BAYHORSE SILVER INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in Canadian dollars, Unless Noted Otherwise

Index

Charlton
+Company

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Bayhorse Silver Inc.

Opinion

We have audited the accompanying consolidated financial statements of Bayhorse Silver Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $2,025,043 during the year ended December 31, 2023, and as of that date, the Company's total deficit was $41,469,253. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Warrant Modifications</u>

As described in Note 6 to the consolidated financial statements, the Company extended the expiration dates on certain warrants and recorded an aggregate incremental value of $343,434 relating to the warrant modifications.

We consider the warrant modifications to represent a key audit matter, as it represents an area of significant risk of material misstatement given the degree of estimation uncertainty involved. A high degree of auditor judgment, subjectivity, and effort was required in performing procedures to evaluate management's quantitative and qualitative estimates and assumptions.

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

- Verified modification terms against management's calculations and accounting entries;
- Performed re-calculations to test management models;
- Obtained support for management's assumptions in developing and applying estimates; and
- Evaluated the appropriateness of the accounting treatment applied and the adequacy of the Company's disclosures.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended 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 Melyssa Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 29, 2024

BAYHORSE SILVER INC.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars, Unless Noted Otherwise

	Notes		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		$	482,566	$	310,442
Accounts receivable			50,184		4,377
Subscriptions receivable	6		44,000		-
Prepaid expenses			501,164		494,702
			1,077,914		809,521
Non-current assets					
Property and equipment	4		1,426,783		1,700,124
Reclamation bond	8		11,700		11,700
		$	2,516,397	$	2,521,345
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	4, 7	$	493,232	$	190,722
Accrued liabilities	5		388,409		354,326
Flow-through premium liability	14		-		114,268
Part XII.6 tax	14		132,761		118,150
Convertible debentures	5		443,071		453,724
Contract liabilities	9		17,437		25,574
			1,474,910		1,256,764
Non-current liabilities					
Provision for indemnity	14		546,356		-
			2,021,266		1,256,764
Shareholders' equity					
Share capital	6		29,498,214		29,071,363
Reserves	6		12,391,170		11,637,428
Commitment to issue shares	6, 16		75,000		-
Deficit			(41,469,253)		(39,444,210)
			495,131		1,264,581
		$	2,516,397	$	2,521,345

Nature of operations and going concern (note 1)
Commitments (notes 9 and 13)
Subsequent events (notes 6, 8 and 16)

Approved on behalf of the Board:

"Graeme O'Neill"
Director

"James Walker"
Director

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

BAYHORSE SILVER INC.
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars, Unless Noted Otherwise

	Notes		Years Ended December 31, 2023		December 31, 2022
Mineral expenses					
Exploration expenses	7, 8	$	712,436	$	1,553,060
Expenses					
Communications			15,160		114,688
Financing fee	5, 6		402,009		519,838
Foreign exchange, interest and bank charges			8,375		61,418
Insurance			53,437		93,518
Management fees	7		93,600		93,600
Office and other	7		64,040		69,802
Office rent	7		12,000		36,000
Professional fees	7		253,600		247,680
Share-based compensation	6		38,334		-
Transfer, listing and filing fees			42,150		60,148
Travel			13,400		5,506
			996,105		1,302,198
Operating loss			(1,708,541)		(2,855,258)
Loss on shares for debt settlement	6		-		(76,714)
Gain/(loss) on revaluation of silver pre-sales	9		127		(2,482)
Income from silver pre-sales	9		13,799		-
Flow-through premium recovery	14		114,268		-
Indemnity and part XII.6 tax on flow-through shares	14		(546,356)		(118,150)
Rental income	3 (p)		108,698		-
Write-off of prepayment			(7,038)		-
Loss before income taxes			(2,025,043)		(3,052,604)
Deferred income tax recovery			-		27,666
Loss and comprehensive loss for the year		$	(2,025,043)	$	(3,024,938)
Weighted average number of common shares outstanding – basic and diluted			251,556,530		224,779,784
Basic and diluted loss per common share		$	(0.01)	$	(0.01)

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

BAYHORSE SILVER INC.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars, Unless Noted Otherwise

	Years Ended	
	December 31, 2023	December 31, 2022
Cash flows used in (provided by):		
Operating activities		
Loss for the year	$ (2,025,043)	$ (3,024,938)
Items not involving cash:		
Foreign exchange	(12,280)	35,011
Depreciation	273,341	278,942
Share-based compensation	38,334	-
Financing fees – warrant modification	343,434	437,663
Deferred income tax recovery	-	(27,666)
Flow-through premium recovery	(114,268)	-
Gain/(loss) on revaluation of silver pre-sales	(127)	2,482
Shares issued for acquisition of mineral property	30,000	-
Loss on settlement of debentures	-	76,714
Indemnity on flow-through shares	546,356	-
Penalties and interest	14,611	-
Income from silver pre-sales	(13,799)	-
Write-off of prepayment	7,038	-
Changes in non-cash working capital items:		
Accounts receivable	(45,807)	2,168
Prepaid expenses	(13,500)	66,180
Accounts payable and accrued liabilities	338,498	230,975
Cash used in operating activities	**(633,212)**	**(1,922,469)**
Investing activities		
Acquisition of equipment	-	(71,203)
Refundable damage deposit	6,812	-
Cash provided by (used in) investing activities	**6,812**	**(71,203)**
Financing activities		
Gross proceeds from share issuance	754,375	1,956,760
Share issuance costs	(29,550)	(19,608)
Repayment of contract liabilities	(1,301)	-
Repayment of convertible debentures	-	(65,100)
Commitment to issue shares	75,000	-
Cash provided by financing activities	**798,524**	**1,872,052**
Change in cash	172,124	(121,620)
Cash, beginning of the year	310,442	432,062
Cash, end of the year	**$ 482,566**	**$ 310,442**

Supplemental cash flow information (note 10)

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

BAYHORSE SILVER INC.

