FARADAY COPPER

FARADAY COPPER CORP. (formerly CopperBank Resources Corp.)

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

Deloitte LLP
410 West Georgia Street
Vancouver BC, V6B 1Z3
Canada

www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of Faraday Copper Corp.

Opinion

We have audited the consolidated financial statements of Faraday Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1(a) in the financial statements, which indicates that the Company has a net loss for the year and had an accumulated deficit of $41,995,660 as at December 31, 2022. In addition, the Company is a resource exploration stage company, which does not generate any revenues. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. 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.
Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 14, 2023

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FARADAY COPPER CORP. (formerly CopperBank Resources Corp.)

Opinion

We have audited the consolidated financial statements of Faraday Copper Corp. (formerly CopperBank Resources Corp.) (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the 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 Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the management 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $5,467,898 during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit of $50,101,011. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

SMYTHE LLP | smythecpa.com

VANCOUVER
1700–475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

LANGLEY
600–19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

NANAIMO
201–1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

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

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

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

SMYTHE LLP | smythecpa.com

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

/s/ Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 5, 2022

Faraday Copper Corp. (formerly CopperBank Resources Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2022**	December 31, 2021
		$	$
Assets			
Current assets			
Cash and cash equivalents		**9,535,039**	4,206,827
GST receivables		**106,366**	33,050
Prepaid expenses and deposits		**160,269**	32,194
		9,801,674	4,272,071
Property and equipment	4	**1,444,054**	288,094
Resource properties	5, 10(b)	**20,497,040**	6,664,736
Other long-term assets	5	**379,252**	8,335
Total assets		**32,122,020**	11,233,236
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**2,384,033**	526,832
Due to related parties	10(b)	**775,480**	163,916
		3,159,513	690,748
Loan payable	8	**-**	40,000
Total liabilities		**3,159,513**	730,748
Shareholders' equity			
Share capital	9	**54,165,787**	33,273,379
Reserves	9	**12,040,516**	24,284,402
Accumulated other comprehensive income		**4,751,864**	3,045,718
Deficit		**(41,995,660)**	(50,101,011)
Total shareholders' equity		**28,962,507**	10,502,488
Total liabilities and shareholders' equity		**32,122,020**	11,233,236

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ Russell Ball
Director

/s/ Paul Harbidge
Director

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

Faraday Copper Corp. (formerly CopperBank Resources Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except for per share amounts and number of shares)

	Note	2022	Years ended December 31, 2021
		$	$
Operating expenses			
Amortization	4	**55,629**	15,280
Consulting and management fees	10(b)	**520,804**	655,815
General and administration	10(b)	**2,103,465**	206,355
Professional fees		**608,982**	172,176
Promotion and investor relations		**179,844**	331,346
Share-based compensation	9, 10(b)	**4,547,341**	4,123,045
Travel		**273,384**	34,938
Total operating expenses		**8,289,449**	5,538,955
Gain from settlement of convertible debenture	7	**-**	(19,730)
Government grant income	8(a)	**(10,000)**	-
Interest income (expense)		**(202,565)**	20,939
Recovery of resource expenditures		**-**	(63,610)
Net loss		**8,076,884**	5,476,554
Other comprehensive loss			
Currency translation adjustment		**(1,706,146)**	184,883
Net comprehensive loss		**6,370,738**	5,661,437
Loss per share:			
Basic and diluted		**0.07**	0.06
Weighted average number of shares outstanding:			
Basic and diluted		**113,972,241**	85,670,110

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

Faraday Copper Corp. (formerly CopperBank Resources Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except number of shares)

		Share capital		Reserves					
	Note	Number	Amount	Warrants	Options	Other	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		#	$	$	$	$	$	$	$
Balance, December 31, 2020		77,657,480	25,478,317	2,776,475	1,875,138	16,182,235	3,230,601	(44,624,457)	4,918,309
Share-based compensation	9, 10(b)	-	-	-	4,123,045	-	-	-	4,123,045
Private placement issuance for cash	9(b)	16,092,358	6,257,325	-	-	-	-	-	6,257,325
Shares issued for options exercised	9(d)	3,022,500	1,537,737	-	(672,491)	-	-	-	865,246
Currency translation adjustment		-	-	-	-	-	(184,883)	-	(184,883)
Net loss for the year		-	-	-	-	-	-	(5,476,554)	(5,476,554)
Balance, December 31, 2021		96,772,338	33,273,379	2,776,475	5,325,692	16,182,235	3,045,718	(50,101,011)	10,502,488
Reclassification of reserves	3(q)	-	-	-	-	(16,182,235)	-	16,182,235	-
Share-based compensation	9, 10(b)	-	-	-	4,547,342	-	-	-	4,547,342
Private placement issuance for cash	9(b)	25,000,000	20,000,000	-	-	-	-	-	20,000,000
Shares issued for options exercised	9(b)	1,200,000	687,572	-	(307,447)	-	-	-	380,125
Conversion of RSUs	9(e)	288,683	204,836	-	(301,546)	-	-	-	(96,710)
Currency translation adjustment		-	-	-	-	-	1,706,146	-	1,706,146
Net loss for the year		-	-	-	-	-	-	(8,076,884)	(8,076,884)
Balance, December 31, 2022		**123,261,021**	**54,165,787**	**2,776,475**	**9,264,041**	**-**	**4,751,864**	**(41,995,660)**	**28,962,507**

