



**TURMALINA METALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Turmalina Metals Corp.

### *Opinion*

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

In our opinion, these consolidated 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 Consolidated 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 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 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 consolidated financial statements, which indicates that the Company incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these events and conditions indicate that material uncertainties exist 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 year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that the matter described below to be a key audit matter to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Mineral Properties*

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's Mineral Properties was \$2,288,833 as of December 31, 2022. As more fully described in Notes 2 and 3 to the consolidated financial statements, management assesses Mineral Properties for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.



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

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

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

#### ***Other Information***

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

Our opinion on the consolidated 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 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 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 18, 2023

**TURMALINA METALS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
**AS AT**

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 20,664	\$ 4,010,253
Receivables and prepaid expenses (Notes 4 and 6)	<u>94,888</u>	<u>133,962</u>
	115,552	4,144,215
<b>Mineral property</b> (Note 5)	<u>2,288,833</u>	<u>1,543,411</u>
	<u>\$ 2,404,385</u>	<u>\$ 5,687,626</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ <u>502,854</u>	\$ <u>114,685</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	23,991,075	23,991,075
Contributed surplus (Note 7)	4,247,548	3,856,607
Deficit	<u>(26,337,092)</u>	<u>(22,274,741)</u>
	<u>1,901,531</u>	<u>5,572,941</u>
	<u>\$ 2,404,385</u>	<u>\$ 5,687,626</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 11)

Approved and authorized by the Board on April 18, 2023.

<u>"James Rogers"</u>	Director	<u>"Bryan Slusarchuk"</u>	Director
James Rogers		Bryan Slusarchuk	

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

**TURMALINA METALS CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31

	2022	2021
<b>EXPENSES</b>		
Consulting fees (Note 6)	\$ 107,707	\$ 105,709
Directors and advisory fees (Note 6)	145,660	88,861
Exploration costs (Note 5 and 6)	2,496,918	4,340,865
Foreign exchange	(7,469)	45,034
Interest income	(30,795)	(74,934)
Investor relations	101,438	133,500
Management fees (Note 6)	344,331	265,830
Marketing and shareholder communications	40,705	195,928
Office and administrative expenses	73,679	179,299
Professional fees (Note 6)	203,155	198,883
Share-based payments (Note 7)	390,941	616,710
Transfer agent, filing and listing fees	60,302	33,866
Travel	135,779	35,993
<b>Loss and comprehensive loss for the year</b>	<b>\$ (4,062,351)</b>	<b>\$ (6,165,544)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.06)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>66,899,518</b>	<b>66,669,381</b>

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

**TURMALINA METALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED DECEMBER 31**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (4,062,351)	\$ (6,165,544)
Items not involving cash:		
Share-based payments	390,941	616,710
Non-cash working capital item changes:		
Receivables and prepaid expenses	39,074	209,516
Accounts payable and accrued liabilities	<u>388,169</u>	<u>(87,938)</u>
Net cash used in operating activities	<u>(3,244,167)</u>	<u>(5,427,256)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral property	<u>(745,422)</u>	<u>(868,147)</u>
Net cash used in investing activities	<u>(745,422)</u>	<u>(868,147)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	<u>-</u>	<u>300,000</u>
Net cash provided by financing activities	<u>-</u>	<u>300,000</u>
<b>Change in cash and cash equivalents for the year</b>	<b>(3,989,589)</b>	<b>(5,995,403)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>4,010,253</u></b>	<b><u>10,005,656</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 20,664</u></b>	<b><u>\$ 4,010,253</u></b>

There were no other significant non-cash financing and investing activities during the years ended December 31, 2022. During the year ended December 31, 2021, the Company transferred \$223,496 from contributed surplus to share capital on the exercise of stock options. No cash was paid for interest or taxes for the years ended December 31, 2022 and 2021.