Consolidated Statement of Changes in Shareholders' Equity
Expressed in Canadian Dollars, Unless Noted Otherwise

	Note	Number of shares		Share capital		Reserves		Commitment to issue shares		Deficit		Total
Balance, December 31, 2021		**206,473,372**	**$**	**27,365,649**	**$**	**10,653,542**	**$**	**-**	**$**	**(36,419,272)**	**$**	**1,599,919**
Shares issued for cash	6(b)	33,784,500		1,265,037		546,223		-		-		1,811,260
Share issuance costs	6(b)	-		(19,608)		-		-		-		(19,608)
Financing fees - warrant modification	6(d)	-		-		437,663		-		-		437,663
Shares issued for debentures settlement	6(b)	7,671,418		460,285		-		-				460,285
Loss for the year		-		-		-		-		(3,024,938)		(3,024,938)
Balance, December 31, 2022		**247,929,290**		**29,071,363**		**11,637,428**		**-**		**(39,444,210)**		**1,264,581**
Shares issued for cash	6(b)	20,417,500		453,999		344,376		-		-		798,375
Share issuance costs	6(b)	-		(57,148)		27,598		-		-		(29,550)
Shares issued for property acquisition	6(b)	600,000		30,000		-		-		-		30,000
Commitment to issue shares	6(b)	-		-		-		75,000		-		75,000
Financing fees - warrant modification	6(d)	-		-		343,434		-		-		343,434
Share-based compensation	6(c)	-		-		38,334		-		-		38,334
Loss for the year		-		-		-		-		(2,025,043)		(2,025,043)
Balance, December 31, 2023		**268,946,790**	**$**	**29,498,214**	**$**	**12,391,170**	**$**	**75,000**	**$**	**(41,469,253)**	**$**	**495,131**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Bayhorse Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 6, 2004 and continued its incorporation into British Columbia on May 3, 2010. The Company is engaged in the acquisition and exploration of mineral property interests.

The Company is listed on the TSX-V under the symbol BHS as a Tier 2 mining issuer, the Frankfurt Exchange, Germany, under the symbol 7KXN, and in the USA on the OTCQB under the symbol BHSIF.

The address of the Company's corporate office and principal place of business is 4628 Rumble Street, Burnaby, BC, V5J 2A7, Canada.

Going Concern

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At December 31, 2023, the Company had a working capital deficit of $396,996 (2022 – $447,243), an accumulated deficit of $41,469,253 (2022 – $39,444,210), had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2023, the Company reported a loss and comprehensive loss of $2,025,043 (2022 – $3,024,938). The Company does not have sufficient funds to meet its committed obligations for the next twelve months from December 31, 2023.

The Company is dependent on equity and debt financings to fund its operations. The recoverability of the underlying value of assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. These circumstances comprise a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statements for the year ended December 31, 2023 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

Over the past year, global stock markets have experienced volatility and a significant weakening in the aftermath of COVID-19. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Volatility in financial markets subsequent to December 31, 2023, may have a significant impact on the Company's financial position. The duration and impact of the higher inflationary environment, as well as the effectiveness of government and central bank responses, remains unclear at this time.

2. BASIS OF PRESENTATION

a. Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements for the year ended December 31, 2023 were approved and authorized for issue by the Board of Directors on April 29, 2024.

b. Basis of measurement

These consolidated financial statements have been prepared in accordance with IFRS on a historical cost basis except for certain financial instruments measured at fair value through profit and loss. These consolidated statements have been prepared using an accrual basis of accounting, except for cash flow information.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

c. Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary, USA based Bayhorse Silver (USA) Inc. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated in preparing these consolidated financial statements.

d. Foreign currency

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is the Canadian dollar. The functional currency of all companies in the group is the Canadian dollar.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a. Foreign exchange

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

b. Cash and cash equivalents

The Company considers cash to include amounts held in banks. The Company places its cash with major financial institutions in Canada and USA. As at December 31, 2023 and 2022, the Company did not have any cash equivalents.

c. Property and equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses or at the lower of its carrying value and estimated recoverable amount. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The residual values, useful lives, and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate. Property and equipment is depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Building	10
Mining equipment	3
Power line	10
Processing equipment	10
Vehicle	5
X-Ray Sorter	10

d. Exploration expenditures

The Company expenses exploration and evaluation costs and acquisition costs directly to the statement of loss and comprehensive loss in the year they are incurred.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes: (1) researching and analyzing historical exploration data; (2) gathering exploration data through topographical, geochemical and geophysical studies; (3) exploratory drilling, trenching and sampling; (4) determining and examining the volume and grade of the resource; (5) surveying transportation and infrastructure requirements; (6) mining activities; and, (7) conducting market and finance studies.

Once the technical feasibility and commercial viability of an exploration property has been determined, it is then considered to be a mine under development and is reclassified to mineral property in accordance with *IAS 16- property, plant and equipment*. All costs relating to the construction, installation, or completion of a mine that are incurred subsequent to the exploration and evaluation stage are capitalized to the mineral property. Proceeds from the sale of ore extracted during the development phase are net against development expenditures.

The Company assesses the stage of each mine under development to determine when a property reaches the stage when it is in the condition for it to be capable of operating in a manner intended by management ("commercial production"). Determining when a mine has achieved commercial production is a matter of judgement.

As of the date of these consolidated financial statements, the Company has incurred only acquisition and exploration costs that have been expensed. Also, the Company has not established any National Instrument 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable**.**

e. Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs the service under the contract.

f. Site restoration obligations

Rehabilitation obligations are provided for based on the Company's internal estimates. Assumptions are made based on the current economic environment which management believes is a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed at least annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation obligation generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. As at December 31, 2023 and 2022, the Company did not have any decommissioning liabilities or provisions.

g. Impairment of non-financial assets

At each statement of financial position date, in accordance with IAS 36 "Impairment of Assets", the Company assesses whether there is any indication that any of its non-financial assets have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the reporting period.

Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognized and is only reversed 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.
The recoverable amount is the greater of an asset's or CGU fair value less costs 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 current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

h. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of the financial asset or financial liability. The Company's common shares and share warrants that have no derivative elements are classified as equity instruments. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction from the proceeds.

i. Flow-through shares

The Company will, from time-to-time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into (i) fair value of capital stock and (ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit, the Company allocates the flow-through unit into (i) fair value of capital stock, (ii) fair value of a warrant and (iii) the residual as a flow-through share premium, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and recognizes a credit to deferred tax expense.

The Company is required to spend the proceeds received from the issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period.

The Company may be subject to a Part XII.6 tax and additional indemnity provisions on flow-through proceeds renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations when expenditure obligations are not met.

j. Share-based payments

The Company has an incentive stock option plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that Board of Directors has the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant less any allowable discounts and at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss over the vesting period. 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 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.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is charged to reserves.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares issued from treasury and the amount reflected in reserves 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 over the remainder of the vesting period.

