

HIGHBANK RESOURCES LTD.
Financial Statements
For the Years ended December 31, 2023 and 2022
Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of Highbank Resources Ltd.

Opinion

We have audited the financial statements of Highbank Resources Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022 and the statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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. 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 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 Hilda Leung.

A handwritten signature in black ink that reads "Crowe Mackay LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Vancouver, Canada
April 25, 2024**

HIGHBANK RESOURCES LTD.
Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash		\$ 11,022	\$ 146,358
Accounts receivable		270	1,184
Due from related parties	10	1,704	1,704
Prepaid expenses		5,932	5,866
		18,928	155,112
Non-current assets			
Equipment		571	657
Reclamation bond	5	189,500	189,500
Exploration and evaluation assets	4	167,985	134,235
		358,056	324,392
TOTAL ASSETS		\$ 376,984	\$ 479,504
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	\$ 3,530,530	\$ 2,529,535
Promissory notes	9	3,363,776	3,114,626
Due to related parties	10	654,984	1,172,034
Production loan	9	900,000	900,000
Convertible debentures	9	4,000,000	3,198,950
		12,449,290	10,915,145
Non-current liabilities			
Reclamation obligation	5	94,750	94,750
		94,750	94,750
TOTAL LIABILITIES		12,544,040	11,009,895
SHAREHOLDERS' DEFICIT			
Share capital	7	17,572,545	17,538,795
Share subscription receivable		(6,650)	(6,650)
Equity component of convertible debentures	9	-	1,207,205
Contributed surplus	8	1,575,152	1,575,152
Deficit		(31,308,103)	(30,844,893)
TOTAL SHAREHOLDERS' DEFICIT		(12,167,056)	(10,530,391)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		\$ 376,984	\$ 479,504

Nature and continuance of operations (Note 1)
Commitments (Notes 4, 5, and 10)
Contingency (Note 4)
Subsequent event (Note 14)

Approved on behalf of the Board:

"Gary Musil"

Director

"Mark Luchinski"

Director

See accompanying notes to the financial statements

HIGHBANK RESOURCES LTD.
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Years ended December 31,	
		2023	2022
Expenses			
Depreciation		\$ 86	\$ 101
Consulting fees	10	30,000	15,000
Interest and bank charges		206,293	162,885
Loan bonus shares	7	-	800
Management fees	10	60,000	105,000
Office and miscellaneous		14,988	14,080
Professional fees		84,249	54,170
Regulatory and transfer agent		20,947	40,747
Share-based payment			
Directors	10	-	45,177
Consultants		-	7,529
Shareholder information		3,113	3,506
Travel and promotion		539	415
		420,215	449,410
Other items			
Flow-through premium recovery	7	-	(22,143)
Interest on promissory notes, convertible debentures, and production loan	9	1,250,200	1,060,484
Net and comprehensive loss for the year		\$ 1,670,415	\$ 1,487,751
Weighted average number of common shares outstanding (basic and diluted)			
		22,558,912	16,627,943
Basic and diluted net loss per share		\$ (0.07)	\$ (0.09)

See accompanying notes to the financial statements

HIGHBANK RESOURCES LTD.Statements of Changes in Shareholders' Deficit
(Expressed in Canadian dollars)

