

GSP RESOURCE CORP

Condensed Interim Financial Statements

Nine months ended February 28, 2023

Expressed in Canadian Dollars

[Unaudited – prepared by management]

GSP RESOURCES CORP

1610 – 777 Dunsmuir Street, Vancouver, B.C., V7Y 1K4
Telephone (604) 619 7469

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

GSP RESOURCE CORP

Condensed Interim Statement of Financial Position
Expressed in Canadian dollars
[Unaudited – prepared by management]

As at	February 28, 2023	May 31, 2022
	\$	\$
ASSETS		
Current assets		
Cash	148,068	240,116
GST receivable	3,376	6,246
Marketable securities (Note 5)	3,500	7,000
Prepaid expense	13,195	9,525
Total current assets	168,139	262,887
Reclamation bond (Note 4)	27,000	27,000
Exploration and evaluation assets (Note 5)	2,138,403	2,053,445
Total assets	2,333,542	2,343,332
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	50,008	15,293
Due to related parties	500	6,086
Total liabilities	50,508	21,379
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	3,304,141	3,148,704
Reserves (Note 6)	564,469	529,256
Deficit	(1,585,576)	(1,356,007)
Total shareholders' equity	2,283,034	2,321,953
Total liabilities and shareholders' equity	2,333,542	2,343,332

Note 1 - Nature of operations and going concern

Note 8 - Commitments

These financial statements are authorized for issue by the Board of Directors on April 28, 2023

They are signed on the Company's behalf by:

"Simon Dyakowski"
Director

"Chris Dyakowski"
Director

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP

Condensed Interim Statement of Loss and Comprehensive Loss
Expressed in Canadian dollars, except for number of shares
[Unaudited – prepared by management]

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Nine Months Ended February 28, 2023	Nine Months Ended February 28, 2022
	\$	\$	\$	\$
General and administrative expenses				
Business development	3,000	10,000	3,000	12,500
Insurance	1,875	750	5,625	3,750
Management fees (Note 7)	40,000	30,000	100,000	90,000
Office and miscellaneous	2,722	761	7,312	2,749
Professional fees	11,625	8,500	49,433	56,220
Regulatory and transfer agent fees	7,191	3,890	19,146	21,183
Rent	2,250	3,000	7,000	9,000
Shareholder information	-	17,400	-	79,643
Stock based compensation	27,650	-	27,650	16,925
Travel and promotion	1,916	1,967	2,453	6,845
Website	3,825	100	4,450	3,975
	102,054	76,368	226,069	302,790
Gain (Loss) on marketable securities (Note 5)	700	(375)	(3,500)	(28,630)
Deferred tax expense				37,850
Project management fee	-	7,500		7,500
Net loss and comprehensive loss for the period	101,354	69,243	229,569	286,069
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares - Basic and diluted	21,843,829	20,428,383	21,061,964	20,317,063

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP

Condensed Interim Statement of Cash Flows
Expressed in Canadian dollars
[Unaudited – prepared by management]

	Nine Months Ended February 28, 2023	Nine Months Ended February 28, 2022
	\$	\$
Operating activities		
Net loss for the period	(229,569)	(286,069)
Items not affecting cash		
Loss on marketable securities	3,500	28,630
Stock based compensation	27,650	16,925
Deferred income tax (recovery)	-	(37,850)
Changes in non-cash working capital items:		
GST receivable	2,870	4,803
Prepaid expenses	(3,670)	61,077
Accounts payable and accrued liabilities	34,715	6,296
Due to related parties	(5,586)	(1,353)
Net cash flows used in operating activities	(170,090)	(207,542)
Investing activities		
Disposition of marketable securities	-	14,745
Exploration and evaluation assets investments (Note 5)	(42,958)	(823,378)
Net cash flows used in investing activities	(42,958)	(808,633)
Financing activities		
Common shares issued for cash, net of share issue costs	121,000	479,333
Net cash flows derived from financing activities	121,000	479,333
(Decrease) in cash	(92,048)	(536,842)
Cash, beginning of period	240,116	708,380
Cash, end of period	148,068	171,539