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

k. Warrants

The Company uses the Black-Scholes Option Pricing Model to value warrants. When warrants are issued to an agent or broker as compensation for assistance with a share offering, the Company records these as share issuance costs, with the offset going to reserves. Warrants issued in conjunction with unit offerings are recorded as a decrease in share capital and an increase to reserves. The values allocated to the warrants issued in unit offerings are recorded using the relative fair value method. Under this method, the fair value of common shares and warrants are measured at the issuance date and the proceeds raised are allocated to the common shares and warrants proportionately. Amounts are transferred from reserves to share capital upon the exercise of the warrants.

l. Loss per share

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

Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive. For the periods presented, this calculation was anti-dilutive.

m. Income taxes

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

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 table temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

n. Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest. Subsequent measurement of financial assets depends on their classification.

The Company classifies its financial assets, as amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit and loss (“FVTPL”). Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets classified as amortized cost are initially measured at fair value and are subsequently measured at amortized cost. The Company has classified its accounts receivable as a financial asset at amortized cost.

Financial assets classified as FVTPL are initially measured at fair value with unrealized gains and losses recognized through profit or loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company’s cash is classified as FVTPL.

Financial assets classified as FVOCI are initially measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for recognition of credit impairment gains and losses, foreign exchange gains and losses, and interest revenue which are recorded in profit or loss. When the financial assets are derecognized, the amount in other comprehensive income (loss) is reclassified to profit or loss. The Company does not have any financial assets classified as FVOCI.

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 of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, 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. During the year ended December 31, 2023, the Company recognized $nil (2022 - $nil) in expected credit losses.

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.

Financial Liabilities

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. 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 the Company has opted to measure them at FVTPL.

Financial liabilities, including derivatives, are designated as FVTPL upon initial recognition. They are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the income statement. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Financial liabilities are measured at amortized cost and are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost. Subsequent to initial measurement, financial liabilities measured at amortized cost are carried at amortized cost using the effective interest method.

Transaction costs on liabilities other than those classified as FVTPL are treated as part of the carrying value of the liability. Transaction costs for liabilities at FVTPL are expensed as incurred.

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

The Company classifies its financial instruments as follows:

Cash	Fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost
Provision for indemnity	Amortized cost
Convertible debentures	Amortized cost
Contract liabilities	Fair value through profit or loss

o. Derivative financial instruments

The Company may issue or hold compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- when the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire instrument is not measured at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income.

The Company designates certain financial liabilities with embedded derivatives as FVTPL on the initial recognition and accordingly does not bifurcate between the host contract and the embedded derivative; however, other financial liabilities with embedded derivatives are bifurcated into the debt host component and the embedded derivative component, depending on the instrument. In the case of the latter, the debt host component is classified as other financial liabilities and is measured as amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the financial liabilities.

p. Leases

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company’s incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term. During the year ended December 31, 2023, the Company paid short-term lease costs of $18,105 (2022- $93,008) which is included in equipment and other rentals in exploration expenses (note 8).

When the Company enters into lease arrangements as the lessor, it assesses whether the lease is classified as a finance lease or an operating lease by reference to the corresponding underlying asset. A lease is a finance lease if substantially all the risks and rewards incidental to ownership of the underlying asset has been transferred to the lessee. If these conditions are not met, the lease is considered an operating lease.

For leases classified as finance leases, the underlying asset is derecognized, a lease receivable are recognized in the statement of financial position and finance income is recognized.

For leases classified as operating leases, the lease payments are recognized on a straight-line basis. The underlying asset continues to be depreciated in accordance with the Company's accounting policy for property and equipment. During the year ended December 31, 2023, the Company received $108,698 (2022 - $nil) in rental income from a third party for the lease of its X-Ray Sorter that is rented for US$32,500 per month. The lease was classified as an operating lease. The remaining lease payments total $429,845 (US$325,000).

q. Segment reporting

A reportable segment, as defined by 'IFRS 8-*Operating Segments*', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being the mineral exploration segment. As the political risks, likelihood of positive results, assets, liabilities and cash flows of the mineral exploration segment are substantially the same to those of the consolidated Company; no separate analysis has been provided.

r. Critical accounting estimates

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting estimates are estimates and assumptions used by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

i. Valuation of equity instruments - The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.

ii. Valuation of derivatives – derivatives issued by the Company are valued using the Black Scholes Option Pricing Model, commodity spot prices, and foreign exchange rates. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed within these consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of gains or losses recognized in profit or loss.

iii. Deferred income taxes – The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated statement of financial position. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

iv. Provision for indemnity - The Company utilizes significant judgement in assessing its compliance with relevant flow-through financing tax requirements including the determination of qualified eligible expenditures to reduce flow through spending obligations. Management makes estimates when determining tax rates used in calculating provisions recorded.

s. Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

i. The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

ii. The determination of functional currency. Management has determined that the functional currency of the Company is the Canadian dollar.

iii. The determination or absence of asset retirement obligation.

iv. Assessment of impairment indicators of non-financial assets.

v. Refundable tax credits and flow-through expenditures - The Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits. The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management’s judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments.

(Expressed in Canadian dollars, Unless Noted Otherwise)

t. Adoption of new accounting pronouncements

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Amendments to IAS 1 and IFRS Practice Statement 2 to provide guidance to help entities apply materiality judgment to accounting policy disclosure. The amendments require disclosure of material accounting policy information rather than disclosing significant accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted these amendments, which have resulted in the disclosure of only material accounting policy information, but did not impact the measurement, recognition of presentation of any items in the Company's consolidated financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to clarify the requirements for classifying liabilities current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those that will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2024, with early adoption permitted, and the amendments are to be applied retrospectively. This amendment did not have a significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2023.

4. PROPERTY AND EQUIPMENT

	Land	Building	Vehicle	Mining Equipment	Processing Equipment	X-Ray Sorter [1]	Power Line	TOTAL
	$	$	$	$	$	$	$	$
Cost								
December 31, 2021	114,954	200,153	13,036	238,116	745,466	1,498,011	172,801	2,982,537
Additions	-	-	-	-	31,832	-	39,371	71,203
December 31, 2022 and 2023	**114,954**	**200,153**	**13,036**	**238,116**	**777,298**	**1,498,011**	**212,172**	**3,053,740**
Accumulated deprecation								
December 31, 2021	-	-	1,338	227,894	174,165	624,707	46,570	1,074,674
Additions	-	19,764	2,763	7,208	77,139	149,802	22,266	278,942
December 31, 2022	**-**	**19,764**	**4,101**	**235,102**	**251,304**	**774,509**	**68,836**	**1,353,616**
Additions	-	20,015	2,607	1,972	77,729	149,801	21,217	273,341
December 31, 2023	**-**	**39,779**	**6,708**	**237,074**	**329,033**	**924,310**	**90,053**	**1,626,957**
Carrying value								
December 31, 2022	**114,954**	**180,389**	**8,935**	**3,014**	**525,994**	**723,502**	**143,336**	**1,700,124**
December 31, 2023	**114,954**	**160,374**	**6,328**	**1,042**	**448,265**	**573,701**	**122,119**	**1,426,783**

(1) The X-Ray Sorter was leased to a third party for a 12-month term from November 1, 2023, to October 31, 2024. The lease was classified as an operating lease. The Company currently holds a refundable damage deposit on the Sorter of $6,812 (2022 - $nil) which was recorded within accounts payable.

