PACIFIC BAY MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

LANCASTER & DAVID
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of Pacific Bay Minerals Ltd.:

Opinion

We have audited the consolidated financial statements of Pacific Bay Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, and 2021, and the consolidated statements of comprehensive loss, changes in equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the 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 ("IFRSs").

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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as of December 31, 2022, the Company had a working capital deficiency of $736,647 and has an accumulated deficit of $17,360,039. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Assessment of Impairment Indicators of Exploration and Evaluation Assets

Description of the matter

We draw attention to *Note 2, Significant Judgements, Note 3, Accounting Policy for Exploration and Evaluation Assets,* and *Note 5, Exploration and Evaluation Assets* to the consolidated financial statements. The Company has exploration and evaluation assets with a carrying amount of $995,911 at December 31, 2022.

Management assesses at each reporting period whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the properties; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

During the year ended December 31, 2022, management determined that impairment indicators existed on its Weaver Lake and Wheaton Creek properties due to lack of funding available for these specific properties and, as a result, recognized an impairment of $232,599.

Management determined that there were no other indicators of impairment for its other exploration and evaluation assets.

Why the matter is a key audit matter

We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

How the matter was addressed in the audit

In order to address this key audit matter, we evaluated and assessed the reasonableness of management's assessment of impairment indicators, which included the following:

- Confirmed that the Company's right to explore the properties had not expired;
- Assessed the Company's market capitalization in comparison to the Company's net assets, which may be an indication of impairment;
- Reviewed exploration budgets and technical reports to assess that further exploration and evaluation work is planned, and tested, on a sample basis, expenditures incurred during the current reporting period to assess that substantive expenditures have occurred;
- Assessed whether sufficient data exists to indicate that the carrying amount of an exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale;
- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit;
- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets; and
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above 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. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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 these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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.

For 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 auditors' 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 Aaron D. Oye.

/s/ Lancaster & David

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 1, 2023

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PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31

	Note	2022	2021
ASSETS			
Current assets			
Cash		$ 39,267	$ 124,446
Goods and services taxes recoverable		19,998	5,027
Prepaid expenses		4,362	142
		63,627	129,615
Non-current assets			
Equipment	4	1,263	1,579
Exploration and evaluation assets	5	995,911	720,378
Reclamation deposits		52,800	52,800
		1,049,974	774,757
Total assets		$ 1,113,601	$ 904,372
LIABILITIES AND EQUITY (DEFICIENCY)			
Current liabilities			
Trade and other payables	6	$ 210,463	$ 148,017
Amounts due to related parties	9	444,931	752,681
Loans payable to related parties	9	110,092	107,749
Loan payable	8	34,788	-
Flow-through share premium liability	7	-	66,351
		800,274	1,074,798
Non-current liabilities			
Loan payable	8	-	34,815
Total liabilities		800,274	1,109,613
Equity (deficiency)			
Share capital	10	14,381,519	13,921,688
Equity reserves	10 and 11	3,291,847	3,203,148
Deficit		(17,360,039)	(17,330,077)
Total equity (deficiency)		313,327	(205,241)
Total liabilities and equity (deficiency)		$ 1,113,601	$ 904,372

Going concern of operations (Note 2)

The consolidated financial statements were authorized for issue by the board of directors on May 1, 2023 and were signed on its behalf by:

"David Brett" Director *"Reagan Glazier"* Director

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31

	Note	2022	2021
EXPENSES			
Accounting and audit		$ 30,400	$ 31,900
Consulting	9	30,000	30,000
Depreciation		316	395
Filing and transfer agent fees		20,609	14,482
Interest	8 and 9	16,824	15,961
Legal fees		16,541	15,916
Management fees	9	110,300	117,000
Marketing and news dissemination		20,202	2,573
Office and miscellaneous		13,981	5,028
Travel		16,955	-
		(276,128)	(233,255)
OTHER ITEMS			
Extinguishment of trade payables	6	47,619	-
Gain on sale of exploration and evaluation assets	5	10,000	-
Gain on settlement of amounts due to related parties	9	350,145	-
Government assistance	8	4,602	-
Impairment of exploration and evaluation assets	5	(232,599)	(46,851)
Interest and other income		48	151
Settlement of flow-through shares liability	7	66,351	27,989
		246,166	(18,711)
Net and comprehensive loss for the year		$ (29,962)	$ (251,966)
Basic and diluted loss per common share	10	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		20,677,898	16,872,503

