MAX RESOURCE CORP.

TSX.V
MAX

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Max Resource Corp.

Opinion

We have audited the consolidated financial statements of Max Resource 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, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

We have determined that there are no key audit matters to communicate in our report.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 1, 2023

Max Resource Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
		$	$
ASSETS			
Current			
Cash and cash equivalents	3	15,600,259	786,789
Receivables		135,945	3,244
Taxes recoverable		161,541	31,471
Prepaids and deposits		89,275	180,902
		15,9587,020	1,002,406
Equipment	4	399,720	161,582
Exploration and evaluation assets	5	9,182,683	2,065,550
		25,569,423	**3,229,538**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payables and accrued liabilities	7,10	1,627,671	487,824
Current portion of long-term debt	8	22,294	-
		1,649,965	487,824
Long-term debt	8	270,913	-
		1,920,878	487,824
Shareholders' equity			
Share capital	9	57,566,252	33,902,458
Reserves	9	7,259,075	4,363,804
Deficit		(41,176,782)	(35,524,548)
		23,648,545	2,741,714
		25,569,423	**3,229,538**

Nature of operations and going concern (Note 1)
Contingency (Note 13)

Approved and authorized for issue on behalf of the Board on May 1, 2023

DIRECTOR *"Paul John"*
Paul John

DIRECTOR *"Brett Matich"*
Brett Matich

Max Resource Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2022	2021
		$	$
OPERATING EXPENSES			
Consulting and employment costs	10	1,546,018	1,056,236
Depreciation	4	46,878	19,600
Exploration and evaluation expenditures	5	69,653	1,406,824
Foreign exchange		122,460	50,440
Management fees	10	512,200	400,000
Marketing		439,407	504,034
Office and miscellaneous		518,308	239,020
Professional fees		294,554	330,577
Property investigation costs	6	6,813	320,000
Share-based compensation	9	1,633,680	674,490
Transfer agent and filing fees		42,126	35,930
Travel and related costs		417,381	45,081
		(5,649,478)	(5,082,232)
Interest income		290,451	6,354
Loss on settlement	8	(293,207)	-
		(2,756)	6,354
Loss and comprehensive loss for the year		**(5,652,234)**	**(5,075,878)**
Loss per share - basic and diluted		$ (0.04)	$ (0.05)
Weighted average number of common shares outstanding		143,284,916	93,539,253

Max Resource Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		Share capital		Reserves				
	Note	Number of shares	Amount	Warrants	Share options	Total	Deficit	Total
			$	$	$	$	$	$
Balance at December 31, 2020		87,576,100	31,808,024	663,601	3,212,453	3,876,054	(30,448,670)	5,235,408
Shares issued on exercise of warrants	9	12,565,726	1,650,165	(16,472)	-	(16,472)	-	1,633,693
Shares issued on exercise of share options	9	1,316,666	444,269	-	(170,268)	(170,268)	-	274,001
Share-based compensation		-	-	-	674,490	674,490	-	674,490
Loss for the year		-	-	-	-	-	(5,075,878)	(5,075,878)
Balance at December 31, 2021		101,458,492	33,902,458	647,129	3,716,675	4,363,804	(35,524,548)	2,741,714
Units issued for private placements	9	59,150,000	24,389,000	1,020,000	-	1,020,000	-	25,409,000
Shares issued on exercise of warrants	9	595,833	80,000	-	-	-	-	80,000
Shares issued on exercise of share options	9	680,000	206,589	-	(83,889)	(83,889)	-	122,700
Share issuance costs		-	(1,011,795)	325,480	-	325,480	-	(686,315)
Share-based compensation		-	-	-	1,633,680	1,633,680	-	1,633,680
Loss for the year		-	-	-	-	-	(5,652,234)	(5,652,234)
Balance at December 31, 2022		**161,884,325**	**57,566,252**	**1,992,609**	**5,266,466**	**7,259,075**	**(41,176,782)**	**23,648,545**

