Western Atlas Resources Inc.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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Independent Auditor's Report

To the Shareholders of Western Atlas Resources Inc.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

Other matter

The consolidated financial statements of Western Atlas Resources Inc. for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2022.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
April 14, 2023

WESTERN ATLAS RESOURCES INC.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

		December 31, 2022		December 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	**$**	**261,646**	$	1,165,507
Prepaid expenses		**24,837**		32,594
Accounts receivable		**24,402**		6,689
		310,885		1,204,790
Non-current assets				
Exploration and evaluation assets (Note 4)		**4,917,612**		4,880,938
Total assets	**$**	**5,228,497**	$	6,085,728
LIABILITIES and SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**39,335**	$	31,606
		39,335		31,606
Shareholders' equity				
Share capital (Note 6)		**9,758,716**		9,660,716
Equity reserves		**800,314**		610,750
Deficit		**(5,369,868)**		(4,217,344)
		5,189,162		6,054,122
Total liabilities and shareholders' equity	**$**	**5,228,497**	$	6,085,728

Going concern (Note 1)

These consolidated financial statements were approved for issue by the Board of Directors on April 14, 2023.

They are signed on the Company's behalf by:

"Fabio Capponi"
Director

"Susan Rubin"
Chief Financial Officer

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

WESTERN ATLAS RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

		Year ended December 31, 2022		Year ended December 31, 2021
Operating expenses				
General and administrative expenses	**$**	**92,874**	**$**	97,428
Salaries and benefits (Note 7)		**128,026**		133,494
Geological consulting		**137,149**		34,358
Accounting, audit and advisory services (Note 7)		**191,420**		240,095
Legal fees		**20,141**		11,977
Property investigation costs		**215,551**		122,298
Investor relations		**78,276**		27,042
Share-based payments (Note 6)		**287,564**		-
Foreign exchange loss		**1,523**		1,003
Net Loss and comprehensive loss for the year	$	**1,152,524**	$	667,695

Weighted Average Number of Common Shares Outstanding	**117,430,658**	116,074,220
Loss per Common share - basic and diluted	**$0.01**	$0.01

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

WESTERN ATLAS RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Total number of shares issued	Total share capital	Reserves	Deficit	Total Shareholders' Equity
Balance December 31, 2020	115,878,398	$ 9,639,216	$ 610,750	$ (3,549,649)	$ 6,700,317
Net loss	-	-	-	(667,695)	(667,695)
Exercise of stock options	275,000	21,500	-	-	21,500
Balance December 31, 2021	116,153,398	$ 9,660,716	$ 610,750	$ (4,217,344)	$ 6,054,122
Net loss	-	-	-	(1,152,524)	(1,152,524)
Granting of RSU's	-	-	98,000	-	98,000
Exercise of RSU's	1,400,000	98,000	(98,000)	-	-
Share based payments	-	-	189,564	-	189,564
Balance December 31, 2022	117,553,398	$ 9,758,716	$ 800,314	$ (5,369,868)	$ 5,189,162

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

WESTERN ATLAS RESOURCES INC.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows provided by (used in):		
Operating activities		
Net loss for the year	$ **(1,152,524)**	$ (667,695)
Adjustments for non-cash items:		
Share-based payments	**287,564**	-
Changes in non-cash working capital items:		
Prepaid expenses	**7,757**	52,725
Accounts receivable	**(17,713)**	7,790
Accounts payable and accrued liabilities	**7,729**	7,936
Net cash used by operating activities	**(867,187)**	(599,244)
Investing activities		
Exploration and evaluation assets	**(36,674)**	(716,600)
Net cash used by investing activities	**(36,674)**	(716,600)
Financing activities		
Exercise of options	**-**	21,500
Net cash provided by financing activities	**-**	21,500
Net cash decrease for the year	**(903,861)**	(1,294,344)
Cash and cash equivalents at beginning of year	**1,165,507**	2,459,851
Cash and cash equivalents at end of year	$ **261,646**	$ 1,165,507

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

1. Nature of operations and going concern

Western Atlas Resources Inc. (the "Company") is a company domiciled in Canada. The address of the Company's registered office is Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8. The Company has one wholly owned subsidiary, Western Atlas Holding Corp., formerly Western Atlas (Nunavut) Holding Corp, which in turn has two wholly owned subsidiaries, 5530 Nunavut Inc., which is domiciled in Canada and Andes Ecosucursal S.A.S., which is domiciled in Ecuador.