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	Note	Number of shares	Share capital	Equity reserves	Share subscriptions received	Deficit	Total equity (deficiency)
Balance, December 31, 2020		16,614,711	$ 13,889,621	$ 3,203,148	$ 6,250	$ (17,078,111)	$ 20,908
Net and comprehensive loss for the year		-	-	-	-	(251,966)	(251,966)
Transactions with shareholders							
Private placement	10	286,000	35,750	-	(6,250)	-	29,500
Share issuance costs	10	-	(3,683)	-	-	-	(3,683)
		286,000	32,067	-	(6,250)	-	25,817
Balance, December 31, 2021		16,900,711	$ 13,921,688	$ 3,203,148	$ -	$ (17,330,077)	$ (205,241)
Net and comprehensive loss for the year		-	-	-	-	(29,962)	(29,962)
Transactions with shareholders							
Acquisition of Atlin Goldfields property	10	1,000,000	60,000	-	-	-	60,000
Private placement	10	7,365,873	441,952	73,659	-	-	515,611
Share issuance costs	10	-	(58,071)	16,490	-	-	(41,581)
Exercise of warrants	10	145,000	15,950	(1,450)	-	-	14,500
		8,510,873	459,831	88,699	-	-	548,530
Balance, December 31, 2022		25,411,584	$ 14,381,519	$ 3,291,847	$ -	$ (17,360,039)	$ 313,327

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (29,962)	$ (251,966)
Items not affecting cash:		
Interest	16,824	15,961
Depreciation	316	395
Extinguishment of trade payables	(47,619)	-
Government assistance	(4,602)	-
Gain on settlement of amounts due to related parties	(350,145)	-
Gain on sale of exploration and evaluation assets	(10,000)	-
Impairment of exploration and evaluation assets	232,599	46,851
Settlement of flow-through share liability	(66,351)	(27,989)
Changes in non-cash working capital items:		
Goods and services taxes recoverable	(14,971)	(3,717)
Prepaid expenses	(4,220)	(47)
Trade and other payables	(5,130)	(14,383)
Amounts due to related parties	30,145	136,296
Net cash used in operating activities	(253,116)	(98,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(332,936)	(100,973)
BC mining exploration tax credit refund	-	1,735
Proceeds from sale of exploration and evaluation assets	10,000	-
Reclamation deposit	-	(35,800)
Net cash used in investing activities	(322,936)	(135,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	515,611	29,500
Share issuance costs	(41,581)	(3,683)
Proceeds from issuance of common shares pursuant to the exercise of warrants	14,500	-
Proceeds from (repayments of) related party loans	2,343	(7,295)
Net cash provided by financing activities	490,873	18,522
Change in cash during the year	(85,179)	(215,115)
Cash, beginning of the year	124,446	339,561
Cash, end of the year	$ 39,267	$ 124,446

Supplemental cash flow information (Note 12)

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

1. NATURE OF BUSINESS

Pacific Bay Minerals Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its head and registered office at Suite 1507, 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties in Canada. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol "PBM" as a Tier 2 mining issuer.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

Basis of measurement

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bahia Atlantica S.A., an Argentina corporation which is inactive. All intercompany transactions and balances have been eliminated.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The Company's subsidiary determines its own functional currency, and the financial statement items of the subsidiary are measured using that functional currency.