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GSP RESOURCE CORP

Condensed Interim Statements of Changes in Equity
Expressed in Canadian dollars, except for number of shares
[Unaudited – prepared by management]

	<u>Common shares</u>		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, May 31, 2021	18,847,274	2,756,821	410,232	(1,017,781)	2,149,272
Flow-through units issued for cash, net of issuance costs (Note 6)	1,299,999	331,200	102,099	-	433,299
Flow through share premium (Note 6)	-	(37,850)	-	-	(37,850)
Shares issued pursuant to exercise of warrants (Note 6)	230,167	46,033	-	-	46,033
Shares issued for mineral property (Note 5, 6)	300,000	52,500	-	-	52,500
Stock based compensation (Note 6e)	-	-	16,925	-	16,925
Net loss and comprehensive loss for the period	-	-	-	(286,069)	(286,069)
Balance, February 28, 2022	20,677,440	3,148,704	529,256	(1,303,850)	2,374,110
Net loss and comprehensive loss for the period	-	-	-	(52,157)	(52,157)
Balance, May 31, 2022	20,677,440	3,148,704	529,256	(1,356,007)	2,321,953
Flow-through units issued for cash, (Note 6)	1,512,500	113,437	7,563	-	121,000
Shares issued for mineral property (Note 5, 6)	400,000	42,000	-	-	42,000
Stock based compensation (Note 6e)	-	-	27,650	-	27,650
Net loss and comprehensive loss for the period	-	-	-	(229,563)	(229,563)
Balance, February 28, 2023	22,589,940	3,304,141	564,469	(1,585,576)	2,283,034

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

February 28, 2023

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1. Nature and Continuance of Operations and Going Concern

GSP Resource Corp. (the “Company”) was incorporated on February 19, 2018, under the Business Corporations Act (British Columbia) under the name GSP Resource Corp. The Company’s principal business activity is the exploration of mineral properties. The Company currently conducts substantially all of its operations in Canada in one business segment.

The head office and principal address of the Company is located at 1610 – 777 Dunsmuir Street, Vancouver, B.C., V7Y 1K4.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company emphasises that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern the most significant of these being the Company’s ability to carry out its business objectives dependent on the Company’s ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future. Other uncertainties include the fact that the Company is currently in the exploration stage for its interests in the Olivine Mountain and Alwin properties in British Columbia, Canada (see Note 5), the economic viability of which have not been fully assessed. The Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of capitalized costs on the Olivine Mountain and Alwin properties is uncertain and dependent upon projects achieving commercial production or sale. The outcome of these matters cannot be predicted at this time. The Company is considering a number of alternatives to secure additional capital including obtaining funding facilities or equity financings. Although management intends to secure additional financing there is no assurance management will be successful or that it will establish future profitable operations.

	February 28 2023	May 31 2022
Deficit	\$ (1,585,576)	\$ (1,356,007)
Working capital	\$ 117,631	\$ 241,508

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such amounts would be material.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The Company has not yet experienced a material negative impact to its business, results of operations, or financial position as a result of COVID-19. The future financial effects to the Company, if any, of COVID-19 cannot be reasonably estimated at this time.

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2. Significant Accounting Policies

Statement of Compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all of the information required for full annual financial statements.

The financial statements were approved by the Board of Directors of the Company on April 28, 2023.

Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC; however, none have been identified as applicable or consequential to the Company.

Cash

Cash consists of cash on hand and deposits in banks with no restrictions. Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as of February 28, 2023, and May 31, 2022.

Marketable securities

Marketable securities consist of common shares of publicly traded companies listed on the TSX Venture Exchange. Marketable securities are classified as FVTPL and are recorded at their fair values using quoted market prices at the statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of loss and comprehensive loss.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets. Such costs include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

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2. Significant Accounting Policies (cont'd...)

