

PRISM RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

Corporate Head Office

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PRISM RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

December 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Prism Resources Inc.

Opinion

We have audited the consolidated financial statements of Prism Resources Inc. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit 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.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
April 12, 2023**

PRISM RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 58,789	\$ 92,222
Accounts receivable	2,822	4,690
Prepaid expenses	5,654	5,235
	67,265	102,147
Property and equipment	3,022	3,722
	\$ 70,287	\$ 105,869
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 623,924	\$ 504,486
Due to related parties (note 7)	1,891,070	1,708,131
Loans payable (note 4)	100,000	100,000
Convertible loans (note 4)	332,000	332,000
	2,946,994	2,644,617
Shareholders' deficit		
Share capital (note 5)	16,463,801	16,463,801
Share-based payments reserve	924,834	630,863
Deficit	(20,265,342)	(19,633,412)
	(2,876,707)	(2,538,748)
	\$ 70,287	\$ 105,869

Approved on behalf of the Directors:

"Robert Parsons" Director
Robert Parsons

"Scott Ross" Director
Scott Ross

PRISM RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31,

	2022	2021
Expenses		
Consulting fees (note 7)	\$ 171,733	\$ 220,000
Depreciation	700	730
Investor relations	2,192	2,815
Listing and filing fees	16,654	11,014
Office	5,067	3,521
Peruvian value added tax (recovery)	-	(49)
Professional fees	83,383	88,545
Stock-based payments (notes 5 and 7)	293,971	-
Loss before other items	(573,700)	(326,576)
Other items		
Finance cost (note 4)	-	(83,000)
Interest expense	(49,350)	(43,994)
Foreign exchange gain (loss)	(8,880)	3,942
Total other items	(58,230)	(123,052)
Net loss and comprehensive loss for the year	\$ (631,930)	\$ (449,628)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding –		
Basic and diluted	51,945,393	51,945,393

PRISM RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31,

	2022	2021
Operating activities		
Net loss for the year	\$ (631,930)	\$ (449,628)
Items not affecting cash:		
Share-based payments	293,971	-
Depreciation	700	730
Finance cost (note 4)	-	83,000
Foreign exchange (gain) loss	8,880	(3,942)
Changes in non-cash working capital items:		
Accounts receivable	1,868	(59)
Prepaid expenses	(419)	(676)
Security deposits	-	98,415
Accounts payable and accrued liabilities	110,558	47,126
Due to related parties	182,939	229,529
Cash provided by (used in) operating activities	(33,433)	4,495
Financing activities		
Cash received from loans payable (note 4)	-	83,000
Cash provided by financing activities	-	83,000
Effect of foreign exchange on cash	-	3,942
Increase (decrease) in cash during the year	(33,433)	91,437
Cash, beginning of the year	92,222	785
Cash, end of the year	\$ 58,789	\$ 92,222
Supplemental cash flow information		
Interest received	\$ -	\$ -
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

PRISM RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total
Balance, December 31, 2020	51,945,393	\$ 16,463,801	\$ 630,863	\$ (19,183,784)	\$ (2,089,120)
Net loss for the year	-	-	-	(449,628)	(449,628)
Balance, December 31, 2021	51,945,393	16,463,801	630,863	(19,633,412)	(2,538,748)
Share-based payments	-	-	293,971	-	293,971
Net loss for the year	-	-	-	(631,930)	(631,930)
Balance, December 31, 2022	51,945,393	\$ 16,463,801	\$ 924,834	\$ (20,265,342)	\$ (2,876,707)

PRISM RESOURCES INC.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. NATURE OF OPERATIONS AND GOING CONCERN

The principal business activity of Prism Resources Inc. (the “Company”) is the acquisition and exploration of mineral properties. The Company was incorporated under the *Business Corporations Act* (British Columbia). The Company is an exploration stage company.

