CANADIAN NORTH RESOURCES INC. (FORMERLY CANADIAN NORTH RESOURCES AND DEVELOPMENT CORP.)

Financial Statements

For the years ended December 31, 2022 and 2021

Independent Auditor's Report

To the Shareholders of Canadian North Resources Inc.:

Opinion

We have audited the financial statements of Canadian North Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits 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. We have nothing to report in this regard.

MNP LLP

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 Brad Frampton.

Calgary, Alberta

April 21, 2023

MNP LLP

Chartered Professional Accountants

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Statements of Financial Position
(Stated in Canadian Dollars)
As at December 31

	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents		11,067,170	19,025,817
HST Receivable		1,240,295	-
Prepaid expenses		19,044	36,219
Total current assets		12,326,509	19,062,036
Non-current assets			
Property and equipment	4	532,222	141,192
Exploration and evaluation assets	5	21,783,859	6,108,179
Total non-current assets		22,316,081	6,249,371
Total assets		34,642,590	25,311,407
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		427,166	46,258
Flow-through share liability	7(b)	3,082,559	-
Deposits for share subscription	7(b)	-	2,223,698
Total liabilities		3,509,725	2,269,956
Shareholders' Equity			
Share capital	7(b)	33,897,270	25,503,589
Contributed surplus	7(c)	3,592,410	-
Deficit		(6,356,815)	(2,462,138)
Total shareholders’ equity		31,132,865	23,041,451
Total liabilities and shareholders’ equity		34,642,590	25,311,407

Approved on behalf of the Board of Directors:

Signed “Lee Q Shim”
Director

Signed “Kaihui Yang”
Director

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

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Statements of Net Loss and Comprehensive Loss
(Stated in Canadian Dollars)
For the years ended December 31

	Note	2022	2021
Interest income		**92,288**	20,450
Expenses			
Office and general		**161,368**	402,748
Rent	6	**48,500**	24,000
Depreciation	4	**65,953**	25,106
Management fees	6	**72,221**	215,333
Professional fees	6	**536,268**	734,592
Insurance		**32,175**	43,900
Commission		**9,250**	23,840
Share based compensation	7(c)	**3,061,230**	-
Total expenses		**3,986,965**	1,469,519
Net loss and comprehensive loss		**3,894,677**	1,449,069
Loss per share			
Basic and diluted		**(0.04)**	(0.02)
Weighted average shares outstanding			
Basic and diluted	7(e)	**97,266,999**	58,049,843

The accompanying notes form an integral part of these financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Statements of Changes in Shareholders' Equity
(Stated in Canadian Dollars)

	Note	Share Capital	Capital Surplus	Share Subscription Receivable	Deficit	Total
As at December 31, 2020		5,504,500	-	(1,900,000)	(1,013,069)	2,591,431
Common shares issued		-	-	1,900,000	-	1,900,000
Units issued		19,999,089	-	-	-	19,999,089
Net loss and comprehensive loss		-	-	-	(1,449,069)	(1,449,069)
As at December 31, 2021		25,503,589	-	-	(2,462,138)	23,041,451
Common shares issued	7(b)	2,223,698	-	-	-	2,223,698
Flow-through shares issued	7(b)	6,756,108	-	-	-	6,756,108
Flow-through shares cost	7(b)	(586,125)	-	-	-	(586,125)
Share-based compensation	7(c)	-	3,592,410	-	-	3,592,410
Net loss and comprehensive loss		-	-	-	(3,894,677)	(3,894,677)
As at December 31, 2022		**33,897,270**	**3,592,410**	-	**(6,356,815)**	**31,132,865**

The accompanying notes form an integral part of the financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Statements of Cash Flows
(Stated in Canadian Dollars)
For the years ended December 31,