Reclamation bond

Reclamation bonds are required by the British Columbia Ministry of Energy and Mines and are represented by Guaranteed Interest Certificates ("GIC") held in the Company's name at a bank. The reclamation bonds cannot be withdrawn by the Company without the consent of the Ministry of Natural Resources.

Asset retirement obligation

Provisions for the decommissioning, restoration and rehabilitation are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of capital will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. Upon initial recognition of the liability, the corresponding costs are added to the carrying amount of the related asset and amortized as an expense, using a systematic method, over the economic life of the asset. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted annually for the passage of time and changes to the amount or timing of the underlying cash flows needed to settle the obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. The Company does not have any asset retirement obligation as of February 28, 2023, and 2022.

Mining exploration tax credit

Mining tax credits are recorded as a reduction of the related deferred exploration expenditures upon receipts from the Canada Revenue Agency ("CRA"). These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects.

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

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

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2. Significant Accounting Policies (cont'd...)

Share based payments

Share based payments to directors, officers and consultants are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. The corresponding amount is recorded to the reserves. The Company applies the fair value method of accounting for share-based payments and the fair value is calculated using the Black-Scholes option pricing model.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

Flow-through shares

Flow-through shares expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A flow through share premium liability is recognized for this difference and included in deferred tax recovery at the time the qualifying expenditures are made. In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled when eligible expenditures have been incurred and management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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2. Significant Accounting Policies (cont'd...)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI)
- Amortized cost

The determination of the classification of financial assets is made at initial recognition. Marketable securities that are held for trading are classified as FVTPL.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statements of loss and comprehensive loss.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

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2. Significant Accounting Policies (cont'd...)

Financial instruments (cont'd...)

Financial assets at amortized cost

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

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred.

The Company's accounting policy for each category is as follows:

Financial liabilities at FVTPL

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Financial liabilities at amortized cost

This category includes accounts payable and accrued liabilities and due to related parties, which are recognized at amortized cost using the effective interest method:

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period.

Transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the statements of loss and comprehensive loss immediately while transaction costs associated with other financial liabilities are included in the initial measurement of the financial liability.

3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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3. Significant accounting judgments and estimates (cont'd...)

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgment has been applied include:

- **Impairment of exploration and evaluation assets (E&E assets)**
In accordance with the Company's accounting policy, the Company's E&E assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Management has assessed for impairment indicators for the Company's E&E assets as of February 28, 2023, and May 31, 2022, and has concluded that no indicators of impairment were identified, and the Company plans to continue with its objective of developing the Olivine Mountain and Alwin Mineral Properties.

- **Going concern assessment**
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuring year as they fall due, and to fund planned and contractual exploration programs, involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Significant areas requiring the use of management estimates and assumptions include:

- **Fair value calculation of stock-based compensation**
The fair value of share-based payments in relation to the agent warrants and options granted is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.
- **Current and deferred tax taxation**
Estimations of the tax asset or liability require assessments to be made based on the potential tax treatment of certain items that will only be resolved once finally agreed with the relevant tax authorities. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future financial performance and the timing of reversal of temporary differences as well as the tax rates and laws in each respective jurisdiction at the time of the expected reversal.

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4. Reclamation bond

As of February 28, 2023, two reclamation bonds in the total amount of \$27,000 (May 31, 2022 - \$27,000), plus accrued interest if any, is held with the British Columbia Ministry of Energy and Mines. The two bonds are held with Bank of Montreal with interest rate of prime less 2.65% and less 2.9%.