The head office of the Company are located at 3552 West 41st Avenue, P O Box 71030, Vancouver, British Columbia V6N 4J9, Canada. The registered and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7, Canada.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from December 31, 2022. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained below.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred operating losses of \$631,930 for the year ended December 31, 2022 (2021 - \$449,628), is currently unable to self-finance operations, has a working capital deficit of \$2,879,729 (December 31, 2021 - \$2,542,470), a deficit of \$20,265,342 (2021 - \$19,633,412), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available.

The Company does not generate cash flow from operations, and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that future exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to acquire, explore and maintain its future exploration and evaluation assets. The recoverability of the carrying value of exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these assets, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company’s exploration and evaluation assets, if any, do not reflect current or future values.

PRISM RESOURCES INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

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

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting and are prepared in Canadian dollars, which is the Company’s functional currency.

Approval of consolidated financial statements

The consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 12, 2023.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, 0938980 B.C. Ltd. and Compañia Minera Prism Peru S.A.C. (“Prism Peru”). All significant intercompany balances and transactions have been eliminated upon consolidation.

Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and reported amounts of consolidated expenses during the reporting year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PRISM RESOURCES INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Significant accounting estimates and judgments (cont'd)**Critical accounting judgments**a) Functional currency**

Determination of functional currency may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its subsidiary if there is a change in events and conditions, which determined the primary economic environment.

Management has determined that the functional currency for the Company and its subsidiaries is the Canadian dollar.

b) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short- and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Financial instrumentsClassification

Financial assets are classified at initial recognition as either: measured at amortized cost, Fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Financial instruments (cont'd)**Classification (cont'd)

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. Derivatives are also categorized as FVTPL unless they are designated as hedges.

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.

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

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Convertible loans	FVTPL
Due to related parties	Amortized cost

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Financial instruments (cont'd)**Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

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

Property and equipment**a) Recognition and measurement**

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition of 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.

Property and equipment are 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 property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit 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 costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

PRISM RESOURCES INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Property and equipment (cont'd)****c) 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 future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

d) Gains and losses

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

e) Depreciation

Depreciation is recognized in profit or loss using the following annual rates:

Computer equipment	-	55% declining balance method
Equipment	-	10% straight line method

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Exploration and evaluation assets

The Company currently has no exploration and evaluation assets.

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation assets and expenditures

Once the legal right to explore a property has been acquired, costs directly related to the acquisition of the exploration and evaluation assets are capitalized, on an area-of-interest basis. Subsequently the exploration and evaluation assets are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred and included in profit or loss.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

PRISM RESOURCES INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Exploration and evaluation assets (cont'd)****b) Exploration and evaluation assets and expenditures (cont'd)**

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to property carrying values.

Impairment of non-current assets

Non-current assets are evaluated at each reporting date by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a CGU, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions, hence, affecting the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Reversal of impairment

An impairment loss is reversed if there is an indication that 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 amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and/or internal expertise, and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

PRISM RESOURCES INC.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Provisions for environmental rehabilitation (cont'd)**

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

At December 31, 2022 and 2021, the Company has no known rehabilitation requirements.

Income taxes

Income tax expense 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 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 adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for 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 that 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 reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share purchase warrants and options are classified as equity instruments.

Commissions paid to agents and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged directly to share capital.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

PRISM RESOURCES INC.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31, 2022 AND 2021

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments

Where equity settled share purchase options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

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

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The residual value method first allocates value to the common shares issued in the private placements, as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties, and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

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3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

a) Credit risk

Concentration of credit risk exists with respect to the Company's cash, as all amounts are held at a major Canadian financial institution and a major Peruvian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Cash	2022	2021
Canadian financial institution	\$ 58,789	\$ 92,139
Peruvian financial institution	-	83
	\$ 58,789	\$ 92,222

The credit risk associated with cash is minimized by ensuring that substantially all dollar amounts are held with a major financial institution with strong investment-grade ratings by a primary ratings agency.