Max Resource Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2022	2021
	$	**$**
Cash flows used in operating activities		
Loss for the year	(5,652,234)	(5,075,878)
Items not affecting cash:		
Depreciation	46,878	19,600
Loss on settlement	293,207	-
Share-based compensation	1,633,680	674,490
Changes in non-cash working capital items:		
Receivables	(132,701)	(3,244)
Taxes recoverable	(130,070)	139,481
Prepaids	91,627	54,510
Accounts payables and accrued liabilities	277,605	(247,017)
	(3,572,008)	(4,438,058)
Cash flows used in investing activities		
Exploration asset expenditures	(6,254,891)	(1,323,019)
Purchase of equipment	(285,016)	(56,984)
	(6,539,907)	(1,380,003)
Cash flows from financing activities		
Units issued for cash	25,409,000	-
Proceeds from exercise of options	122,700	274,001
Proceeds from exercise of warrants	80,000	1,633,693
Share issue costs	(686,315)	-
	24,925,385	1,907,694
Change in cash during the year	14,813,470	(3,910,367)
Cash, beginning of year	786,789	4,697,156
Cash, end of year	**15,600,259**	**786,789**

Supplemental cash flow information (Note 12)

1. NATURE OF OPERATIONS AND GOING CONCERN

Max Resource Corp. (the "Company" or "Max Resource") was incorporated on April 25, 1994, under the laws of the province of Alberta, Canada, and continued its jurisdiction of incorporation into British Columbia on February 5, 2019. The Company's principal activity is the acquisition and exploration of mineral properties in South America and Canada. The Company's shares traded on the TSX Venture Exchange ("TSX-V") under the symbol "MXR" until March 9, 2022. On March 10, 2022, the Company shares traded on the TSX-V under the symbol "MAX".

The Company's head office is located at #1188 - 1095 West Pender Street, Vancouver, British Columbia, Canada, V6E 2M6 and its registered and records office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The recoverability of carrying amounts for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete exploration and development, achievement of future profitable production or proceeds from the disposition thereof. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company's continuation as a going-concern is dependent upon the successful results of its mineral property exploration and downstream development activities and its ability to raise equity capital sufficient to meet current and future obligations. As at December 31, 2022, the Company had cash and cash equivalents of $15,600,259 which alleviates significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved by the Board of Directors of the Company and authorized for issuance on May 1, 2023.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow disclosure.

The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following wholly owned subsidiaries:

Name	Jurisdiction
Gachala Colombia Corp.	British Columbia, Canada
Gachala Colombia Corp Sucursal Colombia ("Gachala")	Colombia
PGE Americas Metals Corp.	British Columbia, Canada
Valleduper Colombia Corp.	British Columbia, Canada
Valleduper Colombia S.A.S. ("Valleduper")	Colombia
Baccancas Colombia Corp.	British Columbia, Canada
Baccancas Colombia S.A.S. ("Baccancas")	Colombia
Bocono Colombia Corp.	British Columbia, Canada
Bocono Colombia Corp S.A.S. ("Bocono")	Colombia
TUCO Resource Corp.	British Columbia, Canada
TUCO Resource Corp. S.A.C ("TUCO")	Peru

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Significant estimates and judgements made by management in the preparation of these consolidated financial statements are outlined below.

<u>Significant judgements</u>

<u>Going concern</u>
The assessment of the Company's ability to continue as a going concern and whether there exists material uncertainties that may cast doubt involves management judgement about the Company's resources and future prospects (see Note 1).

<u>Functional currency</u>
The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar ("CAD"); however, determination of functional currency may involve certain judgments to determine the primary economic environment which is re-evaluated for each new entity or if conditions change.

<u>Economic recoverability and probability of future economic benefits of mineral exploration and evaluation assets</u>
Management must use judgment when determining whether there are indicators that its mineral properties may be impaired. Indicators that are considered by management are described in the Company's accounting policy for exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

Significant estimates

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of money market investments and certificates of deposit with maturity dates less than 90 days or with investment terms that allow for penalty free redemption after one month.

