SPANISH MOUNTAIN GOLD LTD.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SPANISH MOUNTAIN GOLD LTD.

Opinion

We have audited the consolidated financial statements of Spanish Mountain Gold Ltd. and its subsidiary (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated 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 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 audits 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 $2,140,536 during the year ended December 31, 2023 and, as of that date, has an accumulated deficit of $16,658,829. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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 auditors' report.

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 Management's Discussion and Analysis 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.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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- 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.

- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 17, 2024

SPANISH MOUNTAIN GOLD LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2023**	December 31, 2022
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	14	**3,307,002**	2,815,985
Short-term investments	14	**-**	250,000
Accounts receivable	5, 14	**150,293**	52,712
Prepaid expenses	6	**127,689**	29,599
Current portion of rent deposit	11	**-**	6,818
		3,584,984	3,155,114
Mineral property	7, 13	**92,508,138**	89,740,340
Property and equipment	8	**1,059,511**	1,156,949
Deposits for reclamation	7	**91,000**	91,000
Rent deposit	11	**10,444**	10,444
Total assets		**97,254,077**	94,153,847
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9, 13	**404,755**	1,151,823
Loan payable	10	**-**	40,000
Current portion of lease liability	11	**59,885**	46,166
		464,640	1,237,989
Lease liability	11	**230,960**	290,845
Deferred income tax liabilities	16	**-**	204,887
Total liabilities		**695,600**	1,733,721
SHAREHOLDERS’ EQUITY			
Share capital	12(b)	**112,624,685**	106,275,899
Reserves		**592,621**	1,301,992
Deficit		**(16,658,829)**	(15,157,765)
Total shareholders’ equity		**96,558,477**	92,420,126
Total liabilities and shareholders’ equity		**97,254,077**	94,153,847

Nature of operations and going concern (Note 1)
Subsequent event (Note 17)

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

/s/ “Richard Orazietti”	*/s/ “Lembit James”*
Director	Director

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

SPANISH MOUNTAIN GOLD LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31, **2023**	2022
		$	$
Expenses			
Consulting	13	**270,856**	15,850
Depreciation	8	**76,351**	72,158
Investor relations, travel and filing fees		**98,461**	55,712
Legal and accounting	13	**1,071,370**	167,828
Office and administrative		**116,090**	98,039
Salaries and wages	13	**746,618**	499,743
Share-based compensation	13	**111,355**	305,460
		(2,491,101)	(1,214,790)
Other income (expenses)			
Interest expense	11	**(15,988)**	(9,059)
Interest income		**151,666**	90,998
Other income	10	**10,000**	-
Recovery of doubtful accounts		**-**	88,571
Net loss before income tax		**(2,345,423)**	(1,044,280)
Deferred income tax recovery	16	**204,887**	167,818
Net loss and comprehensive loss		**(2,140,536)**	(876,462)
Loss per share:			
Basic and diluted		**(0.006)**	(0.003)
Weighted average number of common shares:			
Basic and diluted		**361,472,792**	338,241,154

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

SPANISH MOUNTAIN GOLD LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31, 2023	2022
	$	$
Operating activities		
Net loss and comprehensive loss for the year	**(2,140,536)**	(876,462)
Adjustments for:		
Depreciation	**76,351**	72,158
Loss on disposal of property and equipment included in office and administrative	**-**	45
Share-based compensation	**111,355**	305,460
Interest expense	**15,988**	9,059
Other income	**(10,000)**	-
Deferred income tax recovery	**(204,887)**	(167,818)
Changes in non-cash working capital:		
Accounts receivable	**(97,581)**	158,758
Prepaid expenses	**(98,090)**	67,731
Rent deposit	**6,818**	(18,000)
Accounts payable and accrued liabilities	**64,456**	(15,722)
Cash used in operating activities	**(2,276,126)**	(464,791)
Investing activities		
Proceeds from return on the maturity of short-term investments	**250,000**	-
Expenditures on mineral property	**(3,484,171)**	(4,463,811)
Expenditures on property and equipment	**(55,301)**	(23,874)
Cash used in investing activities	**(3,289,472)**	(4,487,685)
Financing activities		
Proceeds from shares issued, net of issue costs	**5,909,769**	1,138,225
Proceeds from exercise of stock options	**239,000**	-
Repayment of loan payable	**(30,000)**	-
Lease payments	**(62,154)**	(58,128)
Cash provided by financing activities	**6,056,615**	1,080,097
Changes in cash and cash equivalents	**491,017**	(3,872,379)
Cash and cash equivalents, beginning of the year	**2,815,985**	6,688,364
Cash and cash equivalents, end of the year	**3,307,002**	2,815,985
Supplemental cash flow information:		
Expenditures on mineral property included in accounts payable and accrued liabilities	**60,171**	831,695
Expenditures on property and equipment included in accounts payable and accrued liabilities	**-**	40,000
Depreciation included in mineral property	**36,388**	40,172
Share-based compensation included in mineral property	**18,763**	156,692
Cash interest received	**71,745**	-