2. BASIS OF PREPARATION (cont'd…)

Going concern of operations

These consolidated financial statements are prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company is an exploration stage company and has incurred losses since inception. The Company had a working capital deficiency of $736,647 and an accumulated deficit of $17,360,039 as at December 31, 2022. The Company does not generate sufficient cash flow from operations to adequately fund its future activities and has relied principally upon the issuance of securities to fund its exploration and administrative expenditures. The Company's ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Significant estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

i) The determination of the fair value of share-based payments, including stock options and finders' warrants, using stock option pricing models, require the input of highly subjective assumptions, including the expected share price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

Significant judgements

The preparation of these consolidated financial statements requires management to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements in applying the Company's consolidated financial statements include:

i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests have been prepared involve judgement. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

ii) The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its exploration projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

iii) The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, unless otherwise indicated.

Cash

Cash consists of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Equipment

i) Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

ii) Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing the equipment are recognized in profit or loss as incurred.

iii) Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliability. All other repairs and maintenance are charged to profit or loss during the financial year in which they incurred.

iv) Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

v) Depreciation

Depreciation is provided on a declining-balance basis over the estimated useful life of the assets as follows: Field equipment 20%.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues in connection with exploration activities are applied as reduction to capitalized exploration costs.

Impairment of non-financial assets

Management assesses the exploration and evaluation assets and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation assets in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2022 and 2021, the Company had no known restoration, rehabilitation or environmental liabilities related to its exploration and evaluation assets.

Foreign currency translation

The consolidated financial statements for the Company and its subsidiary are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. Assets and liabilities for the statement of financial position of its subsidiary are translated into Canadian dollars using the exchange rate at the end of the reporting period and the statement of comprehensive loss is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

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. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Government grants

The Company classifies forgivable loans, or the forgivable portion thereof, from the government as government assistance when there is a reasonable assurance that the Company will meet the terms for forgiveness on the loan. If this threshold is not met, the Company classifies forgivable loans as loan payable, measured initially at fair value in accordance with IFRS 9, *Financial Instruments*.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. None of the Company's financial assets are classified as FVTPL.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI 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 income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

ii) Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost which include trade and other payables, amounts due to related parties, loans payable to related parties, and loan payable. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the

Company's receivables the Company has no material loss allowance as at December 31, 2022 and 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on residual value basis, wherein the fair value of the common shares is based on the market value on the date of issuance and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

Flow-through shares

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

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based payment expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserves is credit to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

New accounting standards

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 consolidated financial statements.

4. EQUIPMENT

	Field equipment
Cost	
Balance as at December 31, 2021 and 2022	$ 42,413
Accumulated depreciation	
Balance as at December 31, 2021	40,834
Depreciation for the year	316
Balance as at December 31, 2022	41,150
Net book value as at December 31, 2022	$ 1,263

4. EQUIPMENT (cont'd…)

		Field equipment
Cost		
Balance as at December 31, 2020 and 2021	$	42,413
Accumulated depreciation		
Balance as at December 31, 2020		40,439
Depreciation for the year		395
Balance as at December 31, 2021		40,834
Net book value as at December 31, 2021	$	1,579

5. EXPLORATION AND EVALUATION ASSETS

	Atlin Goldfields	Haskins Reed	Weaver Lake	Wheaton Creek	Total
Balance, December 31, 2021	$ -	$ 307,779	$ 63,499	$ 349,100	$ 720,378
Acquisition costs					
Option payment	185,000	-	-	-	185,000
Claim maintenance	-	13,300	-	-	13,300
	185,000	13,300	-	-	198,300
Deferred exploration expenditures					
Assays	12,797	-	-	-	12,797
Camp	8,315	-	-	-	8,315
Drilling	157,627	-	-	-	157,627
Equipment rental	6,732	-	-	-	6,732
Field work	1,888	-	-	-	1,888
Field supplies	11,148	-	-	-	11,148
Geo-consulting (Note 9)	86,110	-	-	15,000	101,110
Miscellaneous	4,742	-	-	-	4,742
Travel	5,473	-	-	-	5,473
	294,832	-	-	15,000	309,832
Impairment	-	-	(63,499)	(169,100)	(232,599)
Balance, December 31, 2022	$ 479,832	$ 321,079	$ -	$ 195,000	$ 995,911