Foreign currency translation

Functional and presentation currency:
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company and its subsidiaries' functional and presentation currency.

Transactions and balances:
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the statements of loss and comprehensive loss.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

The following table shows the classification of financial instruments under IFRS 9:

Financial assets/liabilities	**Classification**
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payables	Amortized cost
Long-term debt	Amortized cost

Measurement
Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

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. At each reporting date, the Company measures the loss allowance for the financial asset 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 Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

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

As at December 31, 2022 and 2021, the Company did not have any derivative financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs directly related to a recognized asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of significant replaced parts are derecognized. All other repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Depreciation is calculated using the declining balance method or straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category is as follows:

Class	Depreciation rate
Computers	55%
Equipment	20%
Office furniture	20%
Vehicles	10 years

Exploration and evaluation assets

The Company's exploration and evaluation assets consist of mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration and evaluation stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditures also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Where the Company has entered into option agreements to acquire interests in mineral properties that require periodic share issuances, amounts un-issued are not recorded as liabilities since they are issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date of the issuance.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Exploration and evaluation assets (continued)

All capitalized exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The following circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Property investigation costs

Costs incurred during the evaluation process, which include geological evaluation, sampling, surveying, legal review, accounting analysis, deposits and standstill arrangements where the Company does not acquire the property or project subsequent to the evaluation process, are expensed as incurred in the statement of loss and comprehensive loss.

Asset retirement obligation (“ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the 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 Company’s estimates of restoration 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 asset with a corresponding entry to the 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 amount and timing of the Company’s estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, the Company did not have any significant asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

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

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

<u>Valuation of equity units issued in private placements:</u>
The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. All of the Company's 11,065,000 (2021 – 8,408,334) and 46,915,171 (2021 – 2,075,000) outstanding options and warrants, respectively, were anti-dilutive and therefore excluded from the diluted loss per share calculation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined at the grant date using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income taxes

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

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

Deferred income tax
Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

Future accounting standards, amendments and interpretations

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the statement of financial position usually comprise of cash at bank, held in trust, and short-term deposits which are highly liquid and readily convertible into a known amount of cash.

	December 31, 2022	December 31, 2021
	$	$
Cash	12,466,174	691,958
Held in trust	106,035	94,831
Guaranteed investment certificate	3,028,050	-
	15,600,259	**786,789**

4. EQUIPMENT

	Computers	Equipment	Office Furniture	Vehicles	Total
	$	$	$	$	$
Cost:					
At December 31, 2020	-	39,869	-	100,084	139,953
Additions	1,388	2,961	870	51,765	56,984
At December 31, 2021	1,388	42,830	870	151,849	196,937
Additions	21,273	24,003	3,580	236,160	285,016
At December 31, 2022	22,661	66,833	4,450	388,009	481,953
Depreciation:					
At December 31, 2020	-	3,987	-	11,768	15,755
Additions	382	7,526	174	11,518	19,600
At December 31, 2021	382	11,513	174	23,286	35,355
Additions	7,234	8,036	599	31,009	46,878
At December 31, 2022	7,616	19,549	773	54,295	82,233
Net book value:					
At December 31, 2021	1,006	31,317	696	128,563	161,582
At December 31, 2022	**15,045**	**47,284**	**3,677**	**333,714**	**399,720**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

A continuity of exploration and evaluation assets is as follows:

	RT Gold Project	CESAR Project	Total
	$	$	$
Balance, December 31, 2020	**742,531**	**-**	742,531
Property acquisition/staking costs	370,860	-	370,860
Exploration costs			
Equipment and supplies	72,859	20,366	93,225
General administration	-	236,255	236,255
Geological consulting	439,515	53,577	493,092
Permits	-	4,550	4,550
Salaries and wages	-	28,729	28,729
Travel	92,505	3,803	96,308
Subtotal	975,739	347,280	1,323,019
Balance, December 31, 2021	**1,718,270**	**347,280**	**2,065,550**
Exploration costs			
Equipment and supplies	14,120	343,416	357,536
General administration	105,422	27,955	133,377
Geological consulting	1,130,608	4,182,732	5,313,340
Permits	-	135,814	135,814
Rent	-	199,455	199,455
Salaries and wages	305,668	596,714	902,382
Travel	31,958	43,271	75,229
Subtotal	1,587,776	5,529,357	7,117,133
Balance, December 31, 2022	**3,306,046**	**5,876,637**	**9,182,683**

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

RT Gold Project

On September 16, 2020, the Company optioned the RT Gold property which consists of two contiguous mineral concessions within the district of Tabaconas, Peru. On November 4, 2021, the option agreement was amended to change the dates of the payments required. In accordance with the amended option agreement, to earn a 100% interest in the property, the Company must:

- pay US$300,000 to the vendors on execution of the agreement (paid);
- pay US$300,000 on or before October 30, 2021 (paid);
- pay US$150,000 on or before March 20, 2023 (paid subsequent to year end);
- pay US$150,000 on or before March 20, 2024;
- pay US$300,000 on or before March 20, 2025;
- pay US$300,000 on or before March 20, 2026;
- pay US$3,000,000 on or before March 20, 2027.

Upon acquiring a 100% interest in the RT Gold property, the vendors will retain a 2.5% net smelter royalty on the commercial production of the RT Gold property.

CESAR Project

As at December 31, 2022, the Company held 69 (2021 – 39) initial mineral license applications within the northern Andean copper belt in northeastern Colombia. As at December 31, 2022, the Company was awarded 20 (2021 – 19) Colombian Mining Concession contracts ("CMC Contract") for a period of 30 years, with the ability to extend for an additional 30 years, for 20 of the mineral license applications.

All costs incurred prior to receiving the CMC Contracts were expensed as they did not meet the criteria for capitalization under IFRS 6 as the Company did not yet have title to the licenses which were currently in the application phase with the ANM (the Colombian National Mining Agency).

Prior to receiving the CMC contracts, the Company incurred geological expenses $69,653 (2021 - $1,406,824) during the year ended December 31, 2022 for the CESAR Project which were included in exploration and evaluation expenditures in the consolidated statement of loss and comprehensive loss. Subsequent to receiving the CMC contracts, the Company has capitalized the geological expenditures incurred on this property.

On March 18, 2022, the Company entered into a Cooperation Agreement (the "Agreement") with Endeavour Silver Corp. ("Endeavour") to solidify the terms to cooperate in the acquisition of additional mining properties to be included in the CESAR Project. Under the Agreement, Endeavour will provide certain financial capabilities required of the Company by the ANM of Colombia for the benefit of securing additional mineral tenures. Endeavour will hold a 0.5% net smelter royalty on any mineral tenures acquired under this Agreement. In accordance with the Agreement, Endeavour subscribed to 6,600,000 units of the Company's March 2022 PP (defined in Note 9) ("Endeavour Shares"), representing approximately 5% of the Company's outstanding common shares at that time. The Endeavour Shares shall not be sold, transferred or disposed of until March 28, 2024. In addition, Endeavour has entered into a voting trust agreement to vote its share in favor of the Company's management's recommendations. As at December 31, 2022, 24 mineral license applications have been acquired under this Agreement of which none have been converted into CMC contracts.

(Expressed in Canadian Dollars)

6. PROPERTY INVESTIGATION COSTS

During the years ended December 31, 2022 and 2021, the Company considered several potential acquisition targets in Colombia where the Company did not proceed after the evaluation process. Additionally, on January 27, 2021, the Company signed a consulting agreement with a consultant to help identify and acquire additional mineral claims around the Company's CESAR Project. Under the agreement, the consultant was paid $320,000 upon signing of the agreement and will be granted a 3% net smelter royalty ("NSR") on all mineral claims currently registered to Valleduper and Baccancas and any claims registered to these companies during 2021. The Company has the right to purchase 100% of the NSR for US$4,000,000 any time prior to production. As at December 31, 2022, 51 mineral license applications have been acquired under this agreement of which 19 have been converted into CMC contracts.