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

Faraday Copper Corp. (formerly CopperBank Resources Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended December 31,
	2022	2021
	$	$
Operating activities		
Net loss for the year	**(8,076,884)**	(5,476,554)
Items not involving cash:		
Amortization	**55,629**	15,280
Share-based compensation	**4,547,342**	4,123,045
Gain from settlement of convertible debenture	**-**	(183,923)
Government grant income	**(10,000)**	-
Recovery of resource properties	**-**	(63,310)
Changes in non-cash working capital:		
Other receivables	**(73,316)**	(10,142)
Prepaid expenses and deposits	**(128,075)**	(1,396)
Accounts payable and accrued liabilities	**80,849**	119,600
Due to related parties	**611,564**	74,966
Cash used in operating activities	**(2,992,891)**	(1,402,434)
Investing activities		
Resource properties expenditures	**(11,478,786)**	(1,007,537)
Property and equipment expenditures	**(1,195,690)**	(99,900)
Other assets expenditures	**(370,917)**	-
Cash used in investing activities	**(13,045,393)**	(1,107,437)
Financing activities		
Repayment of a loan payable	**(30,000)**	(135,599)
Repayment of a note payable	**-**	(63,660)
Repayment of convertible debenture	**-**	(243,270)
Proceeds from exercise of RSUs	**(96,710)**	-
Shares issued for private placement	**20,000,000**	6,257,325
Proceeds from exercise of options	**380,125**	865,246
Cash provided by financing activities	**20,253,415**	6,680,042
Effect of foreign exchange on cash and cash equivalents	**1,113,081**	249
Changes in cash and cash equivalents	**5,328,212**	4,170,420
Cash and cash equivalents, beginning of the year	**4,206,827**	36,407
Cash and cash equivalents, end of the year	**9,535,039**	4,206,827

Supplemental cash flow information (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Faraday Copper Corp. (formerly CopperBank Resources Corp.) (the "Company") was incorporated on October 21, 2014 under the Business Corporations Act (British Columbia). The Company's registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Company's head office and principal address is located at 250 - 200 Burrard St., Vancouver, British Columbia, V6C 3L6. The Company's shares are traded on the Toronto Stock Exchange ("TSX") and OTCQX under the symbol "FDY" and "CPPKF", respectively, and its principal business is the acquisition and development of resource properties.

On April 20, 2022, the Company formerly approved a name change from CopperBank Resources Corp. to Faraday Copper Corp.

a) Going concern

These financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company is a resource exploration stage company, which does not generate any revenue and has been relying mainly on equity-based financing to fund its operations. The Company has a net loss for the year and had an accumulated deficit of $41,995,660 as at December 31, 2022 (December 31, 2021 - $50,101,011). The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements, or a combination thereof to meet its administrative costs and to continue to explore and develop its resource properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. As such, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern, and any such adjustments may be material.

Subsequent to December 31, 2022, the Company completed an equity-based financing of $39,999,760 to fund its operations (Note 14).

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These financial statements were approved by the Board of Directors and authorized for issue on March 14, 2023.

2. BASIS OF PRESENTATION (continued)

b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss (“FVTPL”). In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars (“Canadian dollar” or “CAD”), which is also the functional currency, except as otherwise noted. The functional currency is the currency of the primary economic environment in which an entity operates. References to “CAD” are to Canadian dollars and references to “USD” or “US$” are to United States dollars.

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

During the year ended December 31, 2022, the Company dissolved the operations of its inactive subsidiaries CopperBank Resources Alaska Inc. and Redhawk Resources (USA), Inc. As such the consolidated financial statements subsequent to the date of dissolution comprise the financial statements of the Company and its wholly owned subsidiaries.

These Financial Statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency	Principal activity
1016079 B.C. Ltd.	Canada	100%	CAD	Holding company
CopperBank Royalties Corp.	Canada	100%	CAD	Holding company
Copper Creek Project LLC	USA	100%	USD	Exploration company
Enexco International Inc.	USA	100%	USD	Exploration company
Redhawk Copper Inc.	USA	100%	USD	Exploration company
Redhawk Ranch Land Holdings LLC	USA	100%	USD	Holding company
Redhawk Resources, Inc.	Canada	100%	CAD	Holding company

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

<u>Financial assets</u>

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”).