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

**TURMALINA METALS CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Number	Amount	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2020</b>	66,299,518	\$ 23,467,579	\$ 3,463,393	\$ (16,109,197)	\$ 10,821,775
Stock options exercised	600,000	523,496	(223,496)	-	300,000
Share-based payments	-	-	616,710	-	616,710
Loss for the year	-	-	-	(6,165,544)	(6,165,544)
<b>Balance, December 31, 2021</b>	66,899,518	23,991,075	3,856,607	(22,274,741)	5,572,941
Share-based payments	-	-	390,941	-	390,941
Loss for the year	-	-	-	(4,062,351)	(4,062,351)
<b>Balance, December 31, 2022</b>	66,899,518	\$ 23,991,075	\$ 4,247,548	\$ (26,337,092)	\$ 1,901,531

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

**TURMALINA METALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Turmalina Metals Corp. (the “Company”) was incorporated in Canada under the British Columbia Corporations Act on March 21, 2017. The Company is principally engaged in the acquisition and exploration of resource properties. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol TBX. The head office, records office, and principal address of the Company is 400-850 West Hastings Street, Vancouver, British Columbia, V6C 1E1. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

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

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

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

**2. BASIS OF PREPARATION**

**Statement of compliance**

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

The consolidated financial statements 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.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, Aurora Mining S.A. (Argentina – 100% effective interest) and Aurora Copper Peru S.A.C. (Peru – 100% effective interest). The subsidiaries’ principal activity is mineral exploration.

**TURMALINA METALS CORP.**  
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**2. BASIS OF PREPARATION (cont'd...)**

**Basis of consolidation (cont'd...)**

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

**Basis of measurement**

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Significant Accounting Judgments and Estimates**

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts and calculation of share-based payments, which are discussed below:

*Deferred income tax*

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

*Share-based payments*

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions 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 share option, volatility and dividend yield and making assumptions about them.

The most significant judgments relate to the functional currency of the Company and its subsidiaries and impairment of exploration and evaluation assets, which are discussed below:

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

**Significant accounting judgments and estimates (cont'd...)**

*Impairment of exploration and evaluation assets*

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

*Determination of functional currency*

The functional currencies of the Company and its subsidiaries are outlined in the Basis of Measurement section above. The determination of functional currency involves certain judgments to determine the primary economic environment. The Company reconsiders the functional currency if there are changes in events and conditions impacting the factors used in the determination of the primary economic environment

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on deposit with banks and highly liquid short-term interest-bearing investments that may be redeemed at any time or with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

**Financial instruments**

Financial assets

The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statements of loss and comprehensive loss.

*Financial assets at FVTOCI:* Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in the statement (loss) income. Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive (loss) income.

*Financial assets at FVTPL:* Investments in equity instruments at FVTPL are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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

**Financial instruments (cont'd...)**

Financial assets (cont'd...)

*Impairment of financial assets at amortized cost:* The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets:

Financial asset	IFRS 9 Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost

Financial liabilities

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

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

*Other financial liabilities* - This category includes accounts payable and accrued liabilities, which is recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statements of loss and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities:

Financial liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Amortized cost

**Exploration and evaluation - mineral property**

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain ore reserves that are economically recoverable.

All costs related to the acquisition of mineral properties, including option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore on areas of interest are recognized in profit or loss. Expenditures incurred by the Company in connection with the exploration and evaluation of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized.

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

**Exploration and evaluation - mineral property (cont'd...)**

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties. The Company has investigated title to all of its mineral properties and proposed acquisition of mineral property interests and to the best of its knowledge the properties are in good standing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

**Decommissioning provision**

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

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

**Share-based payments**

Share-based payments are arrangements in which the Company receives goods or services in consideration for its own equity instruments granted to non-employees. These are accounted for as equity settled share-based payment transactions and measured at the fair value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

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(Expressed in Canadian Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

**Loss per share**

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

**Income taxes**

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

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

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

**Foreign Currencies**

The presentation currency of the Company is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates. Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests

**New accounting standards issued but not yet effective**

There are no accounting standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the Company.

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**4. RECEIVABLES AND PREPAID EXPENSES**

	December 31, 2022	December 31, 2021
Goods and service tax (“GST”) receivable	\$ 31,448	\$ 28,745
Other receivables and advances	15,560	78,442
Prepayments	<u>47,880</u>	<u>26,775</u>
Total	<u>\$ 94,888</u>	<u>\$ 133,962</u>

**5. MINERAL PROPERTY**

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

**San Francisco Project, Argentina**

The San Francisco Project is made up of five separate agreements, as described below:

**El Tapau - San Francisco Project, Argentina**

On September 24, 2018, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the El Tapau Project, Argentina. The Company can acquire a 100% interest in the property by making payments and incurring exploration expenditures and drilling as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)	Minimum Drilling (Meters)
September 24, 2018 (paid)	40,000	-	-
September 24, 2019 (paid and completed)	70,000	300,000	-
November 24, 2020 (paid and completed)	100,000	-	3,000
November 24, 2021 (paid and completed)	250,000	-	4,000
September 30, 2022 *(paid)	100,000	-	-
November 24, 2023*	<u>1,000,000</u>	<u>750,000</u>	<u>-</u>
	<u>1,560,000</u>	<u>1,050,000</u>	<u>7,000</u>

\* On August 31, 2022 the Company agreed to a 1 year extension for the final payment for consideration of USD\$100,000.