The consolidated financial statements of the Company for both periods presented comprises the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities"). The Company and its subsidiaries are primarily involved in the discovery, acquisition, and development of mineral deposits in premier mining jurisdictions.

These consolidated financial statements have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2022, the Company incurred a net loss of $1,152,524 (2021 - $667,695). At December 31, 2022, the Company had not achieved profitable operations, had an accumulated deficit of $5,369,868 (2021 - $4,217,344) and expects to incur further losses as it develops its business and explores its mineral property interests. The Company will be required to raise additional financing to maintain its operations; all of the factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain resources that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and upon future profitable production or proceeds from disposition of the mineral property.

The ability of the Company to carry out its planned business objectives and continue as a going concern is dependent on its ability to raise adequate financing from lenders, shareholders, and other investors, and/or generate operating profitability and positive cash flow from its mineral property interests. There can be no assurances that the Company will be able to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations and exploration and development activities which may impact the Company's ability to maintain its mineral property interest.

The consolidated financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. It has adversely affected global workforces, economics, and financial markets, triggered an economic downturn and remains an acute global emergency. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the outbreak nor its effects on the Company's business or operations.

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiaries. The functional currency of Andes Ecosucursal S.A.S. is the US dollar.

(d) Use of estimates and judgments

The preparation of the 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. Actual results may differ from these estimates.

<u>Estimates</u>
Significant areas requiring the use of estimates and assumptions are as follows:

Share-based compensation
The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Judgments</u>
Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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

(expressed in Canadian dollars)

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Impairment of exploration and evaluation assets
The Company's exploration and evaluation assets represent acquisition and exploration costs relating to the Company's exploration and evaluation assets. At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of the asset's value in use and fair value less costs to sell. The Company considers both external and internal sources of information in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

Details of the Company's subsidiaries at December 31, 2022 and 2021 are as follows:

Name	Place of Incorporation	2022 Interest	2021 Interest	Principal Activity
Western Atlas Holding Co (formerly Western Atlas (Nunavut) Holding Corp.)	British Columbia, Canada	100%	100%	Mineral exploration and evaluation
5530 Nunavut Inc.	Nunavut, Canada	100%	100%	Mineral exploration and evaluation
Andes Ecosucursal S.A.S.	Ecuador	100%	0%	Mineral exploration and evaluation

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated. Exchange differences from translations are recorded in profit or loss.

(c) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial Instrument	**Classification**
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

(i) Financial assets

Initial recognition and measurement

The Company recognizes a financial asset when it becomes party to the contractual provisions of the instrument. A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are carried in the statement of financial position at fair value with changes in fair value included in other comprehensive income. The Company has no financial assets classified as fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset measured at amortized cost is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if necessary. The Company classifies accounts receivable as amortized cost.

Impairment of financial assets at amortized cost

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in profit or loss, 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. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Company has transferred substantially all the risks and rewards of the financial asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Financial liabilities at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. The Company's accounts payable and accrued liabilities are measured at amortized cost.

Financial liabilities at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company has no financial liabilities classified as fair value through profit or loss.

3. Significant accounting policies (continued)

(d) Share-based payments

The Company has a stock option plan, whereby share purchase options are granted in accordance with the policies of regulatory authorities. Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital.

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

The Company also has a long-term incentive plan, whereby Restricted Share Units (“RSU’s”) and Deferred Share Units (“DSU’s”) are granted in accordance with the policies of regulatory authorities. The fair value of equity settled RSU’s and DSU’s is measured on the grant date at the closing trading price of the Company’s common shares. Costs are recognized as an expense over the vesting term with a corresponding increase in equity reserves. When RSU’s and DSU’s are settled in shares, recorded fair value is transferred from reserves to share capital.

(e) Exploration and evaluation assets

Exploration and evaluation expenditures include the cost of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and the balance is reclassified as a development asset in property, plant, and equipment.

3. Significant accounting policies (continued)

(e) Exploration and evaluation assets (continued)

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

(f) Provision for closure and reclamation

The Company recognizes statutory, contractual, or other obligations related to the retirement of its exploration assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision for closure and reclamation as at December 31, 2022 and 2021.

(g) Impairment of non-financial assets

Impairment tests on non-financial assets, including exploration and evaluation assets, are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

3. Significant accounting policies (continued)

(g) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of 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 for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 current tax liabilities and assets, 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

3. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and guaranteed investment certificates ("GIC's") with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. As of December 31, 2022, the Company had $200,000 of cash equivalents in the form of GIC's which are cashable at the Company's discretion (2021 - $1,125,000).