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- The Company's business model for the financial assets is to hold the assets in order to collect contractual cash flows.
- 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 amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value less transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Company's GST receivables is measured at amortized cost.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset 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's cash and cash equivalents are financial assets measured at FVTPL.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value less transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

The Company's does not have any financial assets measured at FVTOCI.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

<u>Financial liabilities</u>

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities measured at amortized cost or measured at fair value through profit or loss.

(i) Financial liabilities measured 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, due to related parties, convertible debentures, loan payable, and note payable are financial liabilities measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial liabilities measured at FVTPL

A financial liability measured at FVTPL 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 does not have any financial liabilities measured at FVTPL.

(c) Derecognition of financial liabilities

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

<u>Offsetting financial assets and liabilities</u>

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Impairment of financial assets</u>

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to 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.

b) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The calculation of diluted loss per share excludes the effects of conversion or exercise of options and warrants if they would be anti-dilutive.

c) Resource properties

Once the legal right to explore has been acquired, the Company capitalizes on a property-by-property basis, the costs of acquiring, maintaining its interest in, exploring, and evaluating mineral properties until such time as the lease expires or the mineral properties are abandoned, sold, or are considered impaired in value. Exploration expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, and costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are charged to operations as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Technical feasibility and commercial viability are established once all of the following conditions have been met:

- The Company has established a National Instrument 43-101 (“NI 43-101”) compliant estimate of property resources and/or reserves; The Company has obtained a mining permit or otherwise has the right to extract the resources and/or reserves; and
- The Company has established that it is economically viable to mine the resources and/or reserves. This includes the completion of a NI 43-101 compliant study to a pre-feasibility level at a minimum, board approval to proceed and binding approval of project financing for the development of the project.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for indicators of impairment when such indicators exist, the Company evaluates the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

d) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in other comprehensive loss.

e) Cash and cash equivalents

Cash and cash equivalents include cash in interest-bearing accounts with high credit quality 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 are subject to an insignificant risk of change in value. The Company does not have any cash equivalents at December 31, 2022 and 2021.

f) Property and equipment

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each class of property and equipment are as follows:

Class of property and equipment	Depreciation rate	Depreciation method
Building	25 years	Straight-line
Equipment	5 years	Straight-line
Land	Nil	Not depreciated

g) Impairment of non-financial assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable.

The recoverable amount is the higher of the fair value less costs of disposal ("FVLCTD") and the value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGUs"). These are typically the individual mines or projects. In assessing VIU, 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 for which the future cash flow estimates have not been adjusted.

FVLCTD is the amount that would be received from selling an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. For mining assets, fair value less cost of disposal is often estimated using a discounted cash flow approach because a fair value is not readily available from an active market or binding sale agreement. Estimated future post-tax cash flows are calculated using estimated mineral reserves and resources, estimated future commodity prices, and expected future operating and capital costs.

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. An impairment loss is recognized immediately in profit or loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. During the year ended December 31, 2022, the Company did not recognize any impairment expense or reversal (2021 - impairment recovery of $63,610).

h) Non-monetary transactions

Shares issued for non-monetary consideration are valued at the fair value of the assets received or services rendered, unless this is unable to be determined, which case the Company will use the quoted market price of the shares at the date of issuance.

i) Unit issuance

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants.

j) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as share issuance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Share-based payments

The Company has a Long-Term Incentive Plan that is described in Note 9. Share-based payments to employees are measured at the fair value of the instruments issued 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in option reserve is transferred to share capital. For those unexercised options that expire, the recorded value is transferred to deficit. For those unexercised options that are cancelled or forfeited, the recorded value remains in option reserve.

l) Provision for closure and reclamation

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

The Company's estimate of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any provision for closure and reclamation as at December 31, 2022 and 2021.

m) Income taxes

<u>Current income tax</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity, and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax</u>

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Compound financial instruments

The convertible debentures were separated into their liability and equity components on issuance of the instruments. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon debt instruments with no bonus shares, conversion feature or warrants issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt instruments with similar terms at the time of issue. The residual value is then allocated to the equity component.

o) Significant estimates and judgements

Apart from making estimates and assumptions as described below, the Company's management makes judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- The indicators of impairment of property and equipment and resource properties

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property and equipment and resource properties.

  Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of resource properties may exceed its recoverable amount. The retention of regulatory permits and licenses; the Company's ability to obtain financing for exploration and development activities and its future plans on the resource properties; current and future metal prices; and market sentiment are all factors considered by the Company.

  In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined there are no impairment indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

- The determination of the Company and its subsidiaries' functional currency

  The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

- The assessment of the Company's ability to continue as a going concern

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

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Significant areas requiring the use of management estimates include:

- The inputs used in the Black-Scholes option pricing model to calculate the fair value of options granted and vested in the period.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

p) New accounting policies

The Company has not adopted new accounting policies since its recent year ended December 31, 2022.