5. Exploration and Evaluation Assets

Alwin Property, Kamloops Mining Division, British Columbia

On January 30, 2020, the Company entered into an option agreement to acquire a 100% interest in 9 mining claims located in the Kamloops Mining District of British Columbia. To acquire the 100% interest, the Company must make cash payments of \$250,000 (of which \$75,000 is paid), issue 4,500,000 of the Company's common shares (of which 1,100,000 are issued) as follows:

Date	Cash	Shares
Upon receipt of TSX Venture Exchange approval of the Option Agreement (the "Approval Date") (paid and issued)	\$ 25,000	200,000
On or before 1 st Anniversary of the Approval Date (paid and issued)	\$ 25,000	200,000
On or before 2 nd Anniversary of the Approval Date (paid and issued)	\$ 25,000	300,000
On or before 3 rd Anniversary of the Approval Date	\$ -	400,000
On or before August 5, 2023 (as amended December 16, 2022)	\$ 50,000	-
On or before 4 th Anniversary of the Approval Date	\$ 50,000	500,000
On or before 5 th Anniversary of the Approval Date	\$ 75,000	900,000
On or before the earlier of a bankable feasibility study and the 8 th Anniversary of the Approval Date	\$ -	2,000,000
	<u>\$ 250,000</u>	<u>4,500,000</u>

During the term of the option, the Company is required to keep the claims in good standing. These claims are also subject to a 1.8% Gross Smelter Return ("GSR") Royalty to the Optionors. The Company has the option to repurchase 0.8% GSR Royalty for \$1,500,000, leaving the Optionors with a 1% GSR Royalty.

Olivine Mountain Property, Similkameen Mining Division, British Columbia

On February 23, 2018 (as amended October 17, 2019, and further amended December 24, 2019), the Company entered into an option agreement to acquire a 100% interest in 25 mining claims located in the Similkameen Mining District of British Columbia. To acquire the 100% interest, the Company must make cash payments of \$80,000 (of which \$80,000 is paid), issue 275,000 of the Company's common shares (of which 275,000 are issued) and incur aggregate minimum exploration expenditure of \$300,000 on the Olivine Property (all of which has been incurred) as follows:

	Cash	Shares	Minimum Exploration Expenditures
Within 10 days after execution and delivery of the Agreement (paid)	\$ 15,000	-	-
Within 10 days of the Listing Date,	\$ 20,000	200,000	-
Six-month anniversary of the Listing Date	\$ 20,000	-	-
Fifteenth-month anniversary of the Listing Date	-	75,000	\$ 100,000
Twenty-fourth month anniversary of the Listing Date	-	-	\$ 200,000
Thirtieth month anniversary of the Listing Date (paid)	\$ 25,000	-	-
-	<u>\$ 80,000</u>	<u>275,000</u>	<u>\$ 300,000</u>

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5. Exploration and Evaluation Assets (cont'd...)

Olivine Mountain Property, Similkameen Mining Division, British Columbia (cont'd...)

During the term of the option, the Company is required to keep the claims in good standing.

These claims are also subject to a 2% Net Smelter Return (“NSR”) Royalty payable commencing from the date upon which the Property is put into commercial production, 100% of which can be acquired at a purchase price of \$1,00,000 for each one-half (50%) of the NSR Royalty, leaving the Optionor with no NSR Royalty after payment of \$2,000,000.

Agreement with Full Metal Minerals Ltd.

The TSX Venture Exchange accepted for filing an option agreement dated Feb. 24, 2020 (as amended on July 30, 2020, Aug. 28, 2020, Dec. 15, 2020, Feb. 1, 2021, and March 12, 2021), between Full Metal Minerals Ltd. and the Company, whereby Full Metal Minerals Ltd. has been granted an option to acquire 60 per cent of the Company's right, title and interest in and to the Olivine Mountain property in British Columbia for consideration in the amount of \$515,000 in cash (of which \$90,000 is paid) and the issuance of 350,000 shares (of which 170,000 are issued) over four years. The exploration expenditures will be \$500,000 over four years (of which \$75,000 is spent).