	Note	2022	2021
Cash provided by (used in):			
Operating activities			
Net loss		**(3,894,677)**	(1,449,069)
Depreciation	4	**65,953**	25,106
Share-based compensation	7	**3,061,230**	-
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		**(1,192,587)**	15,378
Accounts payable and accrued liabilities		**130,907**	(309,067)
Net cash used in operating activities		**(1,829,174)**	(1,717,652)
Financing Activities			
Proceeds from shareholders		-	1,900,000
Share issuance	7(b)	**9,838,667**	18,699,089
Deposit for share issuance	7(b)	-	2,223,698
Share issuance cost	7(b)	**(586,125)**	-
Net cash provided by financing activities		**9,252,542**	22,822,787
Investing Activities			
Purchase of property and equipment	4	**(461,775)**	-
Expenditures on exploration and evaluation assets	5	**(14,920,240)**	(3,632,642)
Net cash used in investing activities		**(15,382,015)**	(3,632,642)
(Decrease) Increase in cash		**(7,958,647)**	17,472,493
Cash and cash equivalents, beginning of year		**19,025,817**	1,553,324
Cash and cash equivalents, end of year		**11,067,170**	19,025,817

The accompanying notes form an integral part of the financial statements

1. Nature of Operations

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.) (the "Company") was incorporated on April 18, 2013 under the laws of Ontario, Canada. The Company's principal business activity is the exploration of mineral properties in the Ferguson Lake Project in the Kivalliq Region of Nunavut, Canada. The registered office of the Company is 3F- 299 Courtneypark Drive East, Mississauga, Ontario.

The Company is in the process of exploring its mineral property interests and has not yet determined whether the Ferguson Lake Project contains mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, obtaining the necessary permits to mine, and future profitable production or proceeds from the disposition of the mineral properties.

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

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 ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect January 1, 2022.

These financial statements were approved and authorized for issuance on April 21st, 2023 by the Board of Directors.

2. Basis of Presentation (continued)

(b) Basis of Presentation and Measurement

These financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value.

(c) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

3. Significant Accounting Policies

(a) Cash

Cash consists of deposits held in a financial institution.

(b) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. Property and equipment include costs to purchase and any costs directly attributable to bring the asset to its current location and condition necessary for its intended use including costs of dismantling and removing the item and restoring the site on which it is located. Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to expense.

Depreciation is calculated using straight line depreciation method over a period of 5 to 10 years. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposition, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of net loss and comprehensive loss.

3. Significant Accounting Policies (continued)

(b) Property and Equipment (continued)

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(c) Impairment

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there are any indications that the assets are impaired. The Company uses external factors, such as changes in expected future prices and costs, and other market factors to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated; being the higher of fair value less direct costs of disposal and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of net loss and comprehensive loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

Fair value less costs of disposal is determined as the amount that would be obtained from the sale of assets in an arm's length transaction between knowledgeable and willing parties. Fair values for mineral assets are generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3. Significant Accounting Policies (continued)

(d) Exploration and evaluation assets ("E&E Assets")

E&E Assets include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained legal rights to explore an area are recognized in the statement of net loss and comprehensive loss.

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

E&E Assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability or facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any E&E Assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Taxes

Tax on the profit or loss for the years presented comprises current and deferred taxes. Tax is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred tax is provided in full, using the liability method based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

3. Significant Accounting Policies (continued)

(e) Taxes (continued)

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

(f) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the total net loss and comprehensive loss attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating dilutive loss per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(g) Financial Instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the statements of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of, or release from, the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

3. Significant Accounting Policies(continued)

(g) Financial Instruments(continued)

Amortized cost
A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

Cash and cash equivalents, HST receivable, deposits for share subscriptions and accounts payable and accrued liabilities are classified as assets or liabilities measures at amortized cost.

Fair value through other comprehensive income (“FVTOCI”)
A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (“SPPI”) on the principal amount outstanding.

Fair value through profit or loss (“FVTPL”)
All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the statements of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax, risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. Significant Accounting Policies (continued)

(h) Provisions (continued)

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on associated assets.

(i) Share Purchase Warrants

The Company issues share purchase warrants in connection with certain equity transactions. The fair value of the warrants, as determined using the Black-Scholes pricing model, is credited to contributed surplus. The recorded value of the share purchase warrants is transferred to share capital upon exercise.

