ALASKA HYDRO CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

(Expressed in Canadian dollars)

DeVISSER GRAY LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alaska Hydro Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alaska Hydro Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2023 and 2022, and the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 in the financial statements, which indicates that the Company does not generate cash flows from operations and, accordingly, the Company will need to raise additional funds through future issuance of securities or debt financing. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is James Roxburgh.

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
April 25, 2024

Alaska Hydro Corporation

Statements of Financial Position
As at December 31, 2023 and
2022 (Expressed in Canadian
dollars)

	December 31, 2023	December 31, 2022
	$	$
ASSETS		
Current assets:		
Amounts receivable	4,253	1,892
	4,253	1,892
Deposits (Note 4)	10,500	10,500
	14,753	12,392
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	3,587	2,064
Accounts payable and accrued liabilities	5,309	3,962
Due to related parties (Note 5)	67,688	46,938
Advances (Note 5)	75,000	20,000
	151,584	72,964
Long term liabilities:		
Convertible Promissory Note (Note 6)	80,887	86,697
Total liabilities	232,471	159,661
Shareholders' deficiency:		
Share capital (Note 7)	3,673,691	3,673,691
Contributed surplus	1,274,315	1,274,315
Deficit	(5,165,724)	(5,095,275)
	(217,718)	(147,269)
	14,753	12,392

Nature of operations and going concern *(Note 1)*

On behalf of the Board on April 25, 2024

Signed *"Clifford A. Grandison"* Co-Chairman &

Interim CEO Signed: *"Greg Sunell"* Director

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

Alaska Hydro Corporation

Statements of Comprehensive Loss
For the Years Ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	December 31, 2023	December 31, 2022
	$	$
General and administrative		
Project costs (recoveries) (Note 4)	4,095	(88,507)
Professional fees (Note 5)	53,388	36,875
Transfer agent, filing and sustaining fees	15,766	13,751
Office administration	2,368	4,921
Investor relations	642	640
Interest on convertible promissory note (Note 6)	14,190	11,604
Share-based compensation (Note 7)	-	93,737
	(90,449)	(73,021)
Gain on revaluation of convertible promissory note debenture (Note 6)	20,000	10,000
Net loss and comprehensive loss	(70,449)	(63,021)
Net loss per share - basic and diluted (Note 7)	(0.00)	(0.00)
Weighted average number of common shares outstanding and held by other shareholders - basic	38,369,750	38,369,750
Weighted average number of common shares outstanding and held by other shareholders - diluted	38,369,750	38,369,750
Common shares outstanding and held by other shareholders at end of year	38,369,750	38,369,750

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

Alaska Hydro Corporation

Statement of Changes in Equity
For the Years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	Number of common shares issued and outstanding	Amount $	Contributed surplus $	Deficit $	Total $
Balance, December 31, 2021	38,369,750	3,673,691	1,180,578	(5,032,254)	(177,985)
Share-based compensation	-	-	93,737	-	93,737
Comprehensive loss	-	-	-	(63,021)	(63,021)
Balance, December 31, 2022	38,369,750	3,673,691	1,274,315	(5,095,275)	(147,269)
Comprehensive loss	-	-	-	(70,449)	(70,449)
Balance, December 31, 2023	38,369,750	3,673,691	1,274,315	(5,165,724)	(217,718)

The number of shares issued at December 31, 2023 is comprised as follows:

Shares considered previously issued	44,238,353
Issued and held by the Company	(5,868,603)
Issued and outstanding with other shareholders	38,369,750

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

Alaska Hydro Corporation

Statements of Cash Flows
For the Years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	December 31, 2023	December 31, 2022
	$	$
Cash flows provided by (used in):		
Operating activities:		
Comprehensive loss for the year	(70,449)	(63,021)
Non-cash items:		
Share-based compensation	-	93,737
Interest on convertible promissory note	14,190	11,604
Gain on revaluation of convertible promissory note debenture	(20,000)	(10,000)
Changes in non-cash working capital items:		
Amounts receivable	(2,361)	3,539
Bank overdraft	1,523	2,064
Accounts payable and accrued liabilities	1,347	(87,943)
Due to related parties	20,750	5,375
Cash used in operating activities	(55,000)	(44,645)
Financing activities:		
Related party advances, net	55,000	20,000
Cash provided by financing activities	55,000	20,000
Change in cash during the year	-	(24,645)
Cash - beginning of year	-	24,645
Cash - end of year	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Alaska Hydro Corporation, formerly Project Finance Corp., (the "Company" or "Alaska Hydro") was incorporated on October 16, 2006 under the British Columbia Business Corporations Act. Prior to September 3, 2010, the Company was a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). On September 3, 2010 the Company completed its Qualifying Transaction (the "Qualifying Transaction") pursuant to the rules and policies of the Exchange by acquiring the net assets and operations of Cascade Creek LLC. ("Cascade"), a development stage hydroelectric project. On that date the Company also changed its name to Alaska Hydro Corporation. The Company commenced trading on the Exchange as a Tier 2 Issuer on September 8, 2010 under its new name and trading symbol "AKH". On January 21, 2019, the Company was assigned trading on the Exchange as a NEX issuer. Alaska Hydro is a British Columbia corporation with its head office located at 2633 Carnation Street North Vancouver, British Columbia, Canada V7H 1H6.