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	Haskins Reed	Weaver Lake	Wheaton Creek	Total
Balance, December 31, 2020	$ 297,734	$ 110,525	$ 262,747	$ 671,006
Acquisition costs				
Claim staking	11,014	-	-	11,014
Deferred exploration expenditures				
Assays	-	-	178	178
Community relations	-	-	2,500	2,500
Equipment rental	-	-	2,775	2,775
Geo-consulting	-	-	31,200	31,200
Helicopter	-	-	3,800	3,800
Miscellaneous	-	-	8,164	8,164
Survey	-	-	35,000	35,000
Travel	-	-	3,327	3,327
BC mining exploration tax credit refund	(969)	(175)	(591)	(1,735)
	(969)	(175)	86,353	85,209
Impairment	-	(46,851)	-	(46,851)
Balance, December 31, 2021	$ 307,779	$ 63,499	$ 349,100	$ 720,378

Atlin Goldfields Property, British Columbia

On May 4, 2022, as amended on May 10, 2022, and July 11, 2022, the Company entered into an option and joint venture agreement with Brixton Metals Corp. ("Brixton") whereby Brixton granted the Company an option to purchase up to a 100% interest in the Atlin Goldfields Property located in Northwest British Columbia. Under the terms of the option agreement and amendments, to acquire an initial 51% interest in the property, the Company is required to make cash payments totaling $1,725,000, issue 5,250,000 common shares, and fulfill work commitments of $3,500,000 over a four year period as follows:

- Pay $125,000 (paid) and issue 1,000,000 common shares (issued with a fair value of $60,000) by closing of the agreement;
- Pay $200,000, issue 1,000,000 common shares, and incur exploration expenditures of $500,000 by May 4, 2023;
- Pay $250,000, issue 1,000,000 common shares, and incur exploration expenditures of $1,000,000 by May 4, 2024;
- Pay $500,000, issue 1,000,000 common shares, and incur exploration expenditures of $1,000,000 by May 4, 2025; and
- Pay $650,000, issue 1,250,000 common shares, and incur exploration expenditures of $1,000,000 by May 4, 2026;

On completion of its commitments to earn the initial 51% interest, the Company has the option to earn an additional 49% interest by making additional cash payments of $1,500,000, issuing additional 5,000,000 common shares and incurring additional exploration expenditures of $3,500,000 over a subsequent three year period as follows:

- Pay $500,000, issue 1,000,000 common shares, and incur exploration expenditures of $1,000,000 by May 4, 2027;
- Pay $500,000, issue 2,000,000 common shares, and incur exploration expenditures of $1,000,000 by May 4, 2028; and
- Pay $500,000, issue 2,000,000 common shares, and incur exploration expenditures of $1,500,000 by May 4, 2029.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Atlin Goldfields Property, British Columbia (cont'd…)

If, after the Company has earned the initial 51% interest and elects not to exercise the second option, the Company and Brixton will enter into a joint venture in which the Company's interest in the property will revert to 49% and Brixton will retain 51% interest in the property. The Company and Brixton will then jointly fund the property in accordance with their participating interests held.

The property is subject to a 2% net smelter returns royalty ("NSR") and the Company has the option to purchase one-half of the NSR (1%) at any time for $2,500,000.

Haskins-Reed Property, British Columbia

The Company holds a 100% interest in certain mineral claims located in the Cassiar Mining Division of British Columbia, subject to a 2% NSR.

Weaver Lake Property, British Columbia

The Company holds a 100% interest in the Weaver Lake property. The property is subject to a 3% NSR and the Company has the option to purchase up to 2% NSR at a price of $1,500,000 for each 1% NSR. The Company was also granted a right of first refusal to purchase the remaining 1% NSR.

During the years ended December 31, 2022, and 2021, the Company recognized impairment charges of $63,499 and $46,850 respectively, due to the lack of financing available to fund an exploration program on the property.

Wheaton Creek Property, British Columbia

The Company holds a 100% interest in the Wheaton Creek property. The property is subject to a 3% NSR and the Company has the option to purchase up to 2% NSR at a price of $1,500,000 for each 1% NSR. The Company was also granted a right of first refusal to purchase the remaining 1% NSR.