(j) Flow-through Shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into,

1) Share capital; and,
2) A flow-through share premium liability which is equal to the difference between the then current market price of the Company's common shares, on the date of issue and the issue price of the flow-through share.

At the time the Company renounces the tax benefit, the premium is reversed to other income, and a deferred tax liability is recognized.

(k) Share-based payment transactions

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

3. Significant Accounting Policies (continued)

(k) Share-based payment transactions (continued)

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(l) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the statement of financial position and the reported amounts of expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Adjustments are recorded in the current year as they become known.

<u>Accounting Estimates</u>

Exploration and evaluation assets
The Company conducts impairment review of exploration and evaluation expenditures and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Determining whether an asset is impaired requires an estimation on the recoverable amount.

Share-based payments
The factors affecting share-based payments include estimates of when stock options might be exercised, forfeitures and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of Company shares, whether a non-trading restriction has been imposed by the Company, and financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with Black-Scholes modeling, however future volatility is inherently uncertain.

Deferred taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

3. Significant Accounting Policies (continued)

(l) Use of Estimates and Judgments (continued)

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and theses taxation authorities may interpret the tax legislation and regulations differently than management. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Accounting Judgments

Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely to arise from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of resources or reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances and in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off, in whole or in part, in profit or loss in the period when the new information becomes available.

Exploration and evaluation assets are reviewed for changes in facts and circumstances evaluating whether the carrying amount exceeds the recoverable amount at each consolidated statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and interruptions in exploration activities. The Company's review considers the following:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. Significant Accounting Policies (continued)

(l) Use of Estimates and Judgments (continued)

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgements. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the year.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one of more future events occur of fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

CGU Determination

An impairment test requires the Company to determine the recoverable amount of an asset or group of assets. For non-current assets, including property and equipment and E&E Assets, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into a cash generating unit ("CGU") for impairment testing purposes. A CGU for impairment testing is typically considered to be an individual mine site or a development project. The Company has determined that it has one CGU based on its one project.

(all amounts are expressed in Canadian dollars)

4. Property and Equipment

Cost	
Balance, December 31, 2020 and 2021	318,412
Addition	456,983
Balance, December 31, 2022	775,395
Accumulated Depreciation	
Balance, December 31, 2020	152,114
Depreciation	25,106
Balance, December 31, 2021	177,220
Depreciation	65,953
Balance, December 31, 2022	243,173
Net Book Value, December 31, 2021	**141,192**
Net Book Value, December 31, 2022	**532,222**

5. Exploration and Evaluation Assets

Balance, December 31, 2020	2,475,537
Exploration costs	3,632,642
Balance, December 31, 2021	6,108,179
Exploration costs	15,675,680
Balance, December 31, 2022	21,783,859

6. Related Party Transactions

The Company has identified directors and senior officers as key management personnel.

During the year ended December 31, 2022, the Company recognized the following transactions with related parties:

- $48,500 (2021 - $24,000) office rental expenses paid to a company owned by a director of the Company.
- $72,000 (2021 - $215,333) management fee paid to a company owned by a director of the Company.
- $200,000 (2021 - $166,667) geological consulting fee paid to a company owned by a director of the Company.
- $47,834 (2021 - $32,340) professional fees paid to company owned by officers of the Company.
- $0 (2021 - $20,449) interest income from a company owned by a director of the Company.

As at December 31, 2022, the amount owing to related parties was $814 (2021 – $0) and included in accounts payable and accrued liabilities.

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

(all amounts are expressed in Canadian dollars)

7. Share Capital

(a) Authorized

Unlimited number of common shares without nominal or par value. No preferred shares authorized in either 2022 & 2021.