The Company records depreciation within exploration expenses (see note 8).

5. CONVERTIBLE DEBENTURES

During the year ended December 31, 2018, the Company issued 192 units of US$5,000 convertible debentures for gross proceeds of US$960,000 (CAD$1,249,466). During the year ended December 31, 2017, the Company issued 200 units of US$5,000 convertible debentures for gross proceeds of US$1,000,000 (CAD$1,231,400). During the year ended December 31, 2016, the Company issued 180 units of US$5,000 convertible debentures for gross proceeds of US$900,000 (CAD$1,187,601). During the year ended December 31, 2015, the Company issued 70 units of US$5,000 debentures for gross proceeds of US$350,000 (CAD$458,945) (all of these debentures are collectively referred as the “Debentures”).

As at December 31, 2023 and 2022, all of the Debentures have matured and are no longer convertible into shares of the Company under the original agreements. Key features of these Debentures were as follows:

- Term
  - The Debentures had an initial term of three years from the date of issuance. All of the Debentures are now past maturity.

- Interest payments
  - 12% per annum, calculated and compounded monthly and not in advance, and payable annually in arrears. Interest on all overdue amounts of principal or interest, is calculated and compounded daily at the same rate, from the date that such amount of principal or interest becomes due to the actual date of payment.

The continuity of the Debentures and their effect on reserves is provided in the following table:

		Debenture		Reserves
Balance, December 31, 2021	$	836,748	$	64,040
Converted to shares (note 6)		(352,935)		-
Repayments		(65,100)		-
Foreign exchange loss		35,011		-
Balance, December 31, 2022	$	453,724	$	64,040
Foreign exchange gain		(10,653)		-
Balance, December 31, 2023	$	443,071	$	64,040

The principal amounts in US dollars outstanding as at December 31, 2023 and their maturity dates were as follows:

Maturity Date	Outstanding Principal US$
November 7, 2018	$100,000
February 22, 2019	40,000
August 3, 2019	10,000
September 27, 2020	110,000
December 19, 2021	75,000
	$335,000

(Expressed in Canadian dollars, Unless Noted Otherwise)

During the year ended December 31, 2023, the Company recognized interest expense of $58,575 (2022 - $77,964) included in finance fees on the statements of loss and comprehensive loss.

As at December 31, 2023, there is accrued interest of $334,781 (2022 - $285,287) on the convertible debentures which is included in accrued liabilities on the statement of financial position.

6. SHARE CAPITAL

a) Authorized
Unlimited number of common shares without par value

b) Issued and fully paid
The Company issued the following securities during the periods indicated:

	Note	Number
Balance, December 31, 2021		**206,473,372**
Shares issued for private placements	6(b) (i)	33,784,500
Shares issued for debentures settlement	6(b) (ii)	7,671,418
Balance, December 31, 2022		**247,929,290**
Shares issued for private placements	6(b) (i)	20,417,500
Shares issued for acquisition of mineral property	6(b) (iii)	600,000
Balance, December 31, 2023		**268,946,790**

(i) On December 20, 2023, the Company closed its non-brokered private placement of 13,167,500 units at $0.05 per unit for gross proceeds of $658,375. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($658,375) from the private placement and accordingly, $364,363 of the total value was allocated to the shares and $294,012 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid a finders' fee of $24,430 in cash and issued 488,600 brokers' warrants valued at $27,598. The Company paid other share issuance costs totaling $1,000.

On October 6, 2023, the Company closed its non-brokered private placement of 2,000,000 units at $0.015 per unit for gross proceeds of $30,000. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.05 per share within 15 months from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($30,000) from the private placement and accordingly, $18,233 of the total value was allocated to the shares and $11,767 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid other share issuance costs totaling $562.

On August 28, 2023, the Company closed its non-brokered private placement of 4,000,000 units at $0.015 per unit for gross proceeds of $60,000. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.05 per share within 15 months from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($60,000) from the private placement and accordingly, $38,558 of the total value was allocated to the shares and $21,442 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid other share issuance costs totaling $1,000.

On January 27, 2023, the Company closed its non-brokered private placement of 1,250,000 units at $0.04 per unit for gross proceeds of $50,000. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($50,000) from the private placement and accordingly, $32,845 of the total value was allocated to the shares and $17,155 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid other share issuance costs totaling $2,558. A total of $44,000 from this private placement is recorded as subscriptions receivable as at December 31, 2023.

On December 20, 2022, the Company closed its non-brokered private placement of 9,537,500 units for gross proceeds of $381,500 at a price of $0.04 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($381,500) from the private placement and accordingly, $254,988 of the total value was allocated to the shares and $126,512 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid a finder’s fee of $5,600 in cash and issued 140,000 broker warrants valued at $2,778.

On August 16, 2022, the Company closed its non-brokered private placement of 12,750,000 units for gross proceeds of $510,000 at a price of $0.04 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($510,000) from the private placement and accordingly, $372,007 of the total value was allocated to the shares and $137,993 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid a finders’ fee of $700 in cash and issued 17,500 broker warrants valued at $260.

On March 28, 2022, the Company closed its non-brokered private placement of 11,497,000 units for gross proceeds of $919,760 at a price of $0.08 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of $0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received ($919,760) from the private placement and accordingly, $638,041 of the total value was allocated to the shares and $281,719 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes Option Pricing Model. The Company paid a finders’ fee of $952 in cash and issued 11,900 broker warrants valued at $420.

(Expressed in Canadian dollars, Unless Noted Otherwise)

(ii) On May 17, 2022, the Company settled $352,935 of convertible debentures plus accrued and unpaid interest of $30,636 and recorded a loss of $76,714 on debt settlement through the issuance of 7,671,418 common shares of the Company at a price of $0.05 per share.