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 90 days. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements; however, at December 31, 2022, the cash balance of \$58,789 will not be sufficient to meet its obligations related to its accounts payable and accrued liabilities of \$623,924, due to related parties of \$1,891,070, loans payable of \$100,000, convertible loans of \$332,000 and required administrative expenditures over the next twelve months. The Company will be required to raise additional capital in the future to fund its operations.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is not subject to material interest rate risk.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in US and Peruvian currencies. At December 31, 2022, financial assets and liabilities include cash of US\$9 (2021 - US\$9) and nil Peruvian soles (2021 - 262 Peruvian soles), and accounts payable of 320,225 Peruvian soles (2021 - 323,961 Peruvian soles). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 11% (2021 - 7%) and Peruvian soles by 3% (2021 - 4%) would increase or decrease net loss by approximately \$9,000 (2021 - \$13,000) in these consolidated financial statements.

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3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

c) Market risk (cont'd)

(iii) Fair value of financial instruments

The carrying values of accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the short term to maturity of these financial instruments.

Assets and liabilities measured at fair value at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash	\$ 58,789	\$ -	\$ -	\$ 58,789
Convertible loans	\$ -	\$ 332,000	\$ -	\$ 332,000

Assets and liabilities measured at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash	\$ 92,222	\$ -	\$ -	\$ 92,222
Convertible loans	\$ -	\$ 332,000	\$ -	\$ 332,000

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to such risk.

4. LOANS PAYABLE AND CONVERTIBLE LOANS

Loans payable	Total
Balance, December 31, 2020	\$ 266,000
Reclassified to convertible loans	(166,000)
Balance, December 31, 2021 and 2022	\$ 100,000
Convertible loans	Total
Balance, December 31, 2020	\$ -
Reclassified from loans payable	166,000
Funds received	83,000
Fair value adjustment	83,000
Balance, December 31, 2021 and 2022	\$ 332,000

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4. LOANS PAYABLE AND CONVERTIBLE LOANS (cont'd)

On February 22, 2018, the Company entered into loan agreements (the "Loan Agreements") with certain shareholders, including certain directors of the Company. The loans granted pursuant to the Loan Agreements total \$100,000, with each of the lenders loaning \$30,000 to the Company, with the exception of the CFO, who is loaning \$10,000. The Loans bear interest at an annual rate of 12% per annum due on or before August 21, 2019, and are secured against all or substantially all of the assets of the Company. Pursuant to the Loan Agreements, the Company intended to issue bonus shares of the Company to the lenders (the "Bonus Shares").

The Bonus Shares were calculated as the number of common shares in the capital of the Company equal to 20% of such lender's loan divided by the market price of such shares at the end of day on February 22, 2018. On June 25, 2018, the Company issued 200,000 Bonus Shares to the lenders with an aggregate value of \$20,000 which the Company recorded as interest expense.

On October 9, 2019, the Company entered into promissory note (the "Promissory Note") with certain shareholders, including a director of the Company. The loans granted pursuant to the Promissory Note total \$166,000. The Loans bear interest at an annual rate of 15% per annum due on or before the thirtieth day after demand is made by the lenders, and are secured by a general security agreement. Pursuant to the Promissory Note, the Company shall pay to the lenders an amount equal to 25% of any funds to which the Company may become entitled in respect of the claim filed in the Ontario Superior Court of Justice against Detour. The Company also grants to the lenders the option to acquire a 100% in the Royalty for the sum of \$3,000,000 at any time prior to the Company repaying the outstanding balance and accrued interest owing under the Promissory Note in full. If the Company sells the Royalty, the lenders shall be entitled to 25% of the proceeds of such sale or disposition.

On March 24, 2021, the Company's noteholders agreed to lend additional funds to the Company in the amount of \$83,000 with substantially the same terms as the October 9, 2019 promissory note. The loans granted pursuant to the promissory note total \$249,000. The royalty provision in the note has been revised such that the Company shall pay to the lenders an amount equal to 35% of any funds to which the Company may become entitled in respect of the claim filed in the Ontario Superior Court of Justice against Detour. Pursuant to a conversion provision, the lenders have the option to convert on a dollar-for-dollar basis the entire unpaid principal and all accrued and unpaid interest into common shares of the Company at a price per share determined by dividing the dollar amount being converted by the market price of the shares, less the maximum allowable discount pursuant to applicable exchange policies.