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

SPANISH MOUNTAIN GOLD LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance, December 31, 2021	333,974,051	105,093,485	1,047,613	(14,444,887)	91,696,211
Shares issued from exercise of stock options	600,000	96,189	(44,189)	-	52,000
Shares issued from exercise of share purchase warrants	7,241,500	1,086,225	-	-	1,086,225
Fair value of forfeited stock options	-	-	(163,584)	163,584	-
Share-based compensation	-	-	462,152	-	462,152
Net loss for the year	-	-	-	(876,462)	(876,462)
Balance, December 31, 2022	341,815,551	106,275,899	1,301,992	(15,157,765)	92,420,126
Units issued in private placement	28,571,429	6,000,000	-	-	6,000,000
Unit issuance costs	-	(90,231)	-	-	(90,231)
Shares issued from exercise of stock options	2,550,000	439,017	(200,017)	-	239,000
Fair value of forfeited stock options	-	-	(639,472)	639,472	-
Share-based compensation	-	-	130,118	-	130,118
Net loss for the year	-	-	-	(2,140,536)	(2,140,536)
Balance, December 31, 2023	**372,936,980**	**112,624,685**	**592,621**	**(16,658,829)**	**96,558,477**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Spanish Mountain Gold Ltd. (the "Company" or "Spanish Mountain") is an exploration stage resource company incorporated under the *Business Corporations Act* (Alberta) and continued into British Columbia under the *Business Corporations Act* (British Columbia). The head office and principal address of the Company is located at 910 - 1111 Melville Street, Vancouver, British Columbia V6E 3V6. The address of the Company's registered office is 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7. The Company is listed on the TSX Venture Exchange under the symbol "SPA", on the Frankfurt Stock Exchange under the symbol "S3Y", and on the OTC under the symbol "SPAZF".

These consolidated financial statements for the years ended December 31, 2023 and 2022 ("financial statements") have been prepared on the basis of 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. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is an exploration stage resource company which does not generate any revenue and has been relying on equity-based financing to fund its operations. While the Company expects to meet its financial obligations in the near term, it will require additional financing to meet its administrative costs and to continue to explore and develop its mineral property. There is no assurance that future funding will be available to sufficiently conduct further exploration and development of its mineral property. During the year ended December 31, 2023, the Company incurred a net loss of $2,140,536 (2022 - $876,462), and as at December 31, 2023 has an accumulated deficit of $16,658,829 (December 31, 2022 - $15,157,765).

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its on-going obligations. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful as it is dependent on prevailing capital market conditions and the availability of other financing opportunities. These conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on April 17, 2024.

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

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for certain cash flow information.

The accounting policies set out in note 3 have been applied consistently by the Company and its subsidiary.

c) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiary. All intercompany transactions and balances are eliminated on consolidation. 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. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. These financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Wildrose Resources Ltd. ("Wildrose").