	Share capital		Share subscription receivable	Equity component of convertible debenture	Contributed Surplus	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2022	13,994,662	\$ 17,189,233	\$ (6,650)	\$ 1,207,205	\$ 1,509,658	\$ (29,357,142)	\$ (9,457,696)
Loss for the year	-	-	-	-	-	(1,487,751)	(1,487,751)
Share consolidation adjustment	10	-	-	-	-	-	-
Shares issued for cash							
- private placement	7,407,144	392,500	-	-	-	-	392,500
Share issue costs	-	(33,807)	-	-	-	-	(33,807)
Flow-through share provision	-	(22,143)	-	-	-	-	(22,143)
Fair value of brokers warrants	-	(12,788)	-	-	12,788	-	-
Bonus shares and finders fee issued	16,000	800	-	-	-	-	800
Shares issued for exploration and evaluation asset	500,000	25,000	-	-	-	-	25,000
Share-based payment	-	-	-	-	52,706	-	52,706
Balance at December 31, 2022	21,917,816	\$ 17,538,795	\$ (6,650)	\$ 1,207,205	\$ 1,575,152	\$ (30,844,893)	\$ (10,530,391)
Balance at January 1, 2023	21,917,816	\$ 17,538,795	\$ (6,650)	\$ 1,207,205	\$ 1,575,152	\$ (30,844,893)	\$ (10,530,391)
Loss for the year	-	-	-	-	-	(1,670,415)	(1,670,415)
Shares issued for exploration and evaluation asset	1,250,000	33,750	-	-	-	-	33,750
Equity component of convertible debenture	-	-	-	(1,207,205)	-	1,207,205	-
Balance at December 31, 2023	23,167,816	\$ 17,572,545	\$ (6,650)	\$ -	\$ 1,575,152	\$ (31,308,103)	\$ (12,167,056)

See accompanying notes to the financial statements

HIGHBANK RESOURCES LTD.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2023	2022
Operating activities		
Loss for the year	\$ (1,670,415)	\$ (1,487,751)
Adjustments for non-cash items:		
Depreciation	86	101
Accrued interest and accretion	1,050,200	860,484
Share-based payment	-	52,706
Bonus shares issued	-	800
Flow-through premium recovery	-	(22,143)
Changes in non-cash working capital items:		
Accounts receivable	914	1,199
Prepaid expenses	(66)	-
Trade payables and accrued liabilities	393,945	312,397
Net cash flows used in operating activities	(225,336)	(282,207)
Investing activities		
Expenditures on exploration and evaluation assets	-	(31,255)
Net cash flows used in investing activities	-	(31,255)
Financing activities		
Proceeds on issuance of common shares		
- net of share issue costs	-	358,693
Promissory notes issued	-	55,700
Promissory note repayment	-	(74,777)
Advances from related parties	90,000	118,000
Net cash flows provided by financing activities	90,000	457,616
(Decrease) increase in cash	(135,336)	144,154
Cash, beginning	146,358	2,204
Cash, ending	\$ 11,022	\$ 146,358
Supplemental cash flow information		
Cash paid (received) for interest	\$ -	\$ 5,577
Balance with former related party in due to related parties reclassified to trade payables and accrued liabilities	\$ 607,050	\$ -
Non-cash investing and financing activities		
Shares issued for exploration and evaluation asset	\$ 33,750	\$ 25,000
Fair value of broker's warrant	\$ -	\$ 12,788

See accompanying notes to the financial statements

1. Nature and continuance of operations

Highbank Resources Ltd. (the “Company”) is incorporated under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “HBK”.

The corporate office and principal place of business of the Company is 800 West Pender Street, Suite 615, Vancouver, British Columbia, Canada, V6C 2V6.

These 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2023, the Company has a working capital deficiency of \$12,430,362, a deficit of \$31,308,103, has not advanced its property to commercial production, and is not able to finance day to day activities through operations. This material uncertainty raises significant doubt regarding the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration and development activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and from companies controlled by directors, loans from non-related parties, and/or private placement of common shares.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from military action against Ukraine and the sanctions imposed in response. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

2. Material accounting policies and basis of preparation

The financial statements were authorized for issue on April 25, 2024 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards

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

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Material accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates made in the preparation of these financial statements include the valuation of the reclamation obligation. Significant judgments include assessment of going concern assumption and assessment of any impairment indicators for its exploration and evaluation assets in accordance with IFRS 6.

Foreign currency translation

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Exploration and evaluation expenditures

The Company is in the exploration stage in respect to its exploration and evaluation assets.

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

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

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as a liability when they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects. 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 "property and equipment". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

The Company assesses exploration and evaluation assets for impairment at each reporting date.