The third parties retain a 2.5% Net Smelter Returns (“NSR”) royalty, which the Company may purchase for a payment of USD\$2,500,000.

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**5. MINERAL PROPERTY (cont'd...)**

**Cerro Negro - San Francisco Project, Argentina (cont'd...)**

On September 25, 2018, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the Cerro Negro Project, Argentina. The Company can acquire a 100% interest in the property by making payments and incurring exploration expenditures as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)
Upon signing LOI (paid)	5,000	-
September 25, 2018 (paid)	15,000	-
Upon receiving drilling permits (paid)	30,000	-
September 25, 2019 (paid and completed)	50,000	300,000
November 25, 2020 (paid and completed)	100,000	500,000
November 25, 2021 (paid and completed)	250,000	500,000
October 31, 2022 (paid)*	200,000	-
November 25, 2023*	1,000,000	750,000
	1,650,000	2,050,000

\* On October 31, 2022 the Company agreed to a 1 year extension for the final payment for consideration of USD\$200,000.

The third parties retain a 2% NSR royalty, of which the Company may purchase 55%, or 1.1%, of the NSR for a payment of USD\$1,250,000.

**Don David - San Francisco Project, Argentina**

On August 24 2022, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the Don David Project, Argentina. The Company can acquire a 100% interest in the property by making payments and incurring exploration expenditures and drilling as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)	Minimum Drilling (Meters)
August 24, 2022 (paid)	15,000	-	-
August 24, 2023	50,000	-	2,000
August 24, 2024	100,000	300,000	-
August 24, 2025	150,000	600,000	-
August 24, 2026	250,000	750,000	-
August 24, 2027	1,000,000	-	-
	1,565,000	1,650,000	-

The third parties retain a 2% NSR royalty, of which the Company may purchase 50%, (1%), of the NSR for a payment of USD\$1,000,000.

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**5. MINERAL PROPERTY (cont'd...)**

**Miranda - San Francisco Project, Argentina**

On July 1, 2020, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the Miranda Project, Argentina. The Company can acquire a 100% interest in the property by making payments as follows:

	Cash Payment (USD \$)
Upon signing definitive agreement (paid)	5,000
January 7, 2021 (paid)	5,000
July 7, 2021 (paid)	15,000
July 7, 2022 (paid)	20,000
July 7, 2023	30,000
July 7, 2024	150,000
	225,000

The third parties retain a 1% NSR royalty, which the Company may purchase for a payment of USD\$300,000.

**Santa Barbara - San Francisco Project, Argentina**

On July 1, 2021, the Company entered into an option agreement with government organization Instituto Provincial de Exploraciones y Explotaciones Mineras de la Provincia de San Juan, Argentina (IPEEM) to acquire the right to explore and exploit certain claims known as the Santa Barbara Project, Argentina. The Company can maintain the right to explore during an initial 5-year exploration stage by making payments and incurring exploration expenditures as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)
Upon signing (paid)	20,000	-
July 1, 2022	-	505,000
July 1, 2023	-	1,124,000
July 1, 2024	-	1,124,000
July 1, 2025	-	1,124,000
July 1, 2026	-	1,223,000
	20,000	5,100,000

During the five-year exploration stage, the Company is also required to make monthly payments of US\$5,519 (US\$0.50 cents per hectare) and loan IPEEM a four-wheel-drive vehicle, which will become the property of IPEEM if the agreement terminates. During the second stage (exploitation stage) the Company is required to make monthly payments of US\$16,557 (US\$1.50 per hectare) until production starts and then a 1% to 2% royalty, with a value to be set at the time the exploitation stage commences.