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Accounting standard amendment issued but not yet effective

IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature. The amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

The Company will perform an assessment of the amendment on its financial statements prior to the effective date of January 1, 2024. Based on the currently available information, the Company does not anticipate any material impact from this amendment on its financial statements.

r) Comparative figures

The Company reclassified shareholders' equity to separate accumulated other comprehensive income from the reserves balance during the period. The Company also reclassified other reserve to deficit. The other reserve balance related to a 2014 plan of arrangement completed by the Company. All adjustments are within shareholder's equity and have no effect on the Company's net assets or results of operations or cash flows.

4. PROPERTY AND EQUIPMENT

The following table presents a continuity schedule of property and equipment:

	Building	Land	Equipment	Total
	$	$	$	$
Costs				
Balance, December 31, 2020	210,312	31,830	-	242,142
Additions	60,446	-	39,454	99,900
Foreign exchange adjustment	2,575	326	-	2,901
Balance, December 31, 2021	273,333	32,156	39,454	344,943
Additions	1,024,171	-	171,519	1,195,690
Foreign exchange adjustment	15,565	1,704	1,273	18,542
Balance, December 31, 2022	**1,313,069**	**33,860**	**212,246**	**1,559,175**
Amortization				
Balance, December 31, 2020	41,148	-	-	41,148
Additions	14,043	-	1,237	15,280
Foreign exchange adjustment	421	-	-	421
Balance, December 31, 2021	55,612	-	1,237	56,849
Additions	31,745	-	23,884	55,629
Foreign exchange adjustment	2,178	-	465	2,643
Balance, December 31, 2022	**89,535**	**-**	**25,586**	**115,121**
Net book value				
Balance, December 31, 2021	217,721	32,156	38,217	288,094
Balance, December 31, 2022	**1,223,534**	**33,860**	**186,660**	**1,444,054**

(Expressed in Canadian dollars, except where noted)

5. RESOURCE PROPERTIES

The following table presents a continuity schedule of resource property:

	Copper Creek Project	Contact Copper Project	Total
	$	$	$
Balance, December 31, 2020	5,576,579	-	5,576,579
Permit, maintenance, and land access costs	175,625	-	175,625
Exploration, geological and study work	627,438	-	627,438
Capitalized payroll	149,177	-	149,177
Deposit on resource properties	37,614	-	37,614
Other capitalized costs	121,703	-	121,703
Foreign exchange adjustment	(23,400)	-	(23,400)
Balance, December 31, 2021	6,664,736	-	6,664,736
Permit, maintenance, and land access costs	137,738	93,300	231,038
Exploration, geological and study work	9,686,949	131,242	9,818,191
Capitalized payroll	1,983,835	237,899	2,221,734
Other capitalized costs	593,354	390,821	984,175
Foreign exchange adjustment	577,166	-	577,166
Balance, December 31, 2022	**19,643,778**	**853,262**	**20,497,040**

Copper Creek Resource Properties, Arizona

The Company acquired 100% of the Copper Creek project through the acquisition of Redhawk Resources Inc. (“Redhawk”) for a value of $4,955,328 in 2018.

- D & G Mining Agreement

In November 2005, Redhawk entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. Redhawk has the option to purchase the property for US$3,000,000 until May 2033.

Redhawk paid US$80,000 in both 2006 and 2007 and US$100,000 annually from 2008 to 2017. Starting May 2018, Redhawk is required to make annual payments of US$50,000 until the end of May 2033. For the year ended December 31, 2022, the Company has paid $67,889 (US$50,000) (2021 - $62,926 (US$50,000)).

Commencing January 1, 2022, 50% of the annual payments made prior to exercising the option to purchase will be applied against the purchase price in the event that Redhawk exercises its property purchase option.

- Freeport Mineral Corporation Agreement

In April 2007, Redhawk entered into a purchase agreement with Freeport Mineral Corporation (“Freeport”) to acquire additional mining claims within the Copper Creek boundaries. The additional mining claims are subject to a 1% Net Smelter Return royalty.

On May 30, 2018, Redhawk entered into an amendment to the Fourth Workout Agreement with Freeport. The substance of the amended agreement is a conversion of interest and principal owing to Freeport into production decision royalty payments. The total will be US$3,000,000 paid in six equal annual instalments of US$500,000 per annum. The payments are contingent upon Redhawk or successors achieving a defined commercial production of minerals. As a result of this amendment, no liabilities in connection with this promissory note has been recorded as of December 31, 2022 and December 31, 2021.

(Expressed in Canadian dollars, except where noted)

5. RESOURCE PROPERTIES (continued)

Contact Copper Property, Nevada

The Company owns a 100% interest in the Contact Copper property located in Elko County, Nevada. All permits of this resource property are in good standing. As the Company has re-started active exploration activities on the property, certain costs have been capitalized during the year ended December 31, 2022.