During the year ended December 31, 2022, $6,813 (2021 - $320,000) was charged to property investigation costs in the statement of loss and comprehensive loss.

7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	2022	**2021**
	$	**$**
Trade payables (Note 10)	1,407,188	386,139
Accrued liabilities	112,570	56,500
Payroll liabilities	107,854	45,185
Sales tax payable	59	-
	1,627,671	**487,824**

8. LONG-TERM DEBT

The following is a continuity schedule of the carrying value of the long-term debt:

	2022
	$
Balance, beginning of year	-
Additions	474,040
Discount	(180,833)
	293,207
Less: current portion	(22,294)
Balance, end of year	**270,913**

In October 2020, the Company agreed to cancel an agreement between Gachala and a consultant, in respect to locating prospective properties and data acquisition for the CESAR Project, for the Company making annual payments of US$50,000 to the former consultant for 10 years. As at December 31, 2022, $197,652 (US$150,000) had been paid and expensed under exploration and evaluation expenditures. As at December 31, 2022, the consultant was no longer engaged with the Company; as such, the Company setup the remaining net commitment of $293,207 as a long-term debt and recorded a loss on settlement in the statement of comprehensive loss. The commitment was recorded at a discount of $180,833, which will be amortized over the term of the agreement at an effective interest rate of 15%. As at December 31, 2022, $474,040 (US$350,000) was owing to the consultant.

9. SHARE CAPITAL AND RESERVES

Authorized and issued share capital

Unlimited number of common shares without par value. At December 31, 2022, there were 161,884,325 (2021 – 101,458,492) issued and fully paid common shares outstanding.

Shares issued

During the year ended December 31, 2022:

On March 28, 2022, the Company closed a private placement of 29,650,000 units at a price of $0.26 per unit for total proceeds of $7,709,000 ("March 2022 PP"). Each unit consists of one common share and one-half warrant with each whole warrant being exercisable into one common share of the Company at an exercise price of $0.36 for a period of 24 months from the date of issuance. No value was allocated to the warrants. In connection with the March 2022 PP, the Company paid filing fees of $32,507, finder's fees of $176,463 and issued 678,704 finders' warrants with each finders' warrant entitling the holder to purchase one common share of the Company at a price of $0.36 per warrant until March 28, 2024 valued at $230,280. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price $0.36, Expected life – 2 years, Risk-free rate – bond equivalent yield – 2.27%, Annualized volatility – 115.79%, Dividend yield – 0%.

On May 18, 2022, the Company closed a private placement of 25,500,000 units at a price of $0.60 per unit for total proceeds of $15,300,000 ("May 2022 PP"). Each unit consists of one common share and one warrant exercisable into one common share of the Company at an exercise price of $0.85 for a period of 12 months from the date of issuance. Upon issuance, the Company allocated $1,020,000 to reserves for the value attributed to the warrants. In connection with the May 2022 PP, the Company paid legal fees of $61,921, filing fees of $38,550, finder's fees of $115,380, and issued 192,300 finders' warrants with each finders' warrant entitling the holder to purchase one common share of the Company at a price of $0.85 per warrant until May 18, 2023 valued at $34,340. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price $0.85, Expected life – 1 year, Risk-free rate – treasury bill equivalent yield – 2.52%, Annualized volatility – 113.09%, Dividend yield – 0%.