The \$249,000 convertible loans are designated as at FVTPL. During the year ended December 31, 2021, a fair value adjustment of \$83,000 was recognized as finance cost.

5. SHARE CAPITAL**Authorized**

Unlimited number of voting common shares without par value.

Issued

There were no shares issued during the years ended December 31, 2022 and 2021.

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5. SHARE CAPITAL (cont'd)**Stock options**

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

Stock option transactions are summarized as follows:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	-	\$ -	-	\$ -
Granted	3,200,000	\$ 0.10	-	\$ -
Balance, end of the year	3,200,000	\$ 0.10	-	\$ -

The weighted average remaining contractual life of options outstanding at December 31, 2022 was 9.17 (December 31, 2021 – nil) years.

Stock options outstanding and exercisable are as follows:

Expiry date	December 31, 2022			December 31, 2021		
	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
March 1, 2032	\$ 0.10	3,000,000	3,000,000	\$ -	-	-
March 13, 2032	\$ 0.11	200,000	200,000	\$ -	-	-
		3,200,000	3,200,000		-	-

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5. SHARE CAPITAL (cont'd)**Share-based payments**

During the year ended December 31, 2022, the Company granted 3,200,000 (2021 – Nil) stock options with a fair value of \$293,971 (2021 - \$Nil), or \$0.09 (2021 - \$Nil) per option, calculated using the Black-Scholes option pricing model.

The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

	2022	2021
Risk-free interest rate	1.85%	N/A
Expected life of options	10 years	N/A
Expected annualized volatility	105.42%	N/A
Expected dividend yield	0.0%	N/A
Forfeiture rate	0.0%	N/A
Share price	\$0.10	N/A
Exercise price	\$0.10	N/A

Expected volatility is based on historical price volatility over the expected life of the option.

6. NET PROFIT INTEREST

The Company has a 7.5% Net Profits Interest in certain mining claims in the Porcupine Mining District of Ontario, Canada ("Royalty") owned by Detour Gold Corp. ("Detour").

On July 10, 2017, the Company announced that it had entered into an agreement (the "Royalty Purchase Agreement") with AuRico Metals Inc. and AuRico Metals Canadian Royalty partnership (together "Au Rico") for the sale by the company of the Royalty to AuRico. Following the announcement, the Company and AuRico received a written communication from Detour claiming the Royalty is invalid and unenforceable against Detour, notwithstanding Detour's long and consistent disclosure record to the contrary.

On July 21, 2017, the Company announced that the Royalty Purchase Agreement had been terminated, as a direct result of Detour's newly stated position repudiating any obligations under the Royalty. On August 1, 2017, the Company announced that it has filed a Notice of Civil Claim in the Supreme Court of British Columbia against Detour. In April 2019, the Company filed a Statement of Claim in the Ontario Superior Court of Justice against Detour. In its claim the Company seeks general and special damages, costs and interest, as well as a declaratory judgment that its Royalty is a valid charge and enforceable as against Detour. The Company deposited \$98,415 in trust with the Ontario Superior Court as security to cover Defendant's legal costs in the event that the Court instructs the Company to pay Defendants' costs.

The Ontario Superior Court of Justice ruled on April 1, 2021 that the Company's Royalty constitutes an interest in property held by the Company and is enforceable as against Detour. The Court also awarded costs in favour of the Company. On May 5, 2021, Detour initiated an appeal of the summary judgement from April 1, 2021.

On August 12, 2021, The Ontario Superior Court of Justice ordered the release of monies in the amount of \$98,415 plus interest to the Company.

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6. NET PROFIT INTEREST (cont'd)

On September 21, 2021, the Company submitted the factum of the respondent to the Court of Appeals for Ontario. A court date was set for January 25, 2022, after which the Court will have six months to render a decision.

On April 27, 2022, the Court of Appeal for Ontario ruled unanimously to dismiss Detour's appeal of the summary judgement awarded to the Company on April 1, 2021. The Company's net profits Royalty is fully enforceable against Detour.