Reclamation Deposits

As at December 31, 2022, the Company had reclamation deposits of $40,652 (December 31, 2021 - $8,335) for the Contact Copper property in Nevada and for the Copper Creek property in Arizona, included in other long-term assets.

Mercer Ranch Deposit

As at December 31, 2022, the Company had a deposit of $338,600 (December 31, 2021 - $nil) for the acquisition of the Mercer Ranch in Arizona, included in other long-term assets. Subsequent to December 31, 2022, the Company completed the acquisition of the Mercer Ranch, and the deposit was credited against the total consideration.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	$	$
Resource properties	**2,064,046**	287,694
Office and administration	**319,987**	239,138
	2,384,033	526,832

7. CONVERTIBLE DEBENTURES

On June 17, 2019, the Company closed a non-brokered private placement of convertible debentures ("CDs") for gross proceeds of $263,000. Each CD had a face value of $1,000 and interest rate of 15% per annum, payable monthly. The CDs had a maturity date of June 14, 2021. Each CD was convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of $0.28 per common share. The Company had the option to redeem each CD at a price equal to its principal amount plus accrued and unpaid interest. The interest rate on the CDs approximated the market interest rate when determining the fair value of the liability component. Thus, no value was assigned to the equity component.

During the year ended December 31, 2021, the Company repaid the outstanding principal and accrued interest of the CDs. The amount of interest paid during the year ended December 31, 2022, was $nil (year ended December 2021 - $19,050).

8. LOAN PAYABLE AND NOTE PAYABLE

a) CEBA loan

Due to the global COVID-19 outbreak, the federal government of Canada introduced the Canada Emergency Benefit Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of $40,000 to eligible businesses. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of $30,000 by December 31, 2022, results in a $10,000 loan forgiveness. If the balance is not paid prior to December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below market rate is treated as a government grant. On June 27, 2022, the Company repaid $30,000 of the CEBA loan before the initial term and recorded $10,000 of government grant income.

8. LOAN PAYABLE AND NOTE PAYABLE (continued)

b) Debt repayment agreement

In connection with a debt payment agreement (the "Agreement") with the original optionor (the "Optionor") of the Pyramid Project, Alaska, a non-core property that the Company has no continued interest or rights to, the Company owed the Optionor $173,710 (US$125,000) plus interest at 10% per annum, which is due on March 4, 2022. The Company is required to pay to the Optionor at least 20% of the net proceeds from any debt or equity financing or sale of any assets. During the year ended December 31, 2021, the Company paid $135,999 to repay the remaining balance of principal and accrued interest.

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

During year ended December 31, 2022, the Company had the following share capital transactions:

- On May 5, 2022, the Company closed a private placement and issued 25,000,000 common shares at a price of $0.80 per share for gross proceeds of $20,000,000.

- During the year ended December 31, 2022, the Company issued 1,200,000 common shares pursuant to the exercise of 1,200,000 stock options with exercise prices varying from $0.23 to $0.40. The Company received gross proceeds of $380,125 and reallocated $307,447 from the Company's options reserve into share capital.

- During the year ended December 31, 2022, the Company issued an aggregate of 288,683 common shares net of withholding tax in settlement of 427,333 RSUs. The total grant date fair value of the vested RSUs was $188,213. A total of 70,566 common shares were withheld in lieu of withholding taxes in the amount of $96,710. The fair value of common shares issued was $204,836.

During the year ended December 31, 2021, the Company had the following share capital transactions:

- On February 19, 2021, the Company closed a private placement and issued 3,592,358 common shares at a price of $0.35 per share for gross proceeds of $1,257,325.

- On September 16, 2021, the Company closed a private placement offering of 12,500,000 units of the Company (the "Units") at a price of $0.40 per Unit, for aggregate gross proceeds to the Company of $5,000,000. Each Unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 at any time up to five years following the issuance. The Company allocated all the proceeds to share capital.

- During the year ended December 31, 2021, the Company issued 3,022,500 common shares pursuant to the exercise of 3,022,500 stock options with exercise prices varying from $0.20 to $0.40. The Company received gross proceeds of $846,796 and reallocated $690,941 from the Company's options reserve into share capital.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

c) Warrants

A summary of the Company's warrants is as follows:

	Number of warrants outstanding	Weighted average exercise price per share
	#	$
Balance, December 31, 2020	1,293,341	1.00
Issued	12,500,000	0.60
Balance, December 31, 2021	13,793,341	0.64
Expired	(1,293,341)	1.00
Balance, December 31, 2022	**12,500,000**	**0.60**

As at December 31, 2022, the Company had 12,500,000 warrants outstanding (December 31, 2021 - 13,793,341) all of which have an exercise price of $0.60 and expire on September 16, 2026. As at December 31, 2022, the remaining life of these warrants was 3.71 years (December 31, 2021 - 4.33 years).

d) Options

The Company had a "rolling" stock option plan (the "Legacy Plan") that allowed the Company to grant options to its employees, directors, consultants, and officers for a maximum of 10% of outstanding shares to be issued.