Full Metal Minerals Ltd. has completed the first-year cash payments of \$65,000 and issued 100,000 shares to the Company pursuant to the payment schedule in the option agreement. As of May 31, 2021, the marketable securities were valued at a quoted market price of \$0.43 per share for a total of \$43,000.

Full Metal Minerals Ltd. has completed the second-year cash payments of \$25,000. During the fiscal year ended May 31, 2022, the Company disposed of the 100,000 common shares of Full Metal Minerals Ltd. that were received in prior year for net proceeds in the amount of \$14,745 and recognized a realized loss on the disposition of the marketable securities in the amount of \$28,255). The Company received an additional 70,000 common shares of Full Metal Minerals Ltd at a fair value of \$9,175. As of February 28, 2023, the fair value of these marketable securities was \$3,500 (May 31, 2022 - \$7,000). During the Nine months ended February 28, 2023, the Company recognized a loss on marketable securities in the amount of \$3,500, (2022 - \$28,255). During the fiscal year ended May 31, 2022, the Company recognized a loss on marketable securities in the amount of \$2,175 (2022 - \$35,000 gain).

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5. Exploration and Evaluation Assets (cont'd...)

Expenditures related to the properties can be summarized as follows:

	May 31, 2021	Additions	May 31, 2022	Additions	February 28, 2023
	\$	\$	\$	\$	\$
Acquisition costs					
Alwin Project					
Property option payments - cash	50,000	25,000	75,000	-	75,000
Property option payments - shares	98,000	52,500	150,500	42,000	192,500
	148,000	77,500	225,500	-	267,500
Olivine Property					
Property option payments - cash	80,000	-	80,000	-	80,000
Property option payments - shares	49,250	-	49,250	-	49,250
Other claims - cash	991	-	991	-	991
Property option -proceeds from disposition	(48,000)	(59,175)	(107,175)	-	(107,175)
	82,241	(59,175)	23,066	-	23,066
	230,241	18,325	248,566	42,000	290,566
Exploration costs					
Alwin Project					
Drilling	356,487	469,731	826,218	-	826,218
Environmental consulting	1,230	-	1,230	-	1,230
Fieldwork	14,500	6,750	21,250	-	21,250
Geological consulting	132,831	169,551	302,382	42,259	344,641
Laboratory and analysis	32,996	63,441	96,437	-	96,437
Technical consulting	30,195	127,027	157,222	-	157,222
Travel, supplies and field expenses	25,703	9,036	34,739	689	35,438
	593,942	845,536	1,439,478	42,958	1,482,436
Olivine Property					
Airborne geophysical survey	85,000	-	85,000	-	85,000
Assessment report	8,564	-	8,564	-	8,564
Core cutting	8,050	-	8,050	-	8,050
Drilling	122,683	-	122,683	-	122,683
Fieldwork	7,609	-	7,609	-	7,609
Geological consulting	19,239	-	19,239	-	19,239
Geological survey	1,375	-	1,375	-	1,375
Laboratory analysis	68,102	900	69,002	-	69,002
Mobilization	8,467	-	8,467	-	8,467
Permitting	3,550	-	3,550	-	3,550
Project management	28,109	-	28,109	-	28,109
Road clearing	1,000	-	1,000	-	1,000
Soil sampling	36,315	-	36,315	-	36,315
Technical report	23,792	-	23,792	-	23,792
Travel, supplies and field expenses	79,097	-	79,097	-	79,097
	500,952	900	501,852	-	501,852
Mining exploration tax credit	-	(136,451)	(136,451)	-	(136,451)
	1,094,894	709,985	1,804,879	84,958	1,889,837
Balance, end of period	1,325,135	728,310	2,053,445	84,958	2,138,403

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6. Share Capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued and Outstanding

As of February 28, 2023, 22,189,940 (May 31, 2022 – 20,677,440) common shares with no par value were issued and outstanding.