(j) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted loss per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents. This method required that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the tie of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(k) Flow-through shares

The Company will, from time to time, issue flow-through shares to finance exploration programs undertaken in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of the qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through unit using the residual method into i) share capital, ii) warrants, and iii) flow-through share premium, equal to the estimated premium, if any, investors paid for the flow-through feature, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of the tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. The required flow-through expenditures as of December 31, 2022 and 2021 are $nil. 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.

(l) New accounting standards issued but not yet effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

(expressed in Canadian dollars)

4. Exploration and evaluation assets

Title to exploration and evaluation properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many such assets. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all such assets is in good standing.

Meadowbank Project

At December 31, 2022 and 2021, the Company holds the mineral rights to property in Nunavut, Canada, namely the Meadowbank Project.

At December 31, 2022, the following costs are capitalized as exploration and evaluation assets:

Exploration Costs - Nunavut	Balance December 31, 2021	Year ended December 31, 2022	Balance December 31, 2022
Acquisition costs			
Recording and staking fees	$ 182,658	$ -	$ 182,658
Exploration costs			
43-101 Technical Report	62,176	-	62,176
Drilling	700,855	-	700,855
Field supplies and expenses	1,190,667	14,595	1,205,262
Geological services	1,201,445	9,998	1,211,443
GeoPhysical surveys	637,988	-	637,988
Laboratory analysis	254,794	12,081	266,875
Logistics	459,967	-	459,967
Travel	190,388	-	190,388
	4,698,280	36,674	4,734,954
Total Exploration Costs	$ 4,880,938	$ 36,674	$ 4,917,612

(expressed in Canadian dollars)

4. Exploration and evaluation assets (continued)

At December 31, 2021, the following costs are capitalized as exploration and evaluation assets:

Exploration Costs - Nunavut	Balance December 31, 2020	Year ended December 31, 2021	Balance December 31, 2021
Acquisition costs			
Recording and staking fees	$ 182,658	$ -	$ 182,658
Exploration costs			
43-101 Technical Report	62,176	-	62,176
Drilling	700,855	-	700,855
Field supplies and expenses	915,009	275,658	1,190,667
Geological services	934,151	267,294	1,201,445
GeoPhysical surveys	637,988	-	637,988
Laboratory analysis	104,694	150,100	254,794
Logistics	459,967	-	459,967
Travel	169,092	21,296	190,388
	3,983,932	714,348	4,698,280
Total Exploration Costs	$ 4,166,590	$ 714,348	$ 4,880,938

5. Supplemental cash flow information

(a) The Company made no cash outlays in respect of interest or income taxes for the years ended December 31, 2022 and 2021.

(b) During the year ended December 31, 2022, the Company issued 1,400,000 RSU's to directors of the Company, with a fair value of $0.07 per share, for a total value of $98,000, and the RSU's were settled by the issuance of 1,400,000 common shares.

6. Share capital

(a) Authorized

Unlimited number of common voting shares without par value.

(b) Issued during the year ended December 31, 2022

On February 1, 2022, 1,400,000 RSU's were settled by the issuance of 1,400,000 common shares and reallocated $98,000 from reserves to share capital.

(expressed in Canadian dollars)

6. Share capital (continued)

(c) Issued during the year ended December 31, 2021

On January 22, 2021, 200,000 share purchase options, priced at $0.07 per option, were exercised for a total of $14,000.

On November 8, 2021, 75,000 share purchase options, priced at $0.10 per option, were exercised for a total of $7,500.

(d) Stock options

The Company has a stock option plan that provides for the issuance of compensatory options to its directors, officers, employees, and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. Options granted under the plan may have a maximum term of ten years. Terms of the vesting period over which the options are earned are determined by the Board of Directors.

On January 28, 2022 the Company announced that pursuant to the Company's Stock Option Plan a total of 3,350,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company. The stock options were exercisable at a price of $0.085 per share for a total of two years.

On December 15, 2022 the Company announced that pursuant to the Company's Stock Option Plan a total of 3,175,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company. The stock options were exercisable at a price of $0.05 per share for a total of two years.