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**5. MINERAL PROPERTY (cont'd...)**

**Chanape Project, Peru**

On March 13, 2020, the Company entered into an option agreement, with third parties, to acquire a 100% interest in certain claims located in Peru, comprising the Chanape Project. The Company can acquire a 100% interest in the property by making total cash payments of US\$3,410,000 and by incurring exploration expenditures of US\$2,000,000 as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)
Upon signing LOI (paid)	10,000	-
February 22, 2020 (paid)	18,727	-
Execution of definitive agreement (paid)	22,000	-
April 30, 2020 (paid)	9,273	-
December 30, 2020 (paid)	40,000	-
June 30, 2021 (paid and completed)	50,000	250,000
December 30, 2021 (paid)	60,000	-
June 30, 2022 (paid and completed)	100,000	500,000
December 30, 2022 (paid)	120,000	-
June 30, 2023*	180,000	500,000
December 30, 2023*	250,000	-
June 30, 2024*	350,000	750,000
June 30, 2025*	2,200,000	-
	<u>3,410,000</u>	<u>2,000,000</u>

\*These payments were conditional to the register of public deeds, which was delayed due to the COVID-19 global pandemic. Due to the delay registering the agreement, the due dates of these payments were extended 108 days.

The third parties retain a 2% NSR royalty, of which the Company may purchase 1%, (50%) of the NSR for a payment of USD\$1,200,000.

During the years ended December 31, 2022 and December 31, 2021, the Company incurred acquisition costs as follows:

<i>Acquisition Costs</i>	<b>San Francisco Project</b>					Chanape Project	Total
	El Tapau	Cerro Negro	Don David	Miranda	Santa Barbara		
December 31, 2020	\$ 278,218	\$ 265,144	\$ -	\$ 6,979	\$ -	\$ 124,923	\$ 675,264
Additions	317,980	317,980	-	25,067	66,475	140,645	868,147
December 31, 2021	596,198	583,124	-	32,046	66,475	265,568	1,543,411
Additions	135,706	273,100	18,777	26,199	-	291,640	745,422
December 31, 2022	\$ 731,904	\$ 856,224	\$ 18,777	\$ 58,245	\$ 66,475	\$ 557,208	\$ 2,288,833

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**5. MINERAL PROPERTY (cont'd...)**

During the year ended December 31, 2022, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	San Francisco Project	Chanape Project	Total
Assay	\$ 95,118	\$ 119,903	\$ 215,021
Drilling	2,208	458,163	460,371
Environmental studies and report preparation	4,231	21,642	25,873
Equipment rental	2,412	-	2,412
Field expenditures	166,821	164,459	331,280
Geological consulting	316,167	291,146	607,313
Project administration & community relations	104,835	169,823	274,658
Project management	127,966	127,965	255,931
Taxes	61,429	228,324	289,753
Travel	10,190	24,116	34,306
	\$ 891,377	\$1,605,541	\$2,496,918

During the year ended December 31, 2021, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	San Francisco Project	Chanape Project	Total
Assay	\$ 429,188	\$ 59,710	\$ 488,898
Drilling	1,623,308	-	1,623,308
Environmental studies	13,424	-	13,424
Equipment rental	4,443	-	4,443
Field expenditures	426,102	138,686	564,788
Geological consulting	525,562	101,606	627,168
Project administration & community relations	77,224	109,713	186,937
Project management	280,352	-	280,352
Taxes	521,706	-	521,706
Travel	3,004	26,837	29,841
	\$ 3,904,313	\$ 436,552	\$4,340,865

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**6. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the year ended December 31, 2022 and 2021, the Company entered the following transactions with related parties

	2022	2021
Professional fees	\$ 78,678	\$ 75,542
Director fees	107,545	83,862
Exploration costs	255,930	303,483
Management fees	344,331	265,830
Share-based payments	231,892	133,911
	\$ 1,018,375	\$ 862,628

As at December 31, 2022, \$228,045 (2021 - \$894) was included in accounts payable and accrued liabilities owing to officers and directors of the Company, and \$nil (2021 - \$13,650) was included in receivables and prepayments, representing prepayments to an officer of the Company.

**7. SHAREHOLDERS' EQUITY**

**Authorized**

An unlimited number of common shares without par value.

**Issued share capital**

There were no financings completed during the years ended December 31, 2022 and 2021.