Options had a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

On October 15, 2021, following a vote by shareholders, the Company adopted a new Long-Term Incentive Plan (the "LTIP"), which provides for the granting of deferred share units ("DSU"), restricted share units ("RSU"), performance share units ("PSU"), and stock options ("Options"). The maximum number of common shares reserved for issuance under the LTIP (with any other share-based compensation arrangement, including the Legacy Plan) will be 19,296,967.

During year ended December 31, 2022, the Company had the following options transactions:

- In February 2022, the Company granted 344,000 stock options to consultants, directors, and officers of the Company with exercise prices ranging from $0.80 to $0.94 per share. These options are exercisable for a period of five years from the date of grant and are subject to the policies of the TSX. 50% of these options will vest one year from the grant date and 50% will vest two years from the grant date.

- On March 1, 2022, the 25,000 stock options with an exercise price of $0.23 were forfeited. These options were not fully vested by the time of cancellation and as a result, the share-based compensation recognized associated with the options was reversed.

- On April 1, 2022, the Company granted 500,000 stock options with an exercise price of $0.86 per share to an employee of the Company. These options an exercisable for a period of five years from the date of grant and are subject to the policies of the TSX. One third of these options vest on September 1, 2022, 2023, and 2024 respectively.

- On April 25, 2022, the Company granted 350,000 stock options with an exercise price of $0.91 per share to an employee of the Company. These options are exercisable for a period of five years from the date of grant and are subject to the policies of the TSX. One third of these options vest on September 18, 2022, 2023, and 2024 respectively.

- On July 28, 2022, 150,000 stock options with the exercise price of $0.52 expired.

- On August 16, 2022, the Company granted 90,000 stock options with an exercise price of $0.49 per share to an employee of the Company. These options are exercisable for a period of five years from the date of grant and are subject to the policies of the TSX. One third of these options vest on August 16, 2023, 2024 and 2025, respectively.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

- On September 8, 2022, the Company granted 80,000 stock options with an exercise price of $0.44 per share to a related party of the Company. These options are exercisable for a period of three years from the date of grant and are subject to the policies of the TSX. One quarter of these options vest on September 8, 2022, March 1, 2023, September 1, 2023 and March 1, 2024, respectively.

During the year ended December 31, 2021, the Company had the following options transactions:

- On March 18, 2021, the Company granted 210,000 stock options with an exercise price of $0.65 and expiry date of March 18, 2024. All these stock options vest over two years.

- On June 9, 2021, the Company granted 325,000 stock options with an exercise price of $0.60 and expiry date of June 9, 2026. The stock options vested immediately.

- On July 21, 2021, the Company granted 1,350,000 stock options with an exercise price of $0.40 and expiry date of July 21, 2026. The stock options vested immediately.

- On October 15, 2021, the Company issued a total of 9,650,000 stock options with a grant date of September 2, 2021, an exercise price of $0.40 and expiry date of September 2, 2026, following shareholder approval of the LTIP. One third of the options vested on October 15, 2021, one third vest on October 15, 2022, and one third vest on October 15, 2023.

A summary of the Company's stock options is as follows:

	Number of options	**Weighted average exercise price**
	#	$
Outstanding, December 31, 2020	7,575,000	0.31
Cancelled	(1,087,500)	0.38
Exercised	(3,022,500)	0.29
Granted	11,535,000	0.41
Outstanding, December 31, 2021	15,000,000	0.39
Forfeited / expired	(306,250)	0.38
Exercised	(1,200,000)	0.32
Granted	1,364,000	0.83
Outstanding balance, December 31, 2022	**14,857,750**	**0.44**
Exercisable balance, December 31, 2022	**7,133,750**	**0.41**

A summary of the Company's stock options outstanding at December 31, 2022, is as follows:

Expiry date	**Weighted average exercise price**	**Number of outstanding options**	**Number of exercisable options**
	$	#	#
May 10, 2023	0.40	1,308,750	1,296,250
March 18, 2024	0.65	60,000	30,000
July 24, 2025	0.23	850,000	612,500
September 8, 2025	0.44	80,000	20,000
June 8, 2026	0.60	325,000	325,000
July 21, 2026	0.40	1,300,000	1,300,000
September 2, 2026	0.40	9,650,000	3,266,667
February 1, 2027	0.80	120,000	-
February 16, 2027	0.94	224,000	-
April 1, 2027	0.86	500,000	166,667
April 25, 2027	0.91	350,000	116,667
August 16, 2027	0.49	90,000	-
	0.44	**14,857,750**	**7,133,750**

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

The weighted average remaining contractual life of the Company's options as at December 31, 2022, was 3.30 years (December 31, 2021 - 4.07 years).