On August 18, 2014 the Company submitted an application for a water license permit to generate electricity from a proposed More Creek hydroelectric project in northwest British Columbia with a nameplate capacity of 75MW.

The Company had a net loss of $70,449 for the year ended December 31, 2023 (2022 – $63,021). The Company had an accumulated deficit of $5,165,724 as at December 31, 2023. For the Company to continue as a going concern it is dependent upon its ability to raise sufficient financing and to obtain the required licenses for its More Creek Project and to ultimately generate income and cash flows from operations of that project.

The Company does not generate cash flows from operations and, accordingly, the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

The current cash resources are not adequate to pay the Company's accounts payable and to meet its minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs. The existence of such material uncertainties creates significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company has consistently applied the same accounting policies throughout all periods presented.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Measurement Basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below. All amounts are expressed in Canadian dollars unless otherwise stated.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and bank deposits. As at December 31, 2023 and 2022, the Company had no cash or cash equivalents.

c) Power Project Development Costs

Power project development costs, incurred prior to the determination of the economic feasibility of the power project and a decision to proceed with development are charged to operations as incurred.

If a project is deemed to be economically feasible and a decision to proceed with the project is made by the Company, costs associated with the development of the project are capitalized and subsequently amortized over the life of the project. Capitalized costs of unsuccessful projects are written off as impaired in the period that a project is abandoned or when recovery of the costs is no longer regarded as assured.

d) Foreign Currency Translation

The functional and presentation currency of Alaska Hydro is the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statements of financial position date are retranslated at the period-end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e) Long-lived Assets and Impairment

Long-lived assets are reviewed by management for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition.

f) Derivative liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. This accounting treatment requires that the carrying amounts of embedded derivatives be marked-to-market at each statement of financial position date and carried at fair value. In the event that the fair value is recorded as a liability, the change in fair value during the period is recorded in the statement of comprehensive loss as either income or expense. Upon conversion, exercise or modification to the terms of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

f) Derivative liability (continued)

The classification of financial instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the statement of financial position as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the statement of financial position date.

g) Loss per Share

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period.

h) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

i) Use of Estimates and Judgements

The preparation of the financial statements requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include expected future tax rates, the fair value measurement of the convertible promissory note’s embedded derivative and the calculation of share-based compensation. Financial results as determined by actual events could differ from those estimates.

Management has applied its judgement in the evaluating the Company’s going concern prospects and related disclosures.

j) Financial Instruments

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

j) Financial Instruments (continued)

The Company classifies it financial instruments as follows:

Financial liabilities	Classification
Bank overdraft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Advances	Amortized cost
Convertible promissory note	Amortized cost
Convertible promissory note – debenture	FVTPL

<u>Measurement</u>

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Accounts payable and accrued liabilities, due to related parties, advances and the convertible promissory note are classified in this category.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive loss in the year in which they arise. The debenture embedded in the convertible promissory note is classified in this category.

Financial assets at FVTOCI
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive loss in the year in which they arise. There are no financial instruments classified in this category as at December 31, 2023 and 2022.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. There are no financial instruments classified in this category as at December 31, 2023 and 2022.

<u>Impairment of financial assets at amortized cost</u>

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

j) Financial Instruments (continued)

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in the statement of comprehensive loss.

k) Income Taxes

Income taxes are accounted for using the liability method of tax allocation. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Deferred income tax assets and liabilities are measured using substantially enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Flow-through shares are accounted for as compound instruments comprising liability and equity components upon issuance, with any premium received that can be reasonably determined being attributed to the tax benefit provided and considered a liability. Upon qualifying expenditures being incurred, this liability is reversed and recognized in income, and any deferred tax liability in respect to the amounts renounced to investors is recorded. Costs related to the liability component are also charged to profit or loss.