During the year ended December 31, 2022, the Company recognized an impairment charge of $169,100 due to the current lack of financing available to fund an exploration program on the property.

Del Santo Claim, British Columbia

During the year ended December 31, 2022, the Company sold a 100% interest in the Del Santo claim, which was originally expensed when acquired, for $10,000. As a result, the Company recognized a gain on sale of $10,000. The Company retains a 1% NSR in the claim which the purchaser has the option to purchase for $1,500,000.

6. TRADE AND OTHER PAYABLES

		2022		2021
Trade payables	$	190,463	$	126,010
Accrued liabilities		20,000		22,007
	$	210,463	$	148,017

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days. Included in trade payables at December 31, 2022 is $22,927 (2021 - $22,927) owing to companies controlled by a significant shareholder of the Company.

During the year ended December 31, 2022, the Company recognized an extinguishment of trade payables of $47,619 related to trade payables which have extended beyond the 2-year basic statute of limitations on debt under British Columbia legislation. Management determined that the debt was no longer owing and that an extinguishment of the trade payables was appropriate.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

The following is a continuity schedule of the liability portion of the flow-through share issuances.

		2022		2021
Flow-through share premium liability, beginning of the year	$	66,351	$	94,340
Settlement of flow-through liability upon incurring exploration expenditures		(66,351)		(27,989)
Flow-through share premium liability, end of the year	$	-	$	66,351

8. LOAN PAYABLE

In June 2020, the Company opened a Canada Emergency Business Account (“CEBA”) and received a loan of $40,000 funded by the Government of Canada. On January 12, 2022, the repayment deadline was extended such that the loan is interest-free and may be repaid any time before December 31, 2023, at which time, if unpaid, the remaining balance will convert to a 2-year term loan at an interest rate of 5% per annum. If the Company repays the loan prior to December 31, 2023, there will be loan forgiveness of 25% of the loan, up to $10,000.

Although the forgivable portion of the loan of $10,000 is not repayable if the Company repays the amount of $30,000 by December 31, 2023, this amount is recognized in income when the Company has reasonable assurance that it will comply with the terms of early repayment of this aid. The Company initially measured the loan at a fair value of $28,049 resulting in an adjustment of $11,951 recognized in net loss as government assistance during the year ended December 31, 2020. During the year ended December 31, 2021, the Company recognized accretion of the loan of $4,512, increasing the carrying value of the loan payable to $34,815. On January 12, 2022, upon extension of the maturity date, the Company remeasured the loan at a fair value of $30,385 resulting in an adjustment of $4,602 recognized in net loss as government assistance during the year ended December 31, 2022. During the year ended December 31, 2022, the Company recognized accretion of the loan of $4,575 increasing the carrying value of the loan payable to $34,788.

9. RELATED PARTY TRANSACTIONS

		2022		2021
Amounts due to related parties				
David H. Brett, Director and former President and Chief Executive Officer ("CEO")	$	91,325	$	91,325
Estate of Guilford H. Brett, former Director and Chairman		192,882		180,632
Leanora Brett, Chief Financial Officer ("CFO")		135,224		111,724
Antonio Vespa, Director and former Vice President of Operations		15,500		123,000
Sebastien Ah Fat, former Vice President of Exploration		10,000		123,000
Helder Carvalho, former Vice President of Corporate Development		-		123,000
	$	444,931	$	752,681
Loans payable to related parties				
Estate of Guilford H. Brett, former Director and Chairman	$	102,935	$	102,935
David H. Brett, Director and former President and CEO		1,276		-
Leanora Brett, CFO		1,881		814
Alan Qiao, a significant shareholder		4,000		4,000
	$	110,092	$	107,749

Amounts due to related parties are for accrued management fees and loan interest and are unsecured, non-interest bearing, and have no specific terms of repayment. During the year ended December 31, 2021, the Director and former President and CEO of the Company and a former director of the Company assigned $150,000 equally between the Vice former President of Exploration of the Company, the Director and former Vice President of Operations of the Company and the former Vice President of Corporate Development of the Company.