2. BASIS OF PREPARATION (continued)

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

3. MATERIAL ACCOUNTING POLICIES

a) Cash, cash equivalents and short-term investments

Cash and cash equivalents comprise cash, bank deposits, or highly liquid temporary investments that are readily convertible into known amounts of cash. Term deposits with an original maturity greater than three months and that are non-redeemable are classified as short-term investments.

b) Mineral property

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written off in the period in which a decision to discontinue the project is made.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company’s property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in profit or loss.

c) Property and equipment

Property and equipment are recorded at cost and depreciated using the declining-balance basis at the following annual rates:

Class of property and equipment	Depreciation rate
Building	4%
Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	term of the lease
Vehicles	30%

The office lease, which is recognized as a right-of-use asset, is depreciated on a straight-line basis over the 70-month term of the lease.

Additions during the year are depreciated on a pro-rated basis. Depreciation on property and equipment used directly on exploration projects is capitalized to mineral property.

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units ("CGU") (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets). The recoverable amount of the asset (or CGU) is the greater of the asset's (or CGU's) fair value less costs to sell and its value in use to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

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

e) Mining exploration tax recoveries

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

f) Units issuance

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants, on a residual value basis.

g) Share-based payments

The Company has a stock option plan that is described in Note 12(d). 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 reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related amount originally recorded in reserve is transferred to share capital. For those unexercised options or warrants that expire, the recorded value is transferred to deficit.

h) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the earnings (loss) available to common shareholders equal the reported earnings (loss). The computation of diluted earnings per share reflects the potential dilution that could occur on the exercise of outstanding options, warrants and similar instruments. The Company uses the treasury stock method to determine the dilutive effect of options, warrants and other dilutive instruments. Under this method, only "in the money" dilutive instruments impact the calculations in computing diluted earnings per share. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

3. MATERIAL ACCOUNTING POLICIES (continued)

i) Income taxes

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, losses carried forward and other tax deductions. Deferred income tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period in which the change is enacted or substantively enacted. The amount of deferred income tax assets is limited to the amount of the benefit that is probable that the related tax benefit will be realized.

j) Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable (excluding GST receivable), rent deposit, deposits for reclamation, accounts payable and accrued liabilities, and loan payable.

<u>Financial assets initial recognition and measurement</u>

The following is the Company’s accounting policy for financial instruments under IFRS 9 *Financial Instruments*.

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

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

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:

- The Company’s business model for such 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 plus 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 cash and cash equivalents, short-term investments, accounts receivable excluding GST, rent deposit, and deposits for reclamation are measured at amortized cost.

<u>Financial liabilities initial recognition and measurement</u>

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

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

A financial liability at amortized cost is initially measured at fair value less transaction cost 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 and loan payable are measured at amortized cost.

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Leases

Lease recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

If a contract is assessed to contain a lease, a lease liability is initially recognized at the present value of the lease payments that are unpaid at the commencement date and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease obligation is measured at amortized cost using the effective interest method. The Company also recognizes a right-of-use ("ROU") asset that will generally be equal to the lease obligation at adoption. The ROU asset is subsequently amortized over the life of the contract.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

a) Significant accounting estimates

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 financial statements, and the reported amounts of revenues and expenses during the reporting 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.

Significant areas requiring the use of management estimates are as follows:

Useful lives of property and equipment

The Company reviews its estimate of the useful lives of property and equipment at each reporting date, based on the expected utilization of the assets. A change in the useful life or residual value will impact the reported carrying value of the property and equipment resulting in a change in related amortization expense.

Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

a) Significant accounting estimates (continued)

<u>Share-based payments</u>

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

<u>Estimate of deferred income tax liability</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

b) Significant accounting judgements

The Company's management makes critical 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:

<u>Impairment of property and equipment and mineral property</u>

Assets or 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 mineral property.

In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded as there have been no obsolescence or physical damage of the assets, and there are no indications that the value of the assets have declined more than what is expected from the passage of time or from normal use.

In respect of costs incurred for its mineral property, management has determined that exploratory drilling, evaluation, development, and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral property as at December 31, 2023 and 2022.