During the year ended December 31, 2022, the Company incurred share-based compensation of $3,456,923 in connection with options vested (2021 - $3,967,212). A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the year ended December 31, 2021 is as follows:

	February 1, 2022	**February 16, 2022**
Stock price	$0.80	$0.92
Risk-free interest rate	1.65%	1.80%
Expected life of the option (years)	5.00	5.00
Annualized volatility	116.00%	115.00%
Dividend rate	0.00%	0.00%

	April 1, 2022	**April 25, 2022**
Stock price	$0.81	$1.00
Risk-free interest rate	2.46%	2.70%
Expected life of the option (years)	5.00	5.00
Annualized volatility	115.00%	115.00%
Dividend rate	0.00%	0.00%

	August 16, 2022	**September 8, 2022**
Stock price	$0.49	$0.44
Risk-free interest rate	2.95%	3.37%
Expected life of the option (years)	5.00	3.00
Annualized volatility	110%	110%
Dividend rate	0.00%	0.00%

The expected volatility is based on the historical volatility (over the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

e) Restricted share units

When the Company issues RSUs, it records a share-based payment expense in the year or period which the RSUs are granted and/or vested. The expense is measured using a deemed price that is based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date as prescribed in the Company's restricted share units rolling plan.

- On December 1, 2021, the Company granted 500,000 restricted share units ("RSUs") to an employee of the Company with a fair value of $0.68 per unit. Of the granted RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date.

- In January 2022, the Company granted 162,000 RSUs to employees of the Company with a fair value of $0.72 per unit. Of these RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date.

- On March 1, 2022, the Company granted 120,000 RSUs to an employee of the Company with a fair value of $0.90 per unit. Of these RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

- On May 2, 2022, the Company granted 1,250,000 RSUs to new directors of the Company with a fair value of $0.91 per unit. Of the granted RSUs, one third vest April 19, 2023, one third will vest April 19, 2024, and one third will vest April 19, 2025.
- On May 11, 2022, the Company cancelled 28,000 RSUs with an issue price of $0.72 due to an employee being terminated.
- During the year ended December 31, 2022, the Company settled 427,333 RSUs to employees of the Company through the issuance of 288,683 common shares net of 70,566 common shares withheld in lieu of withholding taxes. As a result, $204,836 was reallocated from the Company's RSU reserve into share capital and $96,710 was reallocated from RSU reserve to cover the taxes associated with these RSUs.

During the year ended December 31, 2022, the Company incurred share-based compensation of $1,090,418 in connection with RSUs vested (2021 - $155,833).

A summary of the Company's RSUs is as follows:

	Number of RSUs	Weighted average issue price
	#	$
Non-vested balance, December 31, 2020	-	-
Granted	500,000	0.68
Vested	(166,666)	0.68
Non-vested balance, December 31, 2021	333,334	0.68
Granted	1,768,000	0.89
Settled	(260,667)	0.29
Cancelled	(28,000)	0.72
Non-vested balance, December 31, 2022	**1,812,667**	**0.88**

A summary of the Company's non-vested RSUs at December 31, 2022, is as follows:

Vesting date (1)	Weighted average issue price	Number of outstanding RSUs
	$	#
December 1, 2023	0.68	166,667
January 1, 2024	0.72	80,000
March 1, 2024	0.90	80,000
April 19, 2025	0.91	1,250,000
November 9, 2025	0.91	236,000
	0.88	**1,812,667**

(1) RSUs vest rateably over a period of two years. Vesting dates listed above, represent the end of the two-year term. At the end of each annual period from date of grant, one half of the units granted will vest.

10. RELATED PARTY TRANSACTIONS

The Company has entered into the following related party transactions during the years ended December 31, 2022:

a) Purchase of Goods and Services

During the year ended December 31, 2022, the Company was charged $21,436 and $11,949 for environmental consulting and advisory services by Next Plan, LLC, and geological consulting services by GeoAqua Consultants Limited, respectively. Katherine Arnold is a member of Next Plan, LLC, and GeoAqua Consultants Limited is a company owned by Alan Wilson, both current directors of the Company.

(Expressed in Canadian dollars, except where noted)

10. RELATED PARTY TRANSACTIONS (continued)

b) Key Management Personnel

During the year ended December 31, 2022, the company incurred the following transactions with key management personnel, being the Chief Executive Officer, Chief Financial Officer, Vice President Studies & Evaluations, and Vice President of Exploration; as well as the directors of the Company.

A summary of the Company's related party transactions for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Consulting and management fees [(1)]	**11,949**	652,541
Director fees	**114,000**	-
Salaries and other compensation [(1)]	**1,925,757**	-
Share-based payments	**2,532,555**	3,191,454
	4,584,261	3,843,995

[(1)] During the year ended December 31, 2022, amounts capitalized from compensation for related parties totaled $974,694 (December 31, 2021 - $97,562).