During the Nine months ended February 28, 2023, the Company issued common shares of the Company as follows: follows:

- On December 28, 2022, the Company issued 1,512,500 units at a price of \$0.08 per unit for gross proceeds of \$121,000. Each unit consists of one flow-through common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one non-flow-through common share of the Company at a price of \$0.15 per share for a period of one year. The 1,512,500 warrants were fair valued at \$7,563.
- On January 31, 2023, the Company issued 400,000 common shares pursuant to the Alwin Property (Note 5) at a fair value of \$0.105 per share.

During the year ended May 31, 2022, the Company issued common shares of the Company as follows:

- On July 14, 2021 the Company issued 999,999 units at a price of \$0.35 per unit for gross proceeds of \$350,000 as a first tranche of a flow-through share financing, and recognized a flow-through share premium of \$37,850. On August 24, 2021, the Company issued an additional 300,000 units as a second tranche. Each unit consists of one flow-through common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share of the Company at a price of \$0.50 per share for a period of three years. The 649,999 warrants were fair valued at \$93,150. The Company paid cash finders fees in the amount of \$21,700 and issued 61,999 non-transferable finder's warrants at a value of \$8,950 to certain brokers, having the same terms as the warrants.
- The Company issued an additional 230,167 common shares pursuant to the exercise of warrants at \$0.20 per share for proceeds in the amount of \$46,033.
- On January 24, 2022, the Company issued 300,000 common shares pursuant to the Alwin Property (Note 5) at a fair value of \$0.175 per share.

c) Flow-through shares

On July 14, 2021, the Company issued 999,999 common shares on a flow-through basis at a price of \$0.35 per share for gross proceeds of \$350,000 and an additional 300,000 shares on August 24, 2021, for gross proceeds of \$105,000 (see Note 6b). The Company renounced \$408,000 of the expenditures as incurred and renounced the balance of unspent funds under the look-back rules as of December 31, 2021. As of February 28, 2023, the Company has incurred all \$32,300 of qualified expenditures.

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6. Share Capital (cont'd...)**c) Flow-through shares (cont'd...)**

On December 28, 2022, Company issued 1,512,500 common shares on a flow through basis at a price of \$0.08 per share for gross proceeds of \$121,000. The Company renounced \$121,000 of the unspent funds under the look-back rules as of December 31, 2022. As of February 28, 2023, the Company has incurred all \$455,000 of qualified expenditures.

d) Warrants

The following is a summary of warrant transactions:

	Nine months ended February 28, 2023		Year ended May 31, 2022	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the year	4,013,835	0.35	3,772,500	0.20
Warrants exercised during year	-	-	(230,167)	0.20
Warrants expired and cancelled during the year	(1,968,503)	0.295	(1,425,249)	0.20
Warrants modified; exercisable date extended to before February 21, 2023 *	-	-	1,184,753	0.16
Warrants issued pursuant to flow-through unit offering and exercisable on or before July 14, 2024	-	-	499,999	0.50
Finder warrants issued, exercisable on or before July 14, 2024	-	-	61,999	0.50
Warrants issued pursuant to flow-through unit Offering, exercisable on or before August 24, 2024	-	-	150,000	0.50
Warrants issued pursuant to flow-through unit Offering, exercisable on or before August 24, 2024	1,512,500	0.15	-	-
Warrants outstanding, end of the period	3,557,832	0.33	4,013,835	0.38

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6. Share Capital (cont'd...)

d) Warrants (cont'd...)

Warrants outstanding and exercisable as of February 28, 2023, are as follows:

Number of warrants outstanding	Exercise price per warrant	Years to expiry	Expiry date
1,333,334	0.45	0.42	July 30, 2023
1,512,500	0.15	0.83	December 28, 2023
561,998	0.50	1.38	July 14, 2024
150,000	0.50	1.49	August 24, 2024
3,557,832	0.33	0.79	

On November 16, 2022, 783,750 warrants exercisable at \$0.50 per share expired. On February 21, 2023, 1,184,753 warrants exercisable at \$0.16 expired.