2. Material accounting policies and basis of preparation (cont'd)

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets, property and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

Share-based payment

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 payment 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 contributed surplus. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. 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. All equity-settled share-based payment is reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the related amount remains in contributed surplus.

Where the terms and conditions of options are modified before they vest, the changes in fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Financial instruments

i. 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.

The Company has designated its cash as FVTPL which is measured at fair value. Due from related parties and reclamation bond are classified as and measured at amortized cost. Trade payables and accrued liabilities, promissory notes, production loan, convertible debentures, and amounts due to related parties are classified as and measured at amortized cost.

2. Material accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

ii. 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, respectively, 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 profit or loss in the statements of comprehensive income (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 profit or loss in the statements of comprehensive income (loss) in the period in which they arise.

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 profit or loss in the statements of comprehensive income (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.

iii. 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 profit or loss in the statements of comprehensive income (loss).

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. If the conversion option is exercised, the carrying amount of the liability and the equity component of the compound financial instrument is transferred to share capital.

2. Material accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation 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 recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets 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.

Flow-through shares

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act). The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

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 warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the remaining balance to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in contributed surplus.

3. Accounting standards adopted or issued but not yet effective

The Company has adopted the following amendment effective January 1, 2023:

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The implementation of these amendments reduced disclosures in the notes to the financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There were no significant impact to the financial statements as a result of the implementation of these amendments.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. There were no significant impact to the financial statements as a result of the implementation of these amendments.

Accounting standards issued but not yet effective:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

These amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024, and are not expected to have a material impact on the financial statements.

4. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

4. Exploration and evaluation assets (cont'd)

Terra Nova Property, Newfoundland

On July 4, 2022, the Company entered into a property option agreement with CMC Metals Ltd. ("CMC") to earn up to an 80% right, title and interest in 6 licenses comprising 71 claims known as the Terra Nova Property located in Newfoundland and Labrador. Terms are as follows:

Cash:

- \$10,000 within 30 days of signing the Agreement (paid); \$20,000 on/or before October 22, 2022 (assuming the second anniversary payment of CMC to the vendors) (paid);
- \$30,000 on/or before October 22, 2023 (assuming the third anniversary payment of CMC to the vendor); and
- Starting at the fifth-year anniversary of the CMC agreement (October 22, 2025) assuming an advance royalty payment of \$5,000 per year.

Shares:

- 500,000 common shares upon TSX Venture Exchange ("Exchange") acceptance (issued);
- 500,000 common shares within six (6) months of Exchange approval (issued); and
- 500,000 common shares within twelve (12) month of Exchange approval (issued).

A two percent (2%) Net Smelter Returns royalty related to Mineral Products from any and all conventional mining on, in or under the Property is payable of which 1% can be purchased by the Company for \$1,000,000. On October 12, 2023, the Company mutually terminated its agreement with CMC.

On December 18, 2023, the Company entered into an option agreement with the original vendors of the Terra Nova Property to acquire a 100% legal and beneficial interest in 6 licenses comprising 68 claims. Terms are as follows:

- Cash payment of \$15,000 on or before October 15, 2024;
- Issuance of 250,000 common shares within 10 days of the Effective Date of January 12, 2024, (issued);
- Issuance of a further 250,000 common shares within six months of the Effective Date.

A two percent (2%) Net Smelter Returns royalty related to Mineral Products from any and all conventional mining on, in or under the Property is payable of which 1% can be purchased by the Company for \$1,000,000.

Highland Valley Property

On December 8, 2009, the Company entered into an agreement to acquire a 50% interest in the Highland Valley Property, located in British Columbia.

The terms of the agreement include the issuance of a total of 2,000,000 common treasury shares of the Company, staged cash payments totalling \$250,000 (paid \$50,000), and expenditures of \$1,000,000 in exploration and development within three years of Exchange approval (received). The Company obtained disinterested shareholder approval of the transaction.