**Stock options and warrants**

Stock option and warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, December 31, 2020	5,345,000	\$ 0.81	5,431,592	\$ 0.87
Granted	900,000	0.91	-	-
Exercised	(600,000)	0.50	-	-
Balance, December 31, 2021	5,645,000	0.86	5,431,592	0.87
Granted	1,700,000	0.35	-	-
Expired/cancelled	(675,000)	1.00	(5,431,592)	0.87
Outstanding and Exercisable, December 31, 2022	6,670,000	\$ 0.71	-	\$ -

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**7. SHAREHOLDERS' EQUITY (cont'd...)**

The following stock options and warrants were outstanding as at December 31, 2022:

	Number	Exercise price	Expiry date	Remaining Life (years)
<b>Stock Options</b>				
	2,425,000	\$ 0.50	August 9, 2024	1.61
	1,645,000	1.30	June 24, 2025	2.48
	900,000	0.91	July 7, 2026	3.52
	1,550,000	0.35	August 11, 2027	4.61
	150,000	0.35	December 7, 2027	4.94

**Share-based payments**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years with vesting determined by the board of directors.

During the year ended December 31, 2022, the Company granted 1,700,000 (2021 - 900,000) options with a weighted average fair value of \$0.23 (2021 - \$0.67) per option to directors, officers, employees, and consultants of the Company. Total share-based payments recognized in the statement of loss and comprehensive loss for year ended December 31, 2022 was \$390,941 (2021 - \$616,710) for incentive options granted and vested. This amount was also recorded as contributed surplus on the statement of financial position.

The following weighted average assumptions were used for the valuation of stock options:

	2022	2021
Risk-free interest rate	2.94%	0.93%
Expected life of options	5 years	5 years
Annualized volatility	93.22%	98.56%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

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**8. INCOME TAXES**

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

	2022	2021
Loss before income taxes	\$ (4,062,350)	\$ (6,165,544)
Expected income tax (recovery)	\$ (1,097,000)	\$ (1,665,000)
Change in statutory, foreign tax and other	(54,000)	(166,000)
Adjustment to prior years provision versus statutory tax and expiry of non-capital losses	312,000	-
Permanent differences	106,000	167,000
Change in unrecognized deductible temporary differences	<u>73,000</u>	<u>1,664,000</u>
Income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets as at December 31, are as follows:

	2022	2021
	\$	\$
Non-capital loss carry forward	2,421,000	2,034,000
Exploration and evaluation assets	3,393,000	3,055,000
Share issue and financing costs	116,000	185,000
Unrecognized deferred income tax assets	<u>(5,930,000)</u>	<u>(5,274,000)</u>
Net deferred tax asset	-	-

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

	2022	Expiry Date Range	2021
Exploration and evaluation assets	\$ 11,447,000	N/A	\$ 10,374,000
Share issuance costs	429,000	2044	687,000
Non-capital losses	<u>8,897,000</u>	2041	<u>7,468,000</u>
	<u>\$ 21,866,000</u>		<u>\$ 18,529,000</u>

Loss carryforwards include Canadian tax losses of \$8,233,000 which expire through to 2042, Argentinian tax losses of \$306,000 which expire through to 2024 and Peruvian tax losses of \$358,000, which expire through to 2026.

**9. FINANCIAL AND CAPITAL RISK MANAGEMENT**

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

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**9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

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

The carrying value of cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments.

**Risk management**

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

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper. Cash equivalents consists of cashable guaranteed investment certificates that are readily convertible into a known amount of cash within 90 days or less. As at December 31, 2022 the Company had cash equivalents of \$20,664 (2021 - \$3,505,484) in term deposits.

The Company's receivables consist of goods and services tax receivable from the government of Canada.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

*Market risk*

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

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash and cash equivalents. The Company's practice has been to invest cash and cash equivalents at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions. During the year ended December 31, 2022, the Company was not exposed to significant interest rate risk.

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**9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

b) Foreign currency risk

The Company is subject to foreign currency risk on financial instruments denominated in currencies other than the Canadian Dollar. The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables and prepaid expenses, and accounts payable and accrued liabilities that are denominated in the United States dollar, the Argentine Peso or the Peruvian Sol. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. As these exchange rates fluctuate against the Canadian Dollar, the Company will experience foreign exchange gains and losses.

c) Price risk

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

*Capital management*

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

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

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

**10. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in multiple geographical location, refer to Note 5.

**11. SUBSEQUENT EVENTS**

Subsequent to December 31, 2022, the Company:

- a) Granted 50,000 stock options exercisable at \$0.35 for a period of 5 years to a consultant of the Company.
- b) Completed a non-brokered private placement offering for aggregate gross proceeds of \$5,000,000 from the issuance of 11,111,111 units of the Company at a price of \$0.45 per unit. Each unit comprises one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.60 per common share for a period of 2 years from the closing of the offering. The Company paid finders' fees of \$254,124 and issued 564,719 broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 2 years.