The continuity of share purchase options at December 31, 2022 is as follows:

Exercise Price	Expiry Date	December 31, 2021	Granted	Exercised	Expired	**December 31, 2022**
$0.10	15-Jun-22	3,765,000	-	-	(3,765,000)	**-**
$0.20	27-Aug-23	900,000	-		-	**900,000**
$0.085	28-Jan-24	-	3,350,000	-	-	**3,350,000**
$0.05	15-Dec-24	-	3,175,000	-	-	**3,175,000**
$0.32	01-Sep-26	232,500	-	-	-	**232,500**
		4,897,500	6,525,000	-	(3,765,000)	**7,657,500**

Subsequent to year-end, 300,000 options with an exercise price of $0.20 per share, 1,000,000 options with an exercise price of $0.085 per share, and 900,000 options with an exercise price of $0.05 per share were forfeited.

(expressed in Canadian dollars)

6. Share capital (continued)

(d) Stock options (continued)

The continuity of share purchase options at December 31, 2021 is as follows:

Exercise Price	Expiry Date	December 31, 2020	Granted	Exercised	Expired	**December 31, 2021**
$0.07	23-Jan-21	200,000		(200,000)		**-**
$0.10	13-Dec-21	2,900,000	-	(75,000)	(2,825,000)	**-**
$0.10	15-Jun-22	3,765,000	-	-	-	**3,765,000**
$0.20	27-Aug-23	900,000	-	-	-	**900,000**
$0.32	01-Sep-26	232,500	-	-	-	**232,500**
		7,997,500	-	(275,000)	(2,825,000)	**4,897,500**

As at December 31, 2022 there were 7,657,500 vested options with a weighted average exercise price of $0.09. The weighted average remaining contractual life of the vested options is 1.5 years.

The share-based payments were derived from the vesting of grants which have been estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	Year ended December 31, 2022
Expected life	2 years
Expected volatility	91.16% - 119.40%
Expected dividend yield	Nil
Risk-free interest rate	1.28% - 3.60%
Fair value per option	$0.02 - $0.04

In estimating the fair value of options issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture, and employee termination within the valuation model. The Company has historically not paid dividends on its common stock.

(expressed in Canadian dollars)

6. Share capital (continued)

(e) Warrants

The continuity of warrants at December 31, 2022 is as follows:

Exercise Price	Expiry Date	December 31, 2021	Granted	Exercised	Expired	**December 31, 2022**
$0.15	17-Jul-22	29,450,000		-	(29,450,000)	**-**
$0.20	09-Oct-22	11,191,843	-	-	(11,191,843)	**-**
		40,641,843	-	-	(40,641,843)	**-**

The continuity of warrants at December 31, 2021 is as follows:

Exercise Price	Expiry Date	December 31, 2020	Granted	Exercised	Expired	**December 31, 2021**
$0.15	17-Jul-22	29,450,000	-	-	-	**29,450,000**
$0.20	09-Oct-22	11,191,843	-	-		**11,191,843**
		40,641,843	-	-	-	**40,641,843**

On September 24, 2021, the Company extended the expiry date of certain of the $0.20 warrants from October 9, 2021 to October 9, 2022. The expiry date of broker warrants was not extended.

As at December 31, 2022 there were no outstanding warrants (2021 - 40,641,843 warrants).

(f) Long-Term Incentive Plan

On January 7, 2022 at the Company's Annual General and Special Meeting of Shareholders, the shareholders approved a 10% fixed Long-Term Incentive Plan ("LTIP"). The plan provides for the grant of Restricted Share Units and Deferred Share Units to eligible persons as described in the Plan. The LTIP had 11,607,840 shares reserved for distribution. On February 1, 2022, 1,400,000 RSU's were distributed to directors of the Company, which left 10,207,840 remaining shares reserved for future distribution. The RSU's distributed were valued at $0.07 per share, which was the market value on the date issued, for a total of $98,000. All of these RSU's were settled by the issuance of 1,400,000 common shares during the year. There were no RSU's outstanding at year end.

7. Related party transactions

During the year ended December 31, 2022, the Company paid $280,800 (2021 - $300,800) for management, general business and financial advisory services and salaries to an officer of the Company and to a company controlled by an officer of the Company.

8. Flow-through shares

As a result of the issuance of flow-through shares pursuant to the non-brokered private placement on July 17, 2020, the Company had a commitment to incur $1,470,000 in qualifying Canadian exploration expenditures on or before December 31, 2022. There were no remaining required flow-through expenditures as of December 31, 2022 and 2021.

9. Segmented information

The Company operates in one reportable operating segment in one country, being the exploration of mineral resource properties in Canada.

10. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its cash and cash equivalents and accounts receivable. The Company manages credit risk in respect of cash and cash equivalents by holding these at a major Canadian financial institution.