On July 19, 2012, the Company negotiated an amendment of the agreement with MOAG Copper Gold Resources Inc. ("MOAG") to eliminate the remaining \$200,000 in cash payments and \$412,000 in exploration commitments required, and still earn its 50% interest, subject to other terms of the December 8, 2009 agreement remaining. On December 6, 2012, the Company resolved to cancel the agreement to acquire the property and recorded an impairment to reduce the carrying value to \$1. On January 7, 2013 the Company cancelled the balance of 1,400,000 treasury shares remaining in escrow.

4. Exploration and evaluation assets (cont'd)

Highland Valley Property (cont'd)

On December 23, 2013 the Company received a Notice of Civil Claim (the "Claim") in the B.C. Supreme Court from MOAG claiming losses as a result of the Company cancelling the balance of 14 million treasury shares in escrow, general damages, and interest on those general damages. On January 17, 2014 the Company filed a Response to the Civil Claim. The summary trial application filed by MOAG's counsel did not proceed on June 25, 2014 and has been postponed indefinitely. The Company is unable to determine the outcome at this time, as the matter is still before the courts.

Year ended December 31, 2023	Terra Nova		Total
	Newfoundland	Other	
Acquisition costs - Beginning	\$ 55,000	\$ 3	\$ 55,003
Cash	-	-	-
Shares issued	33,750	-	33,750
	88,750	3	88,753
Exploration costs - Beginning and ending	79,232	-	79,232
TOTAL, December 31, 2023	\$ 167,982	\$ 3	\$ 167,985

Year ended December 31, 2022	Terra Nova		Total
	Newfoundland	Other	
Acquisition costs - Beginning	\$ -	\$ 3	\$ 3
Cash	30,000	-	30,000
Shares	25,000	-	25,000
	55,000	3	55,003
Exploration costs - Beginning	-	-	-
Assays and testing	2,523	-	2,523
Geological consulting	24,287	-	24,287
Road construction	36,560	-	36,560
Reports and administration	7,929	-	7,929
Travel, accommodation, and supplies	7,933	-	7,933
	79,232	-	79,232
TOTAL, December 31, 2022	\$ 134,232	\$ 3	\$ 134,235

5. Reclamation deposit and obligation

During the year ended December 31, 2014, the Company posted a bond totaling \$189,500 with the British Columbia government. The purpose of the bond is to cover any costs of reclamation and rehabilitation of the Swamp Point mine site which is an inactive project impaired to \$1.

Management has recorded an obligation of \$94,750 (2022 - \$94,750) at this time based on the estimated level of disturbance as at December 31, 2023. The Company used the estimated cost of reclamation reported in the 2013 Notice of Work Application as the base cost plus a contingency. The base amount has been tested for inflation and, due to inactivity on the site, remains unchanged in 2023.

6. Trade payables and accrued liabilities

	December 31, 2023	December 31, 2022
Trade payables	\$ 1,705,342	\$ 942,676
Accrued liabilities	115,263	76,934
Interest payable on convertible debentures	1,685,314	1,485,314
Other liabilities - Part XII.6 tax payable	24,611	24,611
	\$ 3,530,530	\$ 2,529,535

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

On June 16, 2022 the Company consolidated its capital on a 10 old shares for 1 new share basis. All share figures, number of options and warrants have been presented on a post consolidation basis.

Issued share capital

At December 31, 2023 there were 23,167,816 issued and fully paid common shares (December 31, 2022 – 21,917,816).

On December 27, 2023 the Company issued 250,000 common shares valued at \$3,750 for a property acquisition.

On September 6, 2023 the Company issued 500,000 common shares valued at \$10,000 for a property acquisition.

On January 15, 2023 the Company issued 500,000 common shares valued at \$20,000 for a property acquisition.