(iii) On December 27, 2023, the Company issued 300,000 common shares with a fair value of $21,000 pursuant to the option agreement for the Brandywine mineral property (note 8).

On March 28, 2023, the Company issued 300,000 common shares with a fair value of $9,000 pursuant to the option agreement for the Brandywine mineral property (note 8).

(iv) As at December 31, 2023, the Company had a commitment to issue 1,500,000 units at a price of $0.05 per unit for gross proceeds of $75,000. These units were issued subsequent to the year end, on January 18, 2024 (note 16).

c) Reserves – stock options

Pursuant to the Company's stock option plan (the "Plan"), the Company's Board of Directors may from time to time authorize the issue of options to eligible persons. The exercise price for the options shall be not less than the allowable discounted market price on the grant date. The expiry date for each option shall be set by the board at the time of issue of the option and shall not be more than five years after the grant date. Options shall not be assignable (or transferable) by the Optionee.

The number of shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

- to any one Optionee, shall not exceed 5% of the total number of issued and outstanding shares on the grant date on a non-diluted basis;
- to insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on the grant date on a non-diluted basis;
- to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis; and
- all eligible persons who undertake investor relations activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a fully diluted basis.

During the years ended December 31, 2023 and 2022, the following were changes to the stock options of the Company:

	Number of Options issued and exercisable	**Weighted Average Exercise Price**	**Weighted Average Life (years)**
Balance, December 31, 2021	**14,475,000**	**$0.18**	**3.42**
Options expired	(1,230,000)	$0.20	-
Balance, December 31, 2022	**13,245,000**	**$0.18**	**2.67**
Options granted	1,400,000	$0.05	-
Options expired	(1,880,000)	$0.20	-
Options forfeited	(860,000)	$0.16	-
Balance, December 31, 2023	**11,905,000**	**$0.16**	**2.04**

(Expressed in Canadian dollars, Unless Noted Otherwise)

The details of the share-based compensation granted are as follows:

On November 10, 2023, the Company granted 1,400,000 stock options, exercisable at $0.05 for 2 years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was $38,334 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 950,000 were granted to related parties.

Assumptions used in the Black Scholes Option Pricing Model are as follows (there were no stock option grants during 2022):

	2023	**2022**
Risk free rate of return	4.56%	-
Expected life	2.00 years	-
Expected volatility	185%	-
Expected dividend yield	0.00%	-
Weighted average fair value	$0.03	-

The following stock options were outstanding and exercisable at December 31, 2023:

Number	**Exercise Price**	**Expiry Date**
210,000*	$0.10	February 12, 2024
355,000	$0.10	May 7, 2024
310,000	$0.10	June 17, 2024
350,000	$0.10	August 22, 2024
350,000	$0.10	December 6, 2024
1,800,000	$0.20	October 5, 2025
1,400,000	$0.05	November 10, 2025
100,000	$0.20	December 1, 2025
880,000	$0.125	January 28, 2026
2,350,000	$0.25	April 27, 2026
3,600,000	$0.15	September 3, 2026
200,000	$0.15	December 14, 2026
11,905,000	**$0.16**	

* Subsequent to December 31, 2023, these options expired unexercised (note 16).

d) Reserves – warrants

During the years ended December 31, 2023 and 2022, the following were changes to the warrants of the Company:

(Expressed in Canadian dollars, Unless Noted Otherwise)

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (years)
Balance, December 31, 2021	**97,236,592**	**$0.19**	**1.22**
Warrants issued	33,953,900	$0.12	-
Warrants expired	(8,006,975)	$0.26	-
Balance, December 31, 2022	**123,183,517**	**$0.16**	**1.76**
Warrants issued	20,906,100	$0.09	-
Warrants expired	(30,584,722)	$0.22	-
Balance, December 31, 2023	**113,504,895**	**$0.13**	**1.38**

Assumptions used in the Black Scholes Option Pricing Model for the warrants issued are as follows:

	2023	2022
Risk free rate of return	3.68%- 4.85%	0.52% - 1.63%
Expected life	1.25 - 2.00 years	2.00 years
Expected volatility	138% - 210%	101% - 116%
Expected dividend yield	0.00%	0.00%

The following warrants were outstanding as at December 31, 2023:

Number	Exercise Price	Expiry Date
432,500*	$0.15	February 12, 2024
790,000*	$0.15	March 12, 2024
11,900*	$0.15	March 28, 2024
550,000*	$0.15	April 15, 2024
12,767,500	$0.10	August 16, 2024
1,155,000	$0.25	September 27, 2024
1,760,000	$0.25	October 25, 2024
4,000,000**	$0.05	November 28, 2024
2,100,000	$0.25	December 3, 2024
9,677,500	$0.10	December 20, 2024
1,940,000	$0.15	December 23, 2024
2,100,000	$0.25	December 30, 2024
1,560,000	$0.15	December 31, 2024
2,000,000	$0.05	January 6, 2025
1,250,000	$0.10	January 27, 2025
11,497,000***	$0.15	March 28, 2025
4,530,000	$0.10	April 2, 2025
7,420,000	$0.10	April 17, 2025
2,806,562	$0.18	July 2, 2025
3,387,500	$0.18	July 10, 2025
3,360,000	$0.20	August 4, 2025
1,940,000	$0.20	August 6, 2025
1,213,333	$0.20	October 30, 2025
1,600,000	$0.20	November 27, 2025
13,656,100	$0.10	December 20, 2025
20,000,000	$0.15	February 1, 2026
113,504,895	**$0.13**	

*Subsequent to December 31, 2023, these warrants expired unexercised (note 16).
**Subsequent to December 31, 2023, 1,000,000 of these warrants were exercised (note 16).
***Subsequent to December 31, 2023, the expiry date of these warrants was extended to March 28, 2025 from March 28, 2024 (note 16).

On December 8, 2023, the Company extended the expiry date of the following warrants. An incremental value of $75,896 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life ranging from 1.04 to 1.07 years, risk-free interest rate of 4.16%, a dividend yield of 0% and historical volatility ranging from 223.7% to 224.6%:

i. 1,940,000 warrants with an exercise price of $0.15 per share extended to December 23, 2024 from December 23, 2023; and
ii. 1,560,000 warrants with an exercise price of $0.15 per share extended to December 31, 2024 from December 31, 2023.