(b) Issued: Common shares and Series 1 Shares/Warrants

	Number of shares	Number of Series 1 warrants	Value
Common shares:			
December 31, 2020	73,150,000	-	5,504,500
Exchanged to Series 1 Shares (i)	(66,280,208)	-	(4,987,519)
December 31, 2021	6,869,792	-	516,981
Series 1 Shares converted to Common Shares (iv)	92,945,661	13,332,737	24,986,608
Issuance of Common Shares (v)	2,223,698	-	2,223,698
Issuance of Flow-through Shares (vi)	3,254,324	-	6,756,108
Flow-through Shares issuance cost (vi)	-	-	(586,125)
December 31, 2022	**105,293,475**	**13,332,737**	**33,897,270**
Series 1 Shares/Warrants:			
December 31, 2020	-	-	-
Exchanged from common shares (i)	66,280,208	-	4,987,519
Units issuance under Private Placement No.1(ii)	13,333,333	6,666,671	10,000,000
Units issuance under Private Placement No.2(iii)	13,332,120	6,666,066	9,999,089
Balance, December 31, 2021	92,945,661	13,332,737	24,986,608
Series 1 Shares converted to Common Shares (iv)	(92,945,661)	(13,332,737)	(24,986,608)
Balance, December 31, 2022	-	-	-
Total share capital			
Balance, December 31, 2021	99,815,453	13,332,737	25,503,589
Balance, December 31, 2022	**105,293,475**	**13,332,737**	**33,897,270**

(i) On May 15, 2021, the Company completed a share exchange, of which 66,280,208 common shares were exchanged for 66,280,208 Series 1 Shares at the ratio of 1:1.

(ii) During the year ended December 31, 2021, the Company closed the Series 1 Shares Private Placement No. 1 of 13,333,333 units consisting of 13,333,333 Series 1 shares and 6,666,671 Series 1 warrants for gross proceeds of $10,000,000, of which $1,300,000 proceeds were received during the year ended December 31, 2020 and recorded as deposits for share subscription.

(iii) During the year ended December 31, 2021, the Company closed the Series 1 Shares Private Placement No. 2, of 13,332,120 units consisting of 13,332,120 Series 1 Shares and 6,666,066 Series 1 Warrants for gross proceeds of $9,999,089.

(all amounts are expressed in Canadian dollars)

7. Share Capital (continued)

(b) Issued: Common shares and Series 1 Shares/Warrants (continued)

(iv) On January 17, 2022, the Company completed the share conversion of Series 1 Shares into the common shares at the ratio of 1:1. The Series 1 Warrants were converted into the Warrants at the ratio of 1:1.

(v) On April 5, 2022, the Company received approval from Ontario Securities Commission for the listing on Toronto Stock Exchange Venture (TSXV). Pursuant to the listing of the Company, the Company completed an issuance of 2,223,698 Special Warrants which were concurrently converted into Common Shares. Proceeds related to this issuance of $2,223,698 was received during the year ended December 31, 2021 and recorded deposits for share subscription.

(vi) On December 21, 2022, the Company completed the issuance of Flow-through Shares of 3,254,324 shares for proceeds of $9,838,667 at the weighted average price of $3.02 per share. The cost of the issuance of $586,125 was offset the proceeds of Flow-through Shares. A flow-through share premium was recognized as a flow-through share liability on the statement of financial position for $3,082,559.

The Company renounced the income tax benefits of this issue in February 2023, with an effective date of renunciation to its subscribers of December 31, 2022. In conjunction with the renunciation, the flow through share premium liability at December 31, 2022 will be extinguished in fiscal 2023.

(c) Share options

On April 5, 2022, the Company granted to its directors, officers and consultants, options to purchase a total of 771,698 Common Shares of the Company, at an exercise price of $1.00 per share, which options will expire on April 4, 2027. Options to directors and officers were vested immediately. Options granted to consultants vested equally over 9 months to January 5, 2023.

On May 19, 2022, the Company granted to its directors, officers, employees, consultants, and to management company employees, options to purchase a total of 2,695,000 Common Shares of the Company, at an exercise price of $1.92 per share, which options will expire on May 18, 2027. No options were vested by December 31, 2022. Options to directors were vested immediately. Options granted to officers and consultants vests on December 31, 2022 and December 31, 2023. Options to employees will vest equally on December 31, 2022, 2023, 2024 and 2025.