On October 19, 2022 the Company completed a non-brokered flow-through private placement of 1,107,144 units at a price of \$0.07 per unit for gross proceeds of \$77,500. Each unit consisted of one flow-through common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.10 until October 19, 2024. Finder's fees of \$2,400 in cash and 34,286 broker's warrants with a fair value of \$1,057 were paid. The broker's warrants were valued at a volatility of 161%, expected life of 2 years, discount rate of 3.87%, and a dividend rate of 0% and have the same terms of the unit warrants.

The flow-through units were issued at a premium to the market price in recognition of the tax benefits accruing to subscriber. The Company flow-through premium was calculated to be \$22,143 in relation to this issuance. The premium liability is derecognized through income as the qualifying expenditures are incurred. During the year ended December 31, 2022, the Company fulfilled the commitment by incurring qualifying expenditures of \$77,500 and recognized a flow-through premium recovery of \$22,143.

On September 12, 2022 the Company completed a non-brokered private placement of 3,300,000 units at a price of \$0.05 per unit for gross proceeds of \$165,000. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.075 for the first year and \$0.10 per share for the second. Finder's fees of \$12,800 in cash and 256,000 broker's warrants with a fair value of \$7,757 were paid. The broker's warrants were valued at a volatility of 158%, expected life of 2 years, discount rate of 3.64%, and a dividend rate of 0% and have the same terms as the unit warrants.

7. Share capital (cont'd)

Issued share capital (cont'd)

On August 10, 2022 the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.05 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.075 for the first years and \$0.10 per share for the second. Finder's fees of \$5,600 in cash and 112,000 broker's warrants with a fair value of \$3,974 were paid. The broker's warrants were valued at a volatility of 164%, expected life of 2 years, discount rate of 3.08%, and a dividend rate of 0% and have the same terms as the unit warrants.

The volatility used in the Black-Scholes calculation was determined based on the Company's historical data. The Company also incurred an aggregate of \$13,007 in other share issue costs in connection with the above private placements.

On July 15, 2022 the Company issued 500,000 common shares valued at \$25,000 for a property acquisition.

On May 6, 2022 the Company issued 16,000 common shares valued at \$800 as bonus shares as part of a finance fee for a loan made to the Company.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock 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. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,650,000	\$ 0.06	425,000	\$ 0.05 ¹
Options granted	-	-	1,225,000	0.07
Options expired	(425,000)	0.05	-	-
Options outstanding, ending	1,225,000	\$ 0.07	1,650,000	\$ 0.06
Options exercisable, ending	1,225,000	\$ 0.07	1,650,000	\$ 0.06

¹The 425,000 post consolidation options were repriced to \$0.05 from \$0.50.

7. Share capital (cont'd)

Stock options (cont'd)

Details of options outstanding as at December 31, 2023 are as follows:

Exercise Price	Number of options Outstanding	Expiry Date
\$0.07	1,225,000	September 15, 2025
	1,225,000	1.71 weighted average years

Warrants

Details of warrants outstanding as at December 31, 2023 and 2022 are as follows:

Warrants outstanding at December 31, 2021	-
Granted	4,105,858
Warrants outstanding at December 31, 2023 and 2022	4,105,858

The weighted average exercise price is \$0.08 and the weighted average life remaining is 0.68 years.

Exercise Price	Number of warrants Outstanding	Expiry Date
\$0.10	1,612,000	August 10, 2024
\$0.10	1,906,000	September 12, 2024
\$0.10	587,858	October 19, 2024
	4,105,858	

8. Contributed surplus

Contributed surplus includes share-based payment expense of stock options granted and fair value of share purchase warrants issued.

	December 31, 2023	December 31, 2022
Balance, beginning	\$ 1,575,152	\$ 1,509,658
Fair value of brokers' warrants	-	12,788
Fair value of options	-	52,706
Balance, ending	\$ 1,575,152	\$ 1,575,152

9. Convertible debentures, promissory notes, and production loan

Convertible debentures

As at December 31, 2019 and 2020, the Company had convertible debentures totaling \$4,000,000 which were issued in 2014 and amended in 2017. The convertible debenture matured in 2019, but continue to accrue interest at 10% per annum, payable in cash or shares. The principal amount is convertible to

9. Convertible debentures, promissory notes, and production loan (cont'd)

Convertible debentures (cont'd)

common shares at \$1.00 and the right of conversion continues until the principal and accrued interest are repaid.