On June 7, 2022, the Company closed a private placement of 4,000,000 units at a price of $0.60 per unit for total proceeds of $2,400,000 ("June 2022 PP"). Each unit consists of one common share and one warrant exercisable into one common share of the Company at an exercise price of $0.85 for a period of 12 months from the date of issuance. No value was allocated to the warrants. In connection with the June 2022 PP, the Company paid legal fees of $105,494, filing fees of $12,000, finder's fees of $144,000, and issued 240,000 finders' warrants with each finders' warrant entitling the holder to purchase one common share of the Company at a price of $0.85 per warrant until June 7, 2023 valued at $60,860. The fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model and the following assumptions: Average exercise price $0.85, Expected life – 1 year, Risk-free rate – treasury bill equivalent yield – 2.88%, Annualized volatility – 115.66%, Dividend yield – 0%.

The Company issued 595,833 common shares for gross proceeds of $80,000 in connection with the exercise of 537,500 warrants at $0.10 per warrant and 58,333 warrants at $0.45 per warrant.

The Company issued 680,000 common shares for gross proceeds of $122,700 in connection with the exercise of 450,000 share options at $0.15 per option and 230,000 share options at $0.24 per option. Upon exercise, $83,889 was reallocated from reserves to share capital.

9. SHARE CAPITAL AND RESERVES (continued)

Shares issued (continued)

During the year ended December 31, 2021:

The Company issued 12,565,726 common shares for gross proceeds of $1,633,693 in connection with the exercise of 3,137,727 warrants at $0.10 per warrant and 9,427,999 warrants at $0.14 per warrant. Upon exercise, $16,472 was reallocated from reserves to share capital.

The Company issued 1,316,666 common shares for gross proceeds of $274,001 in connection with the exercise of 250,000 share options at $0.15 per option, 416,666 share options at $0.24 per option, and 650,000 share options at $0.21 per option. Upon exercise, $170,268 was reallocated from reserves to share capital.

Share options

In October 2022, the Company adopted an Omnibus Equity Incentive Compensation Plan ("Omnibus Plan"), approved by the shareholders, which succeeded the Company's incentive stock option plan. Under the Omnibus Plan, the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable share options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Options granted typically vest on the grant date with the exception of options granted to persons retained to provide Investors Relations Activities whereby the options will vest ¼ every quarter from the date of grant.

During the year ended December 31, 2022, the Company granted 3,720,000 stock options to certain consultants of the Company with an exercise price of $0.55 and an expiry date of April 26, 2026. The fair value of the options was calculated to be $1,633,680 using the Black-Scholes Option Pricing Model and the following weighted average assumptions: Expected life – 4 years, Risk-free rate – 2.60%, Annualized volatility – 129.62%, Dividend yield – 0%. During the year ended December 31, 2022, the Company recognized share-based compensation expense of $1,633,680 in respect to these options.

During the year ended December 31, 2021, the Company granted 4,400,000 share options to certain consultants exercisable at an average price of $0.24 for an average period of 4.55 years. The fair value of the options was calculated to be $674,490 using the Black-Scholes Option Pricing Model and the following weighted average assumptions: Expected life – 4.55 years, Risk-free rate – 1.11%, Annualized volatility – 122%, Dividend yield – 0%. During the year ended December 31, 2021, the Company recognized share-based compensation expense of $674,490 in respect to these options.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

The share option continuity schedule is as follows:

	Number of options	Weighted average exercise price	Weighted average share price on exercise
		$	$
Balance, December 31, 2020	5,325,000	0.27	
Granted	4,400,000	0.24	
Exercised	(1,316,666)	0.21	0.20
Balance, December 31, 2021	8,408,334	0.27	
Granted	3,720,000	0.55	
Exercised	(680,000)	0.18	0.68
Expired / cancelled	(383,334)	0.17	
Balance, December 31, 2022	**11,065,000**	**0.37**	

Details of the share options outstanding and exercisable as at December 31, 2022 are as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
	$	
75,000	3.60	March 20, 2024
800,000	0.15	January 3, 2025
1,800,000	0.21	August 24, 2025
1,000,000	0.40	November 9, 2025
3,720,000	0.55	April; 26, 2026
3,670,000	0.24	December 20, 2026
11,065,000		

The weighted average life of share options outstanding at December 31, 2022 was 3.28 years.