As of February 28, 2023, the warrants have a weighted average remaining life of 0.79 years (May 31, 2022– 1.07 years).

On July 14, 2021, the Company issued 499,999 warrants pursuant to a flow through share unit offering and 61,999 finders warrants (Note 6b). The fair value of 499,999 warrants issued was calculated using residual method for a fair value of \$72,150, which was recorded as reserve. The fair value of 61,999 finder warrants granted was calculated using the Black-Scholes option pricing model for a fair value of \$8,950, which was recorded as reserve.

The following assumptions were used in the Black-Scholes model to determine the fair value of the 61,999 finder warrants granted were as follows:

	Year ended May 31, 2022
Risk-free interest rate	0.64%
Expected dividend yield	-
Expected volatility	122.73%
Expected terms in years	3 years

On August 24, 2021, the Company issued 150,000 warrants pursuant to a flow through share unit offering. The fair value of 150,000 warrants issued was calculated using residual method for a fair value of \$21,000, which was recorded as reserve.

On December 28, 2022, the Company issued 1,512,500 warrants pursuant to a flow through share unit offering. The fair value of 1,512,500 warrants issued was calculated using residual method for a fair value of \$7,365, which was recorded as reserve.

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6. Share Capital (cont'd...)**e) Stock options**

The Company's Plan allows the directors to grant stock options to directors, officers, employees, and consultants to purchase up to a total of 10% of the issued and outstanding common shares, provided that stock options in favour of any one individual may not exceed 5% of the issued and outstanding common shares, calculated at the date of the grant. No more than an aggregate of 2% of the issued shares of the Company, calculated at the date the option is granted, may be granted to all employees, and no more than an aggregate of 2% may be granted to all employees and/or consultants conducting investor relates activities. No stock option granted under the Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of all stock options granted under the Plan must not be less than the Discounted Market Price (the last closing price of the listed shares before the date of the grant less the

applicable discount), and the maximum term of each stock option may not exceed ten years. Vesting is provided at the discretion of the directors and once vested; options are exercisable at any time.

The following is a summary of stock option transactions:

	Nine months ended February 28 2023		Year Ended May 31, 2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of the year	1,790,000	0.24	1,665,000	0.24
Expired during the period	(50,000)	0.36	-	-
Cancelled during the period	(225,000)	0.205	-	-
Granted and exercisable on or before November 15, 2023	-	-	125,000	0.21
Granted and exercisable on or before February 14, 2025	450,000	0.12	-	-
Options outstanding, end of the period	1,965,000	0.21	1,790,000	0.24

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6. Share Capital (cont'd...)**e) Stock options (cont'd...)**

Stock options outstanding and exercisable as of February 28, 2023, are as follows:

Number of options outstanding	Number of options exercisable	Exercise price per option	Years to expiry	Expiry date
900,000	900,000	0.20	0.75	November 29, 2023
50,000	50,000	0.20	1.60	October 4, 2024
75,000	75,000	0.20	1.92	January 29, 2025
450,000	450,000	0.12	1.96	February 14, 2025
490,000	490,000	0.32	2.48	August 17, 2025
1,965,000	1,965,000	\$ 0.21	1.53	

50,000 incentive stock options exercisable at \$0.36 on or before September 25, 2022, expired.

During the Nine months ended February 28, 2023, the Company cancelled 100,000 incentive stock options, exercisable on or before October 4, 2024 at \$0.20 per share and 125,000 incentive stock options exercisable on or before October 30, 2024 at \$0.21 per share.

On December 28, 2023, the Company granted 450,000 incentive stock options to consultants, vesting immediately and exercisable on or before February 14, 2025, at a price of \$0.12 per share. The fair value of the options granted was calculated using Black-Scholes option pricing model for a cumulative total of \$27,650, which was recorded as stock-based compensation expense in the statement of loss and comprehensive loss.