The continuity of share purchase options for the year ended December 31, 2022 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2021	Granted	Exercised	Cancelled /Expired	Outstanding December 31, 2022	Exercisable December 31, 2022
April 4, 2027	$1.00	-	771,698	-	-	771,698	771,698
May 18, 2027	$1.92	-	2,695,000	-	-	2,695,000	2,695,000
Total		-	3,466,698	-	-	3,466,698	3,466,698
Weighted average exercise price			$1.72			$1.72	$1.72
Weighted average contractual remaining life (years)			5.00			4.35	4.35

(all amounts are expressed in Canadian dollars)

7. Share Capital (continued)

(c) Share options (continued)

The weighted average fair value of share purchase options granted during the year ended December 31, 2022 is $1.72 (2021 – $Nil).

Options were valued using the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	2022	2021
Risk-free interest rate	**2.52%-2.75%**	-
Expected life in years	**5**	-
Expected volatility*	**100%-101.34%**	-
Grant date share price	**$1-$1.92**	-
Expected forfeiture rate	**-%**	-
Risk-free interest rate	**2.52%-2.75%**	-

*The expected volatility used was based on the historical volatility of the peer companies' share price over a period equivalent to the expected life of the options prior to their grant date.

(d) Warrants

Expiry date	Exercise Price	Outstanding December 31, 2021	Issued	Exercised	Cancelled /Expired	Outstanding December 31, 2022
December 29, 2023	$1.50	13,332,737	-	-	-	13,332,737
Total		13,332,737	-	-	-	13,332,737
Weighted average exercise price		$1.50				$1.50
Weighted average contractual remaining life (years)		2.00				1.00

Each Warrant noted above entitles the holder to purchase one common share of the Company at a price of $1.50 per share until December 29, 2023.

(all amounts are expressed in Canadian dollars)

7. Share Capital (continued)

(e) *Loss per share*

The effect of outstanding options and warrants have not been included in the weighted average calculation as the impact is anti-dilutive.

The basic and diluted weighted average shares outstanding is calculated as below:

	2022	2021
Opening balance	**58,049,843**	99,815,454
Weighted average change in common shares	**39,217,156**	(41,765,611)
Weighted average as at year end	**97,266,999**	58,049,843

8. Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Credit risk

Credit risk arises from the possibility that a counterpart to which the Company provides goods or services is unable or unwilling to fulfills their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and prepaid expenses. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash which is held in a major financial institution in Canada.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of $12,326,509 (2021 - $19,062,036) to settle obligations of $3,509,725 (2021 - $2,269,956).

8. Financial Instruments and Risk Management (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

i Foreign currency exchange risk

The Company is not exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

ii Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

iii Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

(d) Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the financial instrument:

- Level 1 fair value measurements are those derived from quoted prices (adjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, HST receivable and accounts payable and accrued liabilities and deposits for share subscription approximates fair value due to the short-term nature.

(all amounts are expressed in Canadian dollars)

9. Capital Management

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers cash and cash equivalents and shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital and there have been no changes in the Company's approach to capital management from previous years.

10. Taxes

The reconciliation of the expected tax expense calculated by applying the combined Federal and Provincial corporate income tax rates to the tax provision for the year is a result of the following items:

	2022	2021
Loss before tax	**(3,894,677)**	(1,469,519)
Statutory tax rate	**26.5%**	26.5%
Expected income tax recovery	**(1,032,089)**	(389,423)
Increase (decrease) resulting from:		
Share-based payments	**811,226**	-
Change in deferred tax asset not being recognized	**220,863**	389,423
Income tax expense	**-**	-

The Company has approximated timing differences of the following:

	2022	2021
Non-capital losses	**2,938,596**	2,039,195
Property and equipment	**243,173**	177,220
Total timing differences	**3,181,769**	2,216,415

The Company's non-capital loss carryforwards balance is available to reduce future years' taxable income and, if not fully utilized, will commence to expire in fiscal year.