These convertible debentures are secured against the Company's barge load out and conveyor system.

On June 28, 2021 the Company amended certain terms of the convertible debentures. The maturity of the debentures was extended to December 31, 2023 and the interest rate was amended to 5% per annum beginning January 1, 2021. All other terms remain the same.

The continuity of liability component for the amended debentures is as follows:

	December 31, 2023	December 31, 2022
Balance, beginning	\$ 3,198,950	\$ 2,592,094
Accretion included in interest expense	801,050	606,856
Balance, ending	\$ 4,000,000	\$ 3,198,950

The conversion option expired on December 31, 2023 upon the maturity of the convertible debenture and the equity portion of \$1,207,205 was reclassified to deficit.

Promissory notes

	December 31, 2023	December 31, 2022
Promissory notes with arm's length creditors, bearing interest rates of 1.0 to 1.5% per month, repayable upon demand, non-secured, dependent upon the Company completing a debt or other financing.	\$ 1,288,500	\$ 1,288,500
Promissory notes with a director, bearing interest of 1.5% per month, repayable upon demand, non-secured.	78,000	78,000
Promissory notes with a director, bearing interest of 1.0% per month, repayable upon completion of financing non-secured.	100,000	100,000
Advances from arm's length creditors, non interest bearing, repayable from demobilization proceeds	97,000	97,000
Accrued interest*	1,800,276	1,551,126
Balance, ending	\$ 3,363,776	\$ 3,114,626

*During the year ended December 31, 2023 the Company accrued interest of \$26,040 (2022 - \$30,518) and as of December 31, 2023, had accrued interest payable of \$152,855 (December 31, 2022 - \$126,815) to directors.

9. Convertible debentures, promissory notes, and production loan (cont'd)

Production loan

In May 2015, the Company arranged a non-interest bearing production loan totaling \$900,000 to be repaid from production sales. General terms are repayment of \$1.00 per tonne from sales until the \$900,000 financing is repaid and \$0.50 per tonne interest royalty for the life of operations. Of the \$900,000, \$675,000 was advanced from a non-related third party and \$225,000 from Melsar Management Inc. (a company controlled by William Loucks, Director).

The production loan was a financial instrument containing a liability component and a sale of royalty component. The liability component was initially measured at fair value and is being accreted over the expected term to maturity using the effective interest method. The fair value of the liability component at the time of issue was calculated using an effective interest rate of 15% and an estimated expected term of 15 months. The fair value of the royalty component was determined at the time of issue as the difference between the proceeds of the production loan and the fair value of the liability component.

10. Related party transactions

Related party balances

The following amounts due to related parties:

	December 31, 2023	December 31, 2022
Directors of the Company	\$ 225,000	\$ 225,000
Companies owned by directors and former director	310,000	827,050
Companies with common officer and directors	119,984	119,984
	\$ 654,984	\$ 1,172,034

The following amounts due from related parties:

	December 31, 2023	December 31, 2022
Company with common directors	\$ 1,704	\$ 1,704

The amounts due to and from directors and companies related by common directors and officers are unsecured, non-interest bearing and have no fixed terms of repayment, accordingly fair value cannot be reasonably measured. See Note 9 for promissory notes issued to directors of the Company.

Key management personnel compensation

	Years ended December 31,	
	2023	2022
Management fees	\$ 60,000	\$ 105,000
Consulting fee	30,000	15,000
Share-based payment	-	45,177
	\$ 90,000	\$ 165,177

On June 1, 2014 the Company amended the Office Services Agreement (the "Agreement") with its Chief Executive Officer for compensation of \$5,000 per month plus benefits for a term of 24 months. The Agreement automatically renews for consecutive 24 month terms, subject only to termination in accordance with the Agreement. The Company may terminate the Agreement at any time by giving the CEO written notice of such termination. In the event of termination of the Agreement by the Company for

10. Related party transactions (cont'd)

Key management personnel compensation (cont'd)

any reason other than with cause, the Company shall pay the CEO an amount that is 14 times the monthly fee. Effective July 2019, the parties to the Office Services Agreement were amended to include a company controlled by the Chief Executive Officer.