On January 6, 2023, the Company extended the expiry date of the following warrants. An incremental value of $267,538 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of 3.07 years, risk-free interest rate of 3.97%, a dividend yield of 0% and historical volatility of 130.9%:

i. 20,000,000 warrants with an exercise price of $0.15 per share extended to February 1, 2026 from February 1, 2023.

On September 19, 2022, the Company extended the expiry date of the following warrants. An incremental value of $147,135 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life ranging from 2.54 to 3.19 years, risk-free interest rate ranging from 1.05% to 1.14%, a dividend yield of 0% and historical volatility ranging from 77.8% to 111.5%:

i. 4,530,000 warrants with an exercise price of $0.10 per share extended to April 2, 2025 from October 2, 2022;
ii. 7,420,000 warrants with an exercise price of $0.10 per share extended to April 17, 2025 from October 17, 2022;
iii. 1,213,333 warrants with an exercise price of $0.20 per share extended to October 30, 2025 from October 30, 2022; and
iv. 1,600,000 warrants with an exercise price of $0.20 per share extended to November 27, 2025 from November 27, 2022.

On June 9, 2022, the Company extended the expiry date of the following warrants. An incremental value of $121,275 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life ranging from 3.07 to 3.16 years, risk-free interest rate ranging from 0.96% to 0.98%, a dividend yield of 0% and historical volatility of 111.0%:

i. 2,806,562 warrants with an exercise price of $0.18 per share extended to July 2, 2025 from July 2, 2022;
ii. 3,387,500 warrants with an exercise price of $0.18 per share extended to July 10, 2025 from July 10, 2022;
iii. 3,360,000 warrants with an exercise price of $0.20 per share extended to August 4, 2025 from August 4, 2022; and
iv. 1,940,000 warrants with an exercise price of $0.20 per share extended to August 6, 2025 from August 6, 2022.

(Expressed in Canadian dollars, Unless Noted Otherwise)

On May 16, 2022, the Company extended the expiry date of the following warrants. An incremental value of $4,694 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life ranging from 1.04 to 1.13 years, risk-free interest rate ranging from 0.98% to 1.13%, a dividend yield of 0% and historical volatility ranging from 87.0%:

i. 731,138 warrants with an exercise price of $0.125 per share extended to May 29, 2023 from May 29, 2022;
ii. 733,333 warrants with an exercise price of $0.125 per share extended to July 3, 2023 from July 3, 2022;
iii. 1,000,001 warrants with an exercise price of $0.125 per share extended to July 22, 2023 from July 22, 2022; and
iv. 1,700,000 warrants with an exercise price of $0.125 per share extended to August 27, 2023 from August 27, 2022.

On March 28, 2022, the Company extended the expiry dates of the following warrants. An incremental value of $164,559 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life of six months, risk-free interest rate of 1.08%, a dividend yield of 0% and historical volatility of 86.7%:

i. 4,530,000 warrants with an exercise price of $0.10 per share extended to October 2, 2022 from April 2, 2022; and
ii. 7,420,000 warrants with an exercise price of $0.10 per share extended to October 17, 2022 from April 17, 2022.

7. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the years ended December 31, 2023 and 2022:

	Note	Years Ended December 31, 2023	Years Ended December 31, 2022
Management fees	(a)	$ 93,600	$ 93,600
Mineral property costs – project management fees	(a)	122,400	122,400
Financing fee	(a)	-	4,020
Professional fees	(b)	150,000	150,000
Office and other corporate services	(c)	39,600	39,600
Office rent	(d)	12,000	36,000
Share-based compensation	(e)	26,012	-
		$ 443,612	$ 445,620

(Expressed in Canadian dollars, Unless Noted Otherwise)

a) Management fees and mineral property costs – project management fees and financing fees were paid to Highcard Exploration Inc. (“Highcard”), a company controlled by Graeme O’Neill, the CEO and director of the Company (“O’Neill”).

b) Fees paid to RHL Enterprise Corp., a company controlled by the Company’s CFO, Rick Low (“Low”).

c) Fees paid to Wiklow Corporate Services Inc., a company controlled by the Company’s Corporate Secretary, Donna Moroney.

d) For the year ended December 31, 2023, office rent was paid to Low. For the year ended December 31, 2022, office rent was paid to Highcard.

e) During the year ended December 31, 2023, the Company issued 950,000 (2022 – nil) stock options to related parties.

The following table summarizes payable balances to related parties as at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Trade payable to O’Neill	$ 2,084	$ 7,954
Trade payable to Low	7,864	-
Trade payable to Highcard	135,000	-
Trade payable to RHL Enterprise Corp.	115,500	13,500
Trade payable to Wiklow Corporate Services Inc.	36,630	4,727
	$ 297,078	$ 26,181

During the year ended December 31, 2023, O’Neil purchased 8,600,000 units which consisted of 8,600,000 common shares and 8,600,000 warrants for total proceeds of $220,000. The warrants have exercise prices from $0.05 to $0.10.

During the year ended December 31, 2023, Low purchased 600,000 units which consisted of 600,000 common shares and 600,000 warrants for total proceeds of $30,000. The warrants have an exercise price of $0.10.

During the year ended December 31, 2022, O’Neil purchased 12,000,000 units which consisted of 12,000,000 common shares and 12,000,000 warrants for total proceeds of $680,000. The warrants have exercise prices from $0.10 to $0.15.

During the year ended December 31, 2022, Low purchased 275,000 units which consisted of 275,000 common shares and 275,000 warrants for total proceeds of $11,000. The warrants have an exercise price of $0.10.

(Expressed in Canadian dollars, Unless Noted Otherwise)

8. MINERAL PROPERTY AND EXPLORATION EXPENSES

	Years Ended	
	December 31, 2023	December 31, 2022
Acquisition and holding costs	$ 108,512	$ 142,782
Assays and analysis	5,096	38,736
Depreciation (note 3)	273,341	278,942
Equipment & other rentals	19,231	100,409
Geological	12,782	37,868
Labour	38,610	601,636
Mining claims	28,164	-
Other contractors	33,595	1,266
Project management (note 7)	122,400	122,400
Property preparation	45,428	-
Supplies	5,013	112,518
Technical	-	1,358
Travel and accommodation	29,209	73,847
Miscellaneous	18,303	41,298
Cost recovery	(27,248)	-
	$ 712,436	$ 1,553,060

a) Bayhorse Silver Mine Property, Oregon State

The Company entered into an Option and Joint Venture Agreement dated December 4, 2013 with American Cordillera Mining Corporation and its wholly owned subsidiary Amcor Exploration Inc. (collectively, “AMCOR”) of Spokane Washington, whereby the Company was granted an option (the "Option") to acquire an 80% interest in AMCOR’s 100% leasehold interest from Bayhorse Silver Mine, LLC in certain mineral claims commonly referred to as the Bayhorse Silver Mine located in Baker County, Oregon.