The carrying amounts of cash and cash equivalents, and accounts receivable represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company currently has adequate liquidity to fund its accounts payable and accrued liabilities.

The Company's accounts payable and accrued liabilities are due within 90 days of December 31, 2022.

Market risk

Market risk consists of foreign exchange risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

10. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents, which earn interest at 0.40% - 0.45%. The balances are held with a major financial institution and market risk is not considered significant.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has an exposure to US dollars ("USD") that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company does not hedge its foreign exchange risk.

Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss at December 31, 2022 by approximately $3,200 (2021 - $220).

Valuation of financial instruments

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short period to maturity of these instruments.

11. Capital management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity comprising of share capital, equity reserves and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment.

In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company

(expressed in Canadian dollars)

11. Capital management (continued)

may issue new equity, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts and money market funds. The Company is not subject to externally imposed capital requirements.

There have been no changes made to the capital management policy during the year.

12. Income taxes

a) Provision for income taxes

The Company's provision for income taxes for the years ended December 31, 2022 and 2021 differs from the amounts computed by applying the statutory income tax rates to the loss before income taxes as a result of the following:

		Year ended December 31, 2022		Year ended December 31, 2021
Statutory Canadian corporate tax rate		**27%**		27%
Expected current income tax recovery	**$**	**(311,000)**	$	(180,000)
Non-deductible permanent differences		**78,000**		-
Change in estimate and other		**(237,000)**		-
Change in tax assets not recognized		**470,000**		180,000
Deferred income tax expense	**$**	**-**	$	-

b) Deferred income tax assets and liabilities

The Company has the following deductible temporary differences for which no deferred tax has been recognized:

		Year ended December 31, 2022		Year ended December 31, 2021
Non-capital losses	**$**	**4,719,000**	$	3,069,000
Capital losses		**40,000**		-
Capital assets		**133,000**		-
Share issuance costs		**103,000**		166,000
	$	**4,995,000**	$	3,235,000

The Company's non-capital losses in the amount of approximately $6,274,000 (2021 - $5,493,000) will expire from 2026 to 2042.

13. Share Purchase Agreement

On October 9, 2019, the Company signed a Share Purchase Agreement to acquire from GCM Mining Corp. ("GCM") (now Aris Mining) all of the outstanding shares of Medoro Resources International Ltd. ("Medoro"). Pursuant to the agreement, the Company will issue up to 59,115,555 common shares in the capital of the Company (the "Consideration Shares") to acquire all of the issued and outstanding shares in the capital of Medoro Resources International Ltd. (the "Transaction").

The Share Purchase Agreement provides that the Company will purchase all of the outstanding Medoro Shares for a purchase price of US$20,000,000 to be satisfied by the issuances to GCM of the Consideration Shares. The Consideration Shares will be issued at a deemed price of $0.45 per common share. Upon completion of the Transaction, 100% of the Medoro Shares will be held by the Company.

Completion of the Transaction is subject to approval from the TSX Venture Exchange and certain other additional conditions precedent in the Share Purchase Agreement, including the occurrence of both of the following events (the "Closing Triggers"):

1. Current government of Venezuela being replaced by an internationally recognized and democratically elected government; and
2. Completion of the lawful transfer and registration of transfer to Medoro (or to one or more of Medoro's Venezuelan subsidiaries) of the Increible Project (as defined below) by Venezuelan authorities of competent jurisdiction.

While Medoro holds the mining rights to the Lo Increible 4A and Lo Increible 4B concessions (the "Increible Project"), it is unable to use the rights due to actions by the Venezuelan government which will require Medoro to complete the process of restitution, which is the second of the two Closing Triggers described above. A working committee consisting of one representative from each of the Company and GCM has been formed to manage the process of restitution to Medoro of the mineral rights to the Increible Project. The Share Purchase Agreement provides that, at the direction of the Committee, GCM and Medoro will take all actions necessary for the restitution to Medoro of the Increible Project**,** including, without limitation, hiring consultants, issuing of powers of attorney, and negotiating terms for the restitution of such rights.

The Closing Triggers must occur no later than the second anniversary of the date of the closing of the Private Placement (the "Outside Date"), being October 10, 2021. Should the Closing Triggers not occur by the Outside Date, the Share Purchase Agreement will be terminated.

On June 10, 2021, the Company announced that it had entered into an agreement with GCM to extend the outside date of the acquisition from October 9, 2021 to October 9, 2023.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation for the current period.