The Company estimates the value of the liability component using the residual method, whereby the quoted price of the Company's non-flow-through shares issued is compared to the price investors paid for the flow- through shares and any difference forms the premium amount.

l) Share-based compensation

The Company records all share-based payments at fair value. Share-based compensation expense for share option grants to employees and others providing similar services is based on the fair value of the stock options issued at the grant date, which is determined using the Black-Scholes Option-Pricing Model. Where equity instruments are granted to non-employees, they are recorded at the fair value of goods or services received in the Statements of Comprehensive Loss. When the value of goods or services cannot be reliably estimated, the Black-Scholes Option Pricing Model is used. Compensation expense for share options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for share options granted to employees is amortized over the vesting period using a graded vesting assumption. On exercise of stock options, consideration paid together with fair value amount previously credited to contributed surplus is recorded as share capital.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

m) New Accounting Standard Issued and Adopted

The Company did not adopt and new accounting standards during the year that had a material impact on its results and financial position.

4. MORE CREEK PROJECT

On August 18, 2014, the Company submitted an application for a water license permit to generate electricity from a proposed hydroelectric project in northwest British Columbia. As at December 31, 2023, the Company had spent $10,500 on the applications for the Water License and Crown Land Tenure. In addition, the Company obtained the approval for the Investigative Use License on February 4, 2015. The application fees of $10,500 have been treated as deposits pending the granting of the license and tenure by the government.

On March 14, 2018, the Company announced the acceptance of an Investigative Licence for the Forrest Kerr Diversion Project.

During fiscal 2019, the Company incurred a liability of $75,000 for project costs in respect of an environmental assessment, of which this amount plus interest was in accounts payable as at December 31, 2021. During the year ended December 31, 2022, the Company reversed the costs that had been accrued in respect of the environmental assessment. As these amounts had been expensed in prior years, the Company recognized a recovery of $88,507 on the statement of comprehensive loss during the year ended December 31, 2022.

5. RELATED PARTY TRANSACTIONS AND BALANCES

As at December 31, 2023, $60,818 (2022 - $40,068) was due to a private company controlled by R. Anderson, CFO of the Company.

During the year ended December 31, 2023, the Company incurred $30,776 (2022 - $16,125) to a private company controlled by R. Anderson, CFO of the Company, for providing accounting services.

As at December 31, 2023, $6,870 (2022 - $6,870) was due to M. Hoole, Director of the Company.

During the year ended December 31, 2023, the Company incurred $8,000 (2022 - $13,750) to M. Hoole, Director of the Company, for providing management services.

During the year ended December 31, 2023, the Company received advances of $55,000 (2022 - $20,000) from C. Grandison, the CEO, President and a Director of the Company. This amount is payable to C. Grandison as at December 31, 2023, and is non-interest bearing with no fixed terms of repayment.

These transactions are in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

6. CONVERTIBLE PROMISSORY NOTE

In the years ended December 31, 2020 and 2019, the CEO, President and a Director of the Company, C. Grandison, advanced an aggregate of $100,000 to the Company.

(Expressed in Canadian Dollars)

6. CONVERTIBLE PROMISSORY NOTE (continued)

On December 31, 2020, the Company converted these advances into a convertible promissory note with a principal balance of $100,000 (the "Note"). The Note bears interest at 2.0% per annum and matures on January 15, 2026. The Note was convertible at the option of the lender into common shares of the Company at a price of $0.065 per common share if exercised prior to December 31, 2021 and at a price of $0.10 per common share after December 31, 2021. If the share price of the Company on the Exchange exceeds $0.14 every day over a 30-day period, the Company has the option to convert the Note at the same terms as the lender.

As the Note has a variable conversion price, it has been accounted for as a financial liability (debt host) with an embedded derivative (variable conversion feature).

The carrying value of the Note is as follows at December 31, 2023:

	Debt	Embedded Derivative	Total
Balance, January 1, 2022	$ 45,093	$ 40,000	$ 85,093
Interest on Note	11,604	-	11,604
Gain on revaluation of derivative	-	(10,000)	(10,000)
Balance, December 31, 2022	56,697	30,000	86,697
Interest on Note	14,190	-	14,190
Gain on revaluation of derivative	-	(20,000)	(20,000)
Balance, December 31, 2023	**$ 70,887**	**$ 10,000**	**$ 80,887**

7. SHARE CAPITAL

(a) Authorized: 100,000,000 common shares without par value.