The Company earned its 80% interest in the Bayhorse Silver Mine by making a cash payment of $25,000, and making the following additional share issuances and property expenditures, all of which have been completed:

Share issuances
- Issue 1,500,000 common shares.

Property expenditures
- Incur cumulative expenditures of US$1,500,000 on or before the fifth anniversary of the Option date (December 17, 2018).

The Company is required to make minimum advance royalty payments of US$50,000 annually on June 26 of each year. Subsequent to December 31, 2023, the Company completed payments for 2022 and has partially completed payments for June 26, 2023.

In accordance with the provisions of the option agreement, the Company was to be responsible for 80% of the project expenditures and AMCOR was to be responsible for 20% of the expenditures going forward.

Provisions in the option agreement allowed for dilution of either joint venture parties' interest in the joint venture and, when either party's interest fell below 10% based on participating project expenditures, their interest shall be converted to a 1% net smelter royalty and the surviving party shall hold a 100% interest in the mining lease.

On May 15, 2017, the Company completed all necessary terms to exercise its option to acquire an 80% interest in the Leasehold Interest in the Claim known as the Bayhorse Silver Mine and as such, a Joint Venture ("JV") was deemed to have been formed with the following JV Interests:

- AMCOR deemed JV expenditures of $320,000 (20% interest)
- Bayhorse Silver Inc. deemed JV expenditures of $1,600,000 (80% interest)

On December 31, 2017, AMCOR confirmed that they did not wish to participate in funding the JV that has been established between Bayhorse Silver Inc. and AMCOR. AMCOR accepted a dilution of their interest in the JV to nil and Bayhorse Silver Inc. therefore increased its interest to 100%.

b) Brandywine, British Columbia

On April 5, 2019, the Company entered into an Option Agreement to acquire an 80% interest in the Brandywine precious metals-rich, volcanogenic massive sulphide deposit located near Squamish, BC from Turnagain Resources Inc. ("Turnagain") of Richmond, BC. The option terms are the following:

i. The Company is required to obtain TSXV Exchange approval and execute an Option Agreement (completed December 16, 2019 with Option Date defined as December 23, 2019).
ii. A non-refundable deposit of $1,000 upon entering into the letter of intent (paid), followed by payment of $9,000 on signing of the Option Agreement (paid), delivery of 100,000 common shares upon signing the Option Agreement (completed), and incurring $3,000,000 of work over 5 years;
iii. Issuance of 200,000 common shares which will occur on or before December 23, 2020 (completed);
iv. Additional cash payment of $40,000 (paid) and further 300,000 common shares (completed) on or before December 23, 2021;
v. 300,000 common shares issued in each of 3rd to 5th anniversaries of the Option Date (December 23, 2022, 2023 and 2024) (Issued 600,000 common shares for the 3rd and 4th anniversary (note 6)); and
vi. Work expenditures of $500,000 in year one (completed), $500,000 in year two (completed $311,659), $500,000 in year three (outstanding) and $1,500,000 on or before December 23, 2024.

The Brandywine Property will be subject to a 2% Net Smelter Return Interest ("NSR"). The Company shall have the right, at any time during the term of the Agreement, to purchase the NSR for $250,000 per percentage point.

Surface Rights of the Property are owned by Turnagain and that the Company shall have exclusive use of the Surface Rights until the exhaustion of the minerals on the Property for mining operations, for the movement of equipment and removal of minerals from mining operations.

At any time during the Agreement, the Company shall have the option of acquiring full ownership in the property by paying $750,000 to Turnagain. Any share issuance due under the Brandywine Option Agreement after the payment shall be cancelled and the Company shall have 100% Interest in and to the Property. The Company has paid $11,700 into a reclamation bond for the Brandywine Property.

(Expressed in Canadian dollars, Unless Noted Otherwise)

9. CONTRACT LIABILITIES

The Company has recorded contract liabilities as a result of the pre-sale of 1,130 ounces of silver of which 550 ounces (2022 – 1,130 ounces) remained outstanding. At the time of the pre-sale, the Company planned to sell fineness silver extracted through the ongoing testing in the exploration phase of its mining activities.

The contract liability is deliverable at a promised consideration value of US$15.10 per ounce. There is an embedded derivative on the contract liability which is re-measured at each reporting period using the spot price of silver on the date of re-measurement. During the year ended December 31, 2023, the Company recognized a gain on silver pre-sales of $127 (2022 – loss of $2,482) in the statement of loss and comprehensive loss on the re-measurement. The price of silver as at December 31, 2023 was US$23.78 (2022 – US$23.95).

During the year ended December 31, 2023, the Company recognized $13,799 (2022 - $nil) of income from silver pre-sale from the delivery of silver to settle the obligation. In addition, the Company paid $1,301 (2022 - $nil) in repayments of the contract liability during the year ended December 31, 2023.

As at December 31, 2023, the total contract liabilities associated with the silver pre-sale is $17,437 (US$13,184) (2022 – $25,574 (US$18,882)).

10. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended December 31, 2023 and 2022, the Company had the following non-cash transactions:

	Years Ended	
	December 31, 2023	December 31, 2022
Financing Activities		
Fair value of warrants transferred from share capital to reserves for warrants attached to private placement units	$ (344,376)	$ (546,223)
Fair value of warrants issued as finder's fee for private placements	$ 27,598	$ 3,458

During the years ended December 31, 2023 and 2022, the Company paid interest of $nil and taxes of $nil.

11. SEGMENTED INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management in assessing performance and in determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

Operating Segment

The Company's operations are limited to a single industry segment, being the acquisition, exploration and evaluation of mineral properties.