Warrants

The warrant continuity schedule is as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, December 31, 2020	31,140,594	0.31
Exercised	(12,565,726)	0.13
Expired	(16,499,868)	0.42
Balance, December 31, 2021	2,075,000	0.44
Issued	45,436,004	0.68
Exercised	(595,833)	0.13
Balance, December 31, 2022	**46,915,171**	**0.60**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Details of the warrants outstanding as at December 31, 2022 are as follows:

Number of warrants outstanding	Exercise price	Expiry date
	$	
837,500*	0.45	January 17, 2023
641,667*	0.72	February 6, 2023
25,692,300	0.85	May 18, 2023
4,240,000	0.85	June 7, 2023
15,503,704	0.36	March 28, 2024
46,915,171		

**expired unexercised subsequent to December 31, 2022*

The weighted average life of warrants outstanding at December 31, 2022 is 0.66 years.

Performance share units

In October 2022, the Company adopted the Omnibus Plan, approved by the shareholders, under which it was authorized to grant a maximum of 4,000,000 performance share units ("PSUs") with each PSU convertible, on certain terms and conditions, to one common share of the Company. The exercise price and vesting terms of the PSUs granted may be determined by sole discretion of the Committee at the time of grant and/or on vesting.

In November 2022, the Company issued the maximum 4,000,000 PSUs to various directors and officers of the Company which will vest upon a change of control of the Company, but not earlier than November 17, 2023. The Company recognized $nil share-based compensation expense in respect to these PSUs.

PSU transactions are summarized as follows:

	Number of PSUs
Balance December 31, 2021	-
Granted	4,000,000
Balance, December 31, 2022	**4,000,000**

A summary of the PSUs outstanding at December 31, 2022 is as follows:

Number of PSUs	Vesting Date
4,000,000	Upon change of control, but not earlier than November 17, 2023
4,000,000	

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing, and controlling of the activities of the Company and include both executives and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

In January 2023, the Company entered into a Consulting Agreement with Mardu Investments Ltd., a company controlled by the Company's CEO, to provide CEO services to the Company, commencing December 1, 2022. The agreement requires monthly payments of $33,000 plus 4% of the fee as a benefit payment. Included in the agreement is a provision for a two year pay-out ($792,000) in the event of a termination without notice and a provision for a three year pay-out ($1,188,000) in the event of a change of control.

In January 2023, the Company entered into a Consulting Agreement with Redonda Management Ltd., a company controlled by the Company's CFO, to provide CFO services to the Company, commencing December 1, 2022. The agreement requires monthly payments of $15,000 plus 4% of the fee as a benefit payment. Included in the agreement is a provision for a two year pay-out ($360,000) in the event of a termination without notice and a provision for a three year pay-out ($540,000) in the event of a change of control.

As at December 31, 2022, the Company owed $106,017 (2021 - $98,496) to directors and officers of the Company for reimbursement of expenses, and accrued fees which are included in accounts payables and accrued liabilities.

A summary of key management personnel compensation is as follows:

	For the year ended December 31,	
	2022	**2021**
	$	**$**
Consulting	81,000	36,000
Management fees	512,200	400,000
	593,200	**436,000**

11. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is deposited with major banks and independent financial services firms in Canada and Peru. The Company maintains certain cash deposits with Schedule I financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's tax receivable is due from the Government of Canada; therefore, the credit risk exposure is low.

The maximum exposure to credit risk as at December 31, 2022 is the carrying value of the receivables. Management has assessed the risk of loss as low.

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and the advance of loans. The Company's access to equity financing is dependent upon market conditions and market risks. There can be no assurance of continued access to equity funding.

As at December 31, 2022, the Company had a cash and cash equivalents balance of $15,600,259 to settle current liabilities of $1,649,965. Liquidity risk is assessed as low.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2022 are as follows:

	≤1 Year	>1-5 Years	>6-10 Years	Total
	$	$	$	$
Accounts payable	1,627,671	-	-	1,627,671
Long-term debt	67,720	338,600	67,720	474,040
	1,695,391	338,600	67,720	2,101,711

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollars, Colombian Pesos, and the Peruvian Sol while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of cash is held in Canadian dollars.