(b) Issued and Outstanding:

At December 31, 2023, the Company has issued 44,238,353 (2022 - 44,238,353) shares, of which 5,868,603 (2022 – 5,868,603) shares have been surrendered to the Company and are held by the Company without cancellation and 38,369,750 (2022 – 38,369,750) are held by other shareholders.

During fiscal 2023 and 2022, there were no share transactions.

(c) Warrants:

There were no warrants outstanding as at December 31, 2023 and 2022.

(d) Options:

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan") options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's shares on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to 8,214,179, 20% of the Company's issued and outstanding shares at the date the Plan was amended.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(d) Options: (continued)

Fiscal 2023:

No stock options were issued during the year ended December 31, 2023.

Fiscal 2022:

On June 28, 2022, the Company granted 3,780,000 stock options to its directors and officers, exercisable at $0.03 per common share and expiring five years from the grant date. Of these options, 3,718,00 vested on the grant date and 62,000 vest one year from the grant date.

During the year ended December 31, 2022, the Company recorded share-based compensation of $93,737 in respect of the options granted and vesting during the year. The fair value of the options was calculated using the Black-Scholes option pricing model using the following assumptions: market price - $0.025; volatility – 235.78%; discount rate – 3.22%; and term – five years.

The current balance of outstanding and exercisable options is as follows:

	Year Ended December 31, 2023		**Year Ended December 31, 2022**	
	Options Outstanding	Weighted-average price ($)	Options Outstanding	Weighted-average price ($)
Opening balance	4,515,000	0.03	735,000	0.05
Granted	-	-	3,780,000	0.03
Closing balance	4,515,000	0.03	4,515,000	0.03
Exercisable	4,515,000	0.03	4,453,000	0.03

The weighted average remaining contractual lives of the outstanding options are:

Expiration Date	Outstanding	Weighted Average Exercise Price	Remaining Contractual Life
November 20, 2024	735,000	0.05	.89 years
June 29, 2027	3,780,000	0.03	3.50 years
Balance December 31, 2023	4,515,000	0.03	3.07 years

8. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is subject to the usual Tier 2 Continuous Listing Requirements, which include, among other things, the requirement for adequate working capital in financial resources of the greater of $50,000, and an amount required to maintain operations for a period of six months. At December 31, 2023, this requirement is not met and accordingly, the Company is currently trading on the NEX. The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company is a development stage venture issuer it has limited ability presently to raise money by long term or any other kind of debt. For practical purposes and subject to limited exceptions all of its capital management is directed towards management of its issues of equity, including warrants. There is very limited flexibility in its capital management.

(Expressed in Canadian Dollars)

9. DEFERRED INCOME TAXES

The following table reconciles the amount of income tax recoverable based on the Canadian income tax rate:

	2023	2022
Combined statutory rate	27.00%	27.00%
Income tax recovery on net loss, at statutory rate	$ (19,021)	$ (17,016)
Permant differences and other	(1,568)	25,742
Utilization of non-capital loss carry forwards	-	(8,726)
Change in unrecognized deferred tax assets	20,589	-
Income tax recovery	$ -	$ -

Significant components of the Company's deferred tax assets are shown below:

	2023	2022
Non-capital loss carry forwards	$ 605,248	$ 584,659
	605,248	584,659
Unrecognized deferred tax assets	(605,248)	(584,659)
Income tax recovery	$ -	$ -

As at December 31, 2023, the Company has approximately $2,240,000 (2022 - $2,165,000) of non-capital loss carry forwards available to reduce taxable income for future years. The loss carry-forwards expire between 2030 and 2043.

In assessing deferred tax assets, management considers whether it is more probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

10. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at December 31, 2023 and 2022, the Company's financial instruments consist of bank overdraft, accounts payable and accrued liabilities, amounts due to related parties, advances, convertible promissory note and convertible promissory note – derivative.

Liquidity Risk

All of the Company's current financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper or similar instruments.

10. FINANCIAL INSTRUMENTS AND RISK (continued)

The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

As at December 31, 2023, the Company does not have cash resources to meet the Company's minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Foreign Exchange Risk

As at December 31, 2023, the Company has no transactions that are in US funds and as a result, it is subject to minimal foreign exchange risk.

Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

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

The Company does not have financial assets measured at fair value on a recurring basis as at December 31, 2023.