(Expressed in Canadian dollars, Unless Noted Otherwise)

Geographic Segments

As at December 31, 2023, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's net loss for the years ended December 31, 2023 and 2022 are as follows:

	Years Ended	
	December 31, 2023	December 31, 2022
Canada	$ 1,575,060	$ 1,532,274
USA	449,983	1,492,664
	$ 2,025,043	$ 3,024,938

By geographic areas, the Company's non-current assets as at December 31, 2023 and 2022, are as follows:

	December 31, 2023	December 31, 2022
Canada	$ 25,029	$ 17,538
USA	1,413,454	1,694,286
	$ 1,438,483	$ 1,711,824

12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

Capital Requirements

The Company's capital consists of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets. The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

Financial Instruments

Fair Value of financial instrument

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

(Expressed in Canadian dollars, Unless Noted Otherwise)

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

		Level 1		Level 2		Level 3
December 31, 2023						
Cash	$	482,566	$	-	$	-
Contract liabilities	$	(17,437)	$	-	$	-
December 31, 2022						
Cash	$	310,442	$	-	$	-
Contract liabilities	$	(25,574)	$	-	$	-

As at December 31, 2023 and 2022, the Company believes that the carrying value of its accounts receivable, account payables, accrued liabilities, provision for indemnity, and convertible debentures approximate their fair value because of their nature and relatively short maturity dates or duration.

There were no transfers between Level 1, 2 and 3 for the years ended December 31, 2023 and 2022.

The fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of the contract liabilities is based on the silver commodity spot rate. The change in fair value for the years ended December 31, 2023 and 2022 is not related to a change in the credit risk of the contract liabilities.

Financial Risk

A discussion of the Company's use of financial instruments and their associated risk is provided below:

Industry Risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and with its accounts receivable, which is primarily due from one individual for the lease of the ore sorter. This risk is managed through the use of major banks that are considered high credit quality financial institutions, as determined by rating agencies.

Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs significant mineral property-related expenditures in the USA and its Debentures and lease liability are denominated in US dollars. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in US dollars,
- Accounts receivable denominated in US dollars;
- Accounts payable denominated in US dollars;
- Prepayments denominated in US dollars; and
- Debentures and interest payments denominated in US dollars.

These are all shown on the statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately $29,000 during the year ended December 31, 2023.

Interest Rate Risk

The Company has interest rate risk with respect to interest that can be charged on the overdue balances in accounts payable and accrued liabilities, and advances from related parties (note 7). The Company's convertible debentures (note 5) accrue interest at fixed rate; therefore, the Company is not exposed to interest rate risk on these instruments.

Liquidity and Funding Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high (note 1).

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

13. COMMITMENTS

The following table summarizes the contractual maturities as at December 31, 2023 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

(Expressed in Canadian dollars, Unless Noted Otherwise)

	2024	2025	2026	2027	2028	Total
Accounts payable and accrued liabilities	$ 1,014,402	$ -	$ -	$ -	$ -	$ 1,014,402
Advance royalty payment obligations[1]	152,099	66,130	66,130	66,130	66,130	416,619
Consulting agreement obligations	471,600	66,000	-	-	-	537,600
Convertible debentures [2]	443,071	-	-	-	-	443,071
	$2,081,172	$ 132,130	$ 66,130	$ 66,130	$ 66,130	$ 2,411,692

[1] Represents advance royalty payments for the Bayhorse mineral property.
[2] The amount represents the actual face value of the debt obligation at December 31, 2023.

The Company is, from time-to-time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

14. FLOW THROUGH SHARES

A summary of changes in the Company's flow-through share premium liability is as follows:

	December 31, 2023	December 31, 2022
Opening balance	$ 114,268	$ 141,934
Settlement of flow-through share premium liability	-	(27,666)
Reduction of flow-through share liability on recording of provision on indemnity	(114,268)	-
Ending balance	$ -	$ 114,268

As at December 31, 2023, the Company had $nil (2022 - $1,021,225) in expenditure commitments for flow-through shares issued between 2019 and 2021.

As at December 31, 2023, the Company fell short of its flow-through commitment by $1,021,225. As a result of not meeting the commitment by the deadline, the flow-through premium liability has been reduced to $nil by recognizing other income of $114,268, and the Company recorded a provision of $546,356 towards the potential indemnification of tax liabilities to purchasers of the flow-through shares.

During the year ended December 31, 2023, the Company recorded Part XII.6 tax of $nil (2022 - $118,150) and penalties and interest on late payment of the Part XII.6 tax of $14,611 (2022 - $nil). As at December 31, 2023, the Company had total Part XII.6 payable of $132,761 (2022 - $118,150).

15. INCOME TAXES

	December 31, 2023	December 31, 2022
Net loss	$ (2,025,043)	$ (3,024,938)
Expected income tax recovery at 27% (2022 – 27%)	(547,000)	(817,000)
Non-deductible items	129,000	-
Change in unrecognized deferred income tax assets	418,000	817,000
Deferred income tax recovery	$ -	$ -

(Expressed in Canadian dollars, Unless Noted Otherwise)

The significant components of the Company's unrecognized net deferred income tax assets and liabilities are as follows:

		December 31, 2023		December 31, 2022
Mineral property resource tax pools	$	2,260,000	$	2,162,000
Equipment		416,000		358,000
Non-capital losses		4,933,000		4,700,000
Debt and share issuance costs		34,000		48,000
Total unrecognized deferred income tax assets	$	7,643,000	$	7,268,000

As at December 31, 2023, the Company has non-capital losses of approximately $19,218,000 (2022 - $18,631,000) available to offset future income for income tax purposes which commence expiring in 2026 through 2043. Approximately $4,268,000 (2022 - $4,285,000) of the non-capital losses arose in the United States, of which $3,586,000 (2022 - $3,603,000) will commence expiring in 2037 while $682,000 (2022 - $682,000) is carried forward indefinitely. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the consolidated financial statements.

16. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2023:

(a) the Company closed its non-brokered private placement for 8,310,000 units at $0.05 per unit for gross proceeds of $415,500. Each unit consists of one common share and one transferable common share purchase warrant, with each warrant entitling the holder to acquire one common share at a price of $0.10 per share within two years from the date of issuance. The Company incurred share issuance costs of $9,485 and issued 189,700 finders' fee warrants in connection with this placement. The commitment to issue shares of $75,000 was settled when the private placement closed (note 6).

(b) the Company granted 400,000 stock options to directors of the Company. The stock options were fully vested on grant, have a term of five years and are exercisable into common shares at a price of $0.10 per stock option.

(c) a total of 210,000 stock options with an exercise price of $0.10 per share and a total of 1,784,400 warrants with an exercise price of $0.15 per share expired unexercised (note 6).

(d) the Company extended the expiry date of 11,497,000 warrants with an exercise price of $0.15 per share to March 28, 2025 from March 28, 2024 (note 6).

(e) 1,000,000 warrants with an exercise price of $0.05 per share were exercised for gross proceeds of $50,000 (note 6).