The following is a summary of Canadian dollar equivalent financial assets and liabilities that are denominated in United States dollars, Colombian Pesos, or Peruvian Sol:

	2022	2021
	$	$
Cash	129,711	112,724
Accounts payables	(652,645)	(62,621)
Long-term debt	(293,207)	-
Net assets (liabilities)	**(816,141)**	**50,103**

Based on the above net exposures, a 10% change in the Canadian dollar exchange rate compared to with the United Sates dollars, Colombian Pesos, or Peruvian Sol would change net loss and comprehensive loss by approximately $82,000.

Interest rate risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and fixed interest-bearing debt, therefore, interest rate risk is nominal.

(Expressed in Canadian Dollars)

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Capital management
The Company's policy is to maintain a capital base sufficient to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

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

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

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payables and long-term debt. The fair value of receivables, accounts payables and long-term debt approximates their carrying values. Cash and cash equivalents is measured at fair value using level 1 inputs.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the year ended December 31,	
	2022	**2021**
	$	**$**
Supplemental non-cash disclosures		
Value allocated to warrants issued in private placements	1,020,000	-
Reallocation of value of options upon exercise	83,889	170,268
Reallocation of value of warrants upon exercise	-	16,472
Warrants issued for finders' fees pursuant to share issuances	325,480	-
Exploration and evaluation expenditures included in accounts payable	862,242	-

13. CONTINGENCY

During the year ended December 31, 2019, certain Colombian employees of Noble Metals Ltd. were registered under the Company's name with the Colombian tax authorities, without the consent of the Company. The Company has hired a Colombian law firm to unwind this unauthorized registration; however, the Company may face potential claims from these employees with respect to taxes, salaries and social security. The Company intends to vigorously defend against any potential claims, which cannot be reasonably estimated at this time.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Company and its subsidiaries are considered to be operating in one operating segment that being the exploration of resource properties. The Company's corporate offices are located in Canada and its mineral exploration activities are conducted in Colombia and Peru. Assets by geographical region are:

				As at December 31, 2022
	Canada	Colombia	Peru	Total
	$	$	$	$
Equipment	28,957	370,763	-	399,720
Exploration assets	-	5,876,637	3,306,046	9,182,683
	28,957	**6,247,400**	**3,306,046**	**9,582,403**

				As at December 31, 2021
	Canada	Colombia	Peru	Total
	$	$	$	$
Equipment	28,706	132,876	-	161,582
Exploration assets	-	347,279	1,718,271	2,065,550
	28,706	**480,155**	**1,718,271**	**2,227,132**

15. DEFERRED TAX ASSETS AND LIABILITIES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2022	2021
	$	$
Loss for the year	5,652,234	5,075,878
Expected income tax recovery at the statutory tax rate	(1,559,751)	(1,370,487)
Non-deductible items and other	569,068	193,757
Effect of change in tax rates	(64,276)	(73,395)
Temporary differences not recognized	1,054,960	1,250,125
Income tax recovery	-	-

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

	2022	2021
Non-capital loss carry-forwards	9,338,262	8,099,660
Exploration and evaluation assets	1,369,046	1,650,840
Equipment	9,007	9,075
Other	219,915	121,694
	10,936,229	**9,881,269**

(Expressed in Canadian Dollars)

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The significant components of temporary differences, unused tax losses and unused tax credits that have not been recognized on the consolidated statements of financial position are approximately as follows:

	2022	Expiry dates	**2021**	Expiry dates
	$		**$**	
Share issue costs	804,000	2022 to 2026	440,593	2022 to 2024
Non-capital losses – Canada	18,205,000	2026 to 2042	14,308,000	2026 to 2041
Non-capital losses – United States	7,798,000	2025 to 2042	7,798,000	2025 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.