During the year ended December 31, 2022, the Company entered into a settlement agreement with Sebastien Ah Fat upon his resignation to settle the outstanding amount due to him of $127,313 in consideration for a promissory note of $10,000, resulting in a gain on settlement of $117,313. The promissory note is non-interest bearing, unsecured and due upon the earlier of: (i) the date on which the company completes any issuance of debt or equity instruments of at least $500,000; or (ii) March 31, 2023.

During the year ended December 31, 2022, the Company entered into a settlement agreement with Helder Carvalho upon his resignation to settle the outstanding amount due to him of $149,032 in consideration for $15,000, resulting in a gain on settlement of $134,032.

During the year ended December 31, 2022, the Company entered into a settlement agreement with Antonio Vespa to settle the outstanding amount due to him of $144,800 in consideration for a total of $46,000, resulting in a gain on settlement of $98,800. The consideration totaling $46,000 is payable upon certain milestones, of which $36,000 was paid during the year ended December 31, 2022.

At December 31, 2022, a total of $22,927 (2021 - $22,927) owing to companies controlled by a significant shareholder of the Company is included in trade and other payables.

Included in loans payable to related parties is a loan of $85,000 owed to the Estate of the former director and Chairman of the Company, which is unsecured, bears interest at 7% per annum, and payable on demand. As at December 31, 2022, the accrued interest on the loan was $102,250 (2021 - $90,001). The remaining loans payable to related parties are advances from related parties and are unsecured, non-interest bearing, and have no specific terms of repayment.

9. RELATED PARTY TRANSACTIONS (cont'd…)

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or accrued to key management personnel during the years ended December 31 is as follows:

		2022		2021
Management fees	$	110,300	$	117,000
Consulting fees		30,000		30,000
Geo-consulting services		2,600		20,700
Total	$	142,900	$	167,700

The Company entered into the following related party transactions during the year ended December 31, 2022:

a) Paid or accrued consulting fees of $30,000 (2021 - $30,000) to the CFO of the Company for corporate consulting services provided.

b) Accrued and settled management fees of $110,300 (2021 - $117,000) to three former officers of the Company for management services provided.

c) Paid or accrued geo-consulting fees of $2,600 (2021 - $20,700) to the former VP of Exploration of the Company for geological consulting services provided.

d) Paid or accrued loan interest of $12,250 (2021 - $11,449) to the Estate of the former Director and Chairman of the Company related to an interest-bearing loan.

e) Paid or accrued rent of $nil (2021 - $2,000) to a company with a director in common with the Company for shared office space.

10. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At December 31, 2022, the Company had 25,411,584 common shares outstanding (2021 - 16,900,711).

Share issuances

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

i) Completed a private placement of 7,365,873 units at a price of $0.07 per unit for gross proceeds of $515,611. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of $0.10 until July 20, 2025. The Company allocated $73,659 to the value of the warrants, which was recorded to the equity reserves. The Company paid a cash finder's fees of $27,059 and issued 386,550 finder's warrants. The finder's warrants have the same terms as the warrants issued under the private placement. The finder's warrants were valued at $16,490 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.26%, an expected life of 3-year, annualized volatility of 136.52% and a dividend rate of 0%). The Company also incurred filing and other expenses of $14,522 in connection with the private placement.

ii) Issued 1,000,000 common shares with a fair value of $60,000 pursuant to the Atlin Goldfields option and joint venture agreement (Note 5).

10. SHARE CAPITAL (cont'd…)

iii) Issued 145,000 common shares at $0.10 per share pursuant to the exercise of share purchase warrants for gross proceeds of $14,500 and reclassified the fair value of the share purchase warrants of $1,450 from equity reserves to share capital.

During the year ended December 31, 2021, the Company completed a private placement of 286,000 non-flow-through units at a price of $0.125 per non-flow-through unit for gross proceeds of $35,750. Each non-flow-through unit is comprised of one non-flow-through common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of $0.175 until February 5, 2022. The Company incurred filing and share issuance costs of $3,683 in connection with the private placement.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2022, was based on the loss attributable to common shareholders of $29,962 (2021 - $251,966) and a weighted average number of common shares outstanding of 20,677,898 (2021 - 16,872,503).