On November 15, 2021, the Company granted 125,000 incentive stock options to a consultant, vesting immediately and exercisable on or before November 15, 2023, at a price of \$0.21 per share. The fair value of the options granted was calculated using Black-Scholes option pricing model for a cumulative total of \$16,925, which was recorded as stock-based compensation expense in the statement of loss and comprehensive loss.

The following assumptions were used in the Black-Scholes model to determine the fair value of the options granted: during the period:

	Nine months ended February 28, 2023	Fiscal year ended May 31, 2022
Risk-free interest rate	.4.17%	1.00%
Expected dividend yield		-
Expected volatility	.90.36%	129.77%
Expected terms in years	2 years	2 years

During the Nine months ended February 28, 2023, the Company recorded stock-based compensation in the amount of \$27,650 (February 28, 2022 - \$16,925).

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7. Related Party Balances and Transactions

During the Nine months ended February 28, 2023, the Company had the following related party transactions and balances:

- (a) The Company entered into a consulting agreement, with Max Investments Inc. (a company controlled by Christopher Dyakowski, a Director and Chairman of the Board) to provide management services for \$2,500 per month. During the Nine months ended February 28, 2023, the Company paid or accrued \$22,500 (2022 - \$22,500) to Max Investments Inc. Included in account payable and accrued liabilities as of February 28, 2023, is \$28,875 (May 31, 2022 - \$5,250).
 - The Company paid \$Nil (2022 - \$1,500) to Max Investments Inc. for fieldwork related to the Alwin Property. Such amounts are included in Exploration and Evaluation Assets (Note 5).
 - Included in due to related parties as of February 28, 2023, is \$Nil (May 31, 2022 - \$3,972) due to Christopher Dyakowski for expenses incurred on behalf of the Company.
- (b) The Company entered into a consulting agreement (the “CEO Agreement”) with Simon Dyakowski, the Company’s Chief Executive Officer to provide management services for \$7,500 per month. During the Nine months ended February 28, 2023, the Company paid or accrued management fees in the amount of \$77,500 (2022 - \$67,500) to the Company’s Chief Executive Officer. Included in account payable and accrued liabilities as of February 28, 2023, is \$2,625 (May 31, 2022 - \$Nil).
 - Included in due to related parties as of February 28, 2023, is \$500 (May 31, 2022 - \$2,114) due to Simon Dyakowski for expenses incurred on behalf of the Company.
- (c) Included in professional fees is \$16,500 (2021 - \$21,000 paid or payable to the Company’s Chief Financial Officer (Kenneth Phillippe) for services rendered to the Company. Included in accounts payables and accrued liabilities as of February 28, 2023, is \$Nil (May 31, 2022 - \$4,500).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Commitments

See Notes 5 and 7.

9. Financial Instruments

Fair value of financial instruments

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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9. Financial Instruments (cont'd...)

The Company's financial instruments are cash, accounts payable and accrued liabilities and due to related parties. All these financial instruments are carried on the statements of financial position at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, credit risk and interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. Refer to Note 1 for further details related to the ability of the Company to continue as a going concern.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of February 28, 2023, the Company had a cash balance of \$148,068 (May 31, 2022 - \$240,116) to settle due to related parties, accounts payable and accrued liabilities of \$50,508 (May 31, 2022 - \$21,379). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company. The Company is exposed to credit-related losses in the event of non-performance by the counterparties. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Cash is held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

10. Capital Management

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

The Olivine Mountain property and the Alwin property claims in which the Company currently has an interest are in the exploration stage, as such the Company has historically relied on the equity markets to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the

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Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The capital structure of the Company consists of shareholder's equity, comprising issued capital and deficit. The Company is not exposed to any externally imposed requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's approach to capital management during the three months ended February 28, 2023, and the fiscal year ended May 31, 2022.