Upon the dismissal of the appeal, Detour had sixty days to June 27, 2022 to take leave to the Supreme Court of Canada. As of that date, Detour did not elect to take leave to the Court and the Company considers the matter to be closed.

With the Detour litigation having been decided in the Company's favour, the Company is now actively pursuing new mineral exploration property opportunities.

7. RELATED PARTY TRANSACTIONS

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

Management compensation

Key management personnel compensation is comprised of the following:

For the years ended December 31,	2022	2021
Consulting fees to former CEO	\$ -	\$ 40,000
Consulting fees to interim CEO	72,000	54,000
Consulting fees to CFO and Corporate Secretary	42,000	42,000
Directors' fees (included in consulting fees)	57,733	84,000
Share-based payments to related parties	246,506	-
	\$ 418,239	\$ 220,000

At December 31, 2022, included in due to related parties is \$1,891,070 (December 31, 2021 - \$1,708,131) in expenses owing to directors. These amounts are unsecured, non-interest-bearing and due on demand.

At December 31, 2022, included in loans payable was \$59,500 (December 31, 2021 - \$59,500) payable to directors, interim CEO and the CFO of the Company. These loans bear interest at an annual rate varying from 12% to 15% per annum due on demand, and are secured against all or substantially all of the assets of the Company (note 4).

The Company has also entered into change of control agreements with officers of the Company. In the case of termination, the officers are entitled to an amount equal to the sum of the annual base fees then payable to the officer and the immediate vesting of all granted and unvested stock options if the Company terminates the engagement within twelve months of a change of control without cause.

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8. COMMITMENTS

On July 1, 2016, the Company entered into a consulting agreement whereby the consultant is to serve as the Company's Corporate Secretary for an indefinite term for \$42,000 per year. Pursuant to the consulting agreement, the consultant is entitled to certain benefits coverage, participation in the Company's stock option plan, and one year's fees and benefits if the engagement is terminated without cause.

9. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties, which is considered one business segment.

Geographic information is as follows:

	December 31, 2022			December 31, 2021		
	Canada	Peru	Total	Canada	Peru	Total
Property and equipment	\$ 22	\$ 3,000	\$ 3,022	\$ 50	\$ 3,672	\$ 3,722
Total non-current assets	\$ 22	\$ 3,000	\$ 3,022	\$ 50	\$ 3,672	\$ 3,722

For the years ended December 31,	2022	2021
Net loss for the year – Canada	\$ 620,580	\$ 451,284
Net loss (income) for the year – Peru	11,350	(1,656)
Net loss for the year	\$ 631,930	\$ 449,628

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues, and accordingly, is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing capital deficiency and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

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11. SUBSIDIARIES

Significant subsidiaries for the years ended December 31, 2022 and 2021 are:

	Country of Incorporation	Principal Activity	The Company's effective interest for 2022	The Company's effective interest for 2021
0938980 B.C. Ltd.	British Columbia, Canada	Holding company	100%	100%
Compañía Minera Prism Peru S.A.C.	Peru	Holding company	100%	100%

12. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows for the years ended December 31:

	2022	2021
Loss before income taxes	\$ (631,930)	\$ (449,628)
Statutory Canadian corporate tax rate	27.00%	27.00%
Income tax recovery at statutory rates	(170,621)	(121,400)
Net adjustment for permanent differences	81,992	(1,163)
Foreign exchange movement and tax rate differences	(20,619)	18,189
Unrecognized benefit of non-capital losses	109,248	104,374
Deferred income tax recovery	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets. The balance of tax assets resulting from the Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2022	Expiry	2021	Expiry
Exploration and evaluation assets tax pools	\$ 10,876,000	None	\$ 11,198,000	None
Property and equipment and others	50,000	None	50,000	None
Provision for unpaid fees	1,667,000	None	1,445,000	None
Convertible loans	83,000	None	83,000	None
Non-capital losses carried forward	3,189,000	2032-2042	2,682,000	2032-2041
Unrecognized deductible temporary differences	15,865,000		15,458,000	