<u>Mining exploration tax credits</u>

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia (the "Province"). Uncertainties exist with respect to the interpretation of tax regulations resulting in certain claimed credits being disallowed by the Province. The calculation of the Company's refundable tax credits involves significant estimates and judgment on items whose tax treatment cannot be verified until a notice of assessment and subsequent payments have been received from the Province. Differences between management's estimates and the final assessment could result in adjustments to the mining exploration tax credit and the future income tax expense.

<u>Going concern</u>

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

<u>Right-of-use assets and lease liability</u>

The Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

(Expressed in Canadian dollars, except where noted)

5. ACCOUNTS RECEIVABLE

A summary of the Company's accounts receivable is as follows:

	December 31, 2023	December 31, 2022
	$	$
Tax credit recoverable	**63,572**	43,469
Interest income receivable [1]	**86,721**	9,243
	150,293	52,712

[1] Comprises accrued interest income on various guaranteed investment certificates ("GICs").

6. PREPAID EXPENSES

A summary of the Company's prepaid expenses is as follows:

	December 31, 2023	December 31, 2022
	$	$
Prepaid insurance and subscriptions	**52,464**	29,449
Advances to suppliers	**75,225**	150
	127,689	29,599

7. MINERAL PROPERTY

Spanish Mountain Property, British Columbia

The property is subject to various Net Smelter Returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1.0% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of $1,000,000 to the vendors. The NSR may be purchased by the Company for $500,000 per 1% NSR.

In accordance with regulatory requirements, as at December 31, 2023, the Company holds a number of GICs aggregating in the sum of $91,000 (December 31, 2022 - $91,000) in safekeeping for the Government of British Columbia and is presented as deposits for reclamation in the statements of financial position. The security will be released once the Company performs its obligations pursuant to its mineral exploration permit.

(Expressed in Canadian dollars, except where noted)

7. MINERAL PROPERTY (continued)

Spanish Mountain Property, British Columbia (continued)

A summary of the Company's exploration expenditures incurred on its mineral property is as follows:

	$
Balance, December 31, 2021	85,306,693
Additions during the year:	
Assaying	563,486
Camp materials and supplies	97,585
Contract wages	199,307
Depreciation (Note 8)	40,172
Drilling	279,351
Environmental assessment	1,827,750
Field supplies and services	177,244
First Nations and community engagement	190,678
Fuel	3,623
Geological and technical consulting (Note 13)	277,256
Land tenure	31,801
Maps and reports	505,283
Share-based compensation (Note 12(e))	156,692
Soil sampling	26,298
Travel and accommodation	57,121
Balance, December 31, 2022	89,740,340
Additions during the year:	
Assaying	265,192
Camp materials and supplies	80,688
Contract wages	215,114
Depreciation (Note 8)	36,388
Environmental assessment	1,093,533
First Nations and community engagement	92,267
Fuel	701
Geological and technical consulting (Note 13)	480,220
Land tenure	14,603
Maps and reports	432,303
Share-based compensation (Note 12(e))	18,763
Travel and accommodation	38,026
Balance, December 31, 2023	**92,508,138**

(Expressed in Canadian dollars, except where noted)

8. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

	Land	Building	Right-of-use assets	Computer equipment	Furniture and equipment	Vehicles and leasehold improvements	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2021	127,441	1,112,739	277,317	159,126	240,033	92,190	2,008,846
Additions	-	-	346,292	3,273	3,451	57,151	410,167
Disposals	-	-	(277,317)	-	-	(25,963)	(303,280)
Balance, December 31, 2022	127,441	1,112,739	346,292	162,399	243,484	123,378	2,115,733
Additions	-	-	-	15,590	-	-	15,590
Adjustments	-	-	-	-	-	(289)	(289)
Balance, December 31, 2023	**127,441**	**1,112,739**	**346,292**	**177,989**	**243,484**	**123,089**	**2,131,034**
Accumulated depreciation							
Balance, December 31, 2021	-	496,822	243,498	153,754	166,171	89,443	1,149,688
Additions	-	24,637	68,448	1,788	14,938	2,520	112,331
Disposals	-	-	(277,317)	-	-	(25,918)	(303,235)
Balance, December 31, 2022	-	521,459	34,629	155,542	181,109	66,045	958,784
Additions	-	23,632	59,364