On November 1, 2015 the Company entered into a Management Services Agreement (the "Agreement") with Geomorph Consulting (the "Consultant") for monthly remuneration to \$7,500 per month, plus applicable taxes (the "Fee") for a term of 24 months. The Agreement automatically renews for consecutive 24 month terms, subject only to termination in accordance with the Agreement. The Agreement was mutually terminated in July 2022.

On July 1, 2022 the Company entered into a Consulting Services Agreement with Luch Capital Corp., a company owned by the CFO. The Company has agreed to pay a monthly fee of \$2,500 per month, plus applicable taxes (the "Fees") with a term of six months. Such compensation shall be subject to reviews carried out on the basis of each semi-annual period.

11. Financial risk management

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

Credit Risk

The Company is exposed to credit risk by holding cash. Holding the cash in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its various refundable credits are due from the Canadian government.

Currency Risk

The Company's functional currency is the Canadian dollar. There is minimal foreign exchange risk to the Company as its mineral property interests are located in Canada. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest Rate Risk

The Company's exposure to interest rate risk relates to its outstanding loans to unrelated third parties which bear interest at 5% to 18% per annum. The interest rates are fixed and will have minimal risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. At December 31, 2023, the Company had a cash balance of \$11,022 which will not be sufficient to meet its current obligations of \$12,449,290.

11. Financial risk management (cont'd)

Liquidity Risk (cont'd)

The Company's ability to continue operations remains uncertain and dependent on its ability to obtain additional financing and the ongoing support of its creditors.

Capital Management

The Company includes cash and equity in the definition of capital. Equity is comprised of issued common shares, contributed surplus, share subscription receivable, and deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

There were no changes in the Company's approach to capital management during the year.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount, unless otherwise noted. 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 following table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair measurement.

As at December 31, 2023 and 2022, the Company's financial instruments measured at fair value are as follows:

	Assets	Level 1	Level 2	Level 3	Total
2023	Cash	\$ 11,022	\$ -	\$ -	\$ 11,022
2022	Cash	\$ 146,358	\$ -	\$ -	\$ 146,358

12. Segmented information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development in Canada.

13. Income tax

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	Years ended	
	December 31, 2023	December 31, 2022
Net loss before tax for the year	\$ (1,670,415)	\$ (1,487,751)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated tax recovery	(451,012)	(401,693)
Unrecognized items for tax purposes	73	8,324
Tax benefits not realized	450,939	393,369
Deferred income tax recovery	\$ -	\$ -

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	December 31, 2023	Expiry	December 31, 2022
Property and equipment and exploration and development costs	\$ 12,491,000	None	\$ 12,491,000
Share issue costs	20,000	2024 to 2026	27,000
Accrued expenses	1,701,000	None	1,389,000
Non-capital loss carry forwards	11,001,000	2027 to 2043	9,636,000
Net capital loss carry forwards	400,000	None	400,000
Unrecognized temporary differences	<u>\$ 25,613,000</u>		<u>\$ 23,943,000</u>

The following is the analysis of recognized deferred tax liabilities and deferred tax assets:

	2023	2022
Deferred tax liabilities		
Convertible debentures	\$ -	\$ (216,000)
Deferred tax liabilities	<u>-</u>	<u>(216,000)</u>
Deferred tax assets		
Non-capital losses	-	216,000
Deferred tax assets	<u>-</u>	<u>216,000</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

14. Subsequent event

A company controlled by the CEO/President has advanced \$27,000 to the Company. The loan is non-interest bearing, unsecured, and have no specific terms of repayment.