As at December 31, 2022, amount due to related parties comprised of amounts owing to key management members and directors totalling $775,480 (December 31, 2021 - $163,916). Due to related parties has the same terms as the Company's accounts payable and accrued liabilities, which is unsecured and non-interest-bearing and with no specific terms.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate and liquidity risks. The Company may, or may not, establish from time-to-time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

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

The fair values of the Company's cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties are equivalent to their carrying values due to their short-term nature.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in major financial institutions. As at December 31, 2022, the Company had cash equivalents of $7,774,324 in term deposits (December 31, 2021 - $2,300) that are redeemable within 30 days and bear interest up to 4.25%. Interest income on term deposits during the year ended December 31, 2022 was $202,565 (2021 - $nil).

11. FINANCIAL INSTRUMENTS (continued)

Liquidity risk and fair value hierarchy

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties. The Company's accounts payable and accrued liabilities and due to related parties are due within 60 days of December 31, 2022.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest rate risk

Interest rate risk is the risk that the Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As at December 31, 2022, the Company did not have debt instruments exposed to variable interest rate. The risk is not significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

A summary of the Company's financial assets and liabilities that are denominated in US dollar as at December 31, 2022 and 2021, is as follows:

	December 31, 2022		December 31, 2021	
	US$	**$**	US$	$
Cash	**3,272,112**	**4,431,748**	8,614	10,967
Accounts payable and accrued liabilities	**(1,238,253)**	**(1,677,090)**	-	-
	2,033,859	**2,754,658**	8,614	10,967

A 5% change in the US dollar against the Canadian dollar at December 31, 2022 would result in a $137,733 impact to the Company.

12. SUPPLEMENTAL CASH FLOW INFORMATION

A summary of the Company's non-cash transactions that are excluded from the consolidated statements of cash flows for years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Non-cash transactions during the period:		
Resource property additions included in accounts payable and accrued liabilities	**1,776,352**	287,694
Cash transactions during the period:		
Interest paid on convertible debt	**-**	19,050
Interest paid on loan	**-**	1,889
Income tax paid	**-**	-

(Expressed in Canadian dollars, except where noted)

13. INCOME TAXES

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Loss for the year	**(8,076,884)**	(5,476,554)
Expected income tax recovery	**(2,177,000)**	(1,479,000)
Non-deductible expenditures and non-taxable revenues	**1,232,000**	1,113,000
Change in statutory, foreign tax, foreign exchange rates and other	**(278,000)**	(168,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**4,309,000**	2,000
Change in unrecognized deferred tax assets	**(3,086,000)**	532,000
Income tax	**-**	-

A summary of the Company's significant components of deferred tax assets is as follows:

	Year ended December 31,	
	2022	2021
	$	$
Deferred tax assets (liabilities)		
Non-Capital losses	**5,000**	5,000
Mineral resource properties	**(5,000)**	(5,000)
Net deferred tax asset	**-**	**-**

The significant components of the Company's unrecognized temporary differences and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2022	Expiry date range	December 31, 2021	Expiry date range
	$		$	
Resource properties	**5,413,000**	**No expiry date**	45,699,000	No expiry date
Non-capital losses	**78,131,000**	**2026 to 2042**	52,969,000	2026 to 2041
Intangible assets	**1,708,000**	**No expiry date**	1,708,000	No expiry date
Property and equipment	**609,000**	**No expiry date**	93,000	No expiry date
Share issuance cost	**-**	**No expiry date**	1,000	No expiry date
Capital losses	**3,947,000**	**No expiry date**	25,000	No expiry date
	89,808,000		100,495,000	

As at December 31, 2022, the Company has US non-capital losses of approximately $53 million (December 31, 2021 - approximately $33 million) that may be applied to reduce future US taxable income. The Company also has Canadian non-capital losses of approximately $25 million (December 31, 2021 - approximately $19 million) that may be applied to reduce future Canadian taxable income.

14. SUBSEQUENT EVENTS

On January 10, 2023, the Company issued 1,465,000 common shares pursuant to the exercise of 1,465,000 stock options with exercise price of $0.40.

On January 31, 2023, the Company granted 1,436,570 RSUs to the employees of the Company with a fair value of $0.71 per unit. Of the granted RSUs, one third vested beginning January 31, 2024, one third will vest annually.

On February 6, 2023, the Company issued 500,000 common shares pursuant to the exercise of 175,000 and 325,000 stock options with exercise price of $0.40 and $0.23, respectively.

14. SUBSEQUENT EVENTS (continued)

On February 14, 2023, the Company completed an equity-based financing for a total of 49,999,700 common shares sold at a price of $0.80 per common share for aggregate gross proceeds to the Company of $39,999,760.

On March 6, 2023, the Company completed an acquisition of a land package in Arizona for total consideration of US$10 million, consisting of approximately 6,000 deeded acres (private land) within 32,000 acres of controlled ranch land.