$ –	\$ –

As of December 31, 2022, the Company has non-capital tax losses of approximately \$343,000 that may be offset against future Canadian taxable income. These losses expire commencing 2039.

**11. QUALIFYING TRANSACTION**

On June 1, 2021, as amended March 22, 2022, the Company entered into the Definitive agreement with Omega Gold. Pursuant to the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of Omega on a one for one basis in exchange for the Company's common shares (the "Transaction"). Omega's primary business is gold exploration and has rights to certain mineral exploration claims in Peru. In connection with the Transaction, the Company and Omega Gold will complete one or more private placements for aggregate proceeds of at least \$10,161,668 and not more than \$13,000,000 ("Concurrent Financings"). Completion of the Transaction is conditional upon receipt of all required consents and approvals (including from the directors and shareholders of Omega Gold, and the directors and if necessary, the shareholders, of the Company, and from the TSX-V), Omega Gold providing a current technical report that is acceptable to the TSX-V and the Company, Omega Gold delivering a title opinion for the subject property in a form and content reasonably satisfactory to the Company, completion of the Concurrent Financings, completion of satisfactory due diligence and several other conditions.

**11. QUALIFYING TRANSACTION** (continued)

On June 10, 2021, the Company received conditional approval from the TSX-V for its private placement in connection with the Concurrent Financings for aggregate proceeds of not less than \$5,500,000 and not more than \$7,500,000 comprised of Units of the Company at a price of \$0.25 per Unit. Each Unit will be comprised of one common share and one share purchase warrant exercisable to acquire one common share of the Company at \$0.50 for a period of one year from the date of issuance.

On February 25, 2022, the Company received conditional approval from the TSX-V for its proposed Transaction involving the acquisition of all of the issued and outstanding shares of Omega Gold.

The outside date for completion of the Transaction, as amended, was October 31, 2022. On March 30, 2023, the Company terminated the agreement with Omega.