11. EQUITY RESERVES

Stock options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. The maximum number of common shares to be issued under the Plan is restricted such that it cannot at any given time be more than 10% of the Company's issued and outstanding shares. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued. Options granted must be exercised no later than two years after the date of the grant or such lesser periods as regulations require.

Stock option transactions are summarized as follows:

	Number of options		Weighted average exercise price
Balance, December 31, 2020 and 2021	1,400,000	$	0.15
Cancelled	(500,000)		0.15
Balance, December 31, 2022	900,000	$	0.15
Exercisable, December 31, 2022	900,000	$	0.15

The options outstanding at December 31, 2022 have a weighted average remaining contractual life of 0.73 years. As at December 31, 2022, the following stock options were outstanding:

Number of options	Exercise price	Expiry date
900,000	$ 0.15	September 24, 2023

11. EQUITY RESERVES (cont'd…)

Share purchase warrants

Warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Balance, December 31, 2020	2,318,676	$ 0.21
Issued	286,000	0.175
Expired	(2,318,676)	0.21
Balance, December 31, 2021	286,000	$ 0.175
Issued	7,752,423	0.10
Exercised	(145,000)	0.10
Expired	(286,000)	0.175
Balance, December 31, 2022	7,607,423	$ 0.10

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

Number of Warrants	Exercise Price	Expiry Date
7,607,423	$ 0.10	July 20, 2025

12. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the year ended December 31, 2022, included:

a) The Company issued 1,000,000 common shares pursuant to the Atlin Goldfields option and joint venture agreement with a total value of $60,000.

b) The Company issued 386,550 agent's warrants with a fair value of $16,490 as finder's fee in connection with a private placement.

c) The Company reclassified the fair value of warrants exercised of $1,450 from equity reserves to share capital.

d) Included in trade and other payables are $157,239 related to exploration and evaluation assets.

Significant non-cash transactions during the year ended December 31, 2021, included:

a) Included in trade and other payables are $42,042 related to exploration and evaluation assets.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets 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 components of shareholders' equity in the definition of capital. 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 its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

The effective income tax rates differ from Canadian statutory federal and provincial rates for the following reasons in the years ended December 31:

	2022	2021
Loss before income taxes	$ (29,962)	$ (251,966)
Statutory tax rate	27%	27%
Expected income tax recovery at statutory rates	$ (8,000)	$ (68,000)
Permanent differences and other	18,000	(6,000)
Flow-through share expenditures renounced	-	89,000
Unrecognized temporary differences	(10,000)	(15,000)
Deferred income tax expense	$ -	$ -

As at December 31, 2022, the Company has non-capital losses of approximately $6,832,000 (2021 - $6,949,000) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. These losses, if not utilized, will expire between 2026 and 2042. Subject to certain restrictions, the Company also has resource expenditures of approximately $3,787,000 (2021 - $3,619,000) available to reduce taxable income in future years. Deferred income tax assets which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements as the Company determined that, as at December 31, 2022, their realization is uncertain.

The nature and tax effect of the temporary differences giving rise to the unrecognized deferred tax assets are as follows:

	2022	2021
Non-capital loss carry forwards	$ 1,845,000	$ 1,877,000
Exploration and evaluation assets	754,000	717,000
Equipment	34,000	34,000
Share issuance costs	12,000	7,000
Unrecognized deferred income tax assets	$ 2,645,000	$ 2,635,000

15. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash, trade and other payables, loan payable, amounts due to related parties and loans payable to related parties are measured at amortized cost.

The carrying amount of cash, trade and other payables, loan payable, amounts due to related parties, and loans payable to related parties carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at December 31, 2022, the Company had a cash balance of $39,267 and current liabilities of $800,274. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand. Amounts due to related parties and loans payable to related parties are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and related party loans. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

The Company is exposed to interest rate risk arising from the cash maintained at Canadian financial institutions. The interest rate risk on cash is not considered significant due to their short-term nature and maturity.

16. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. There have been no changes in these levels and no changes in classifications during the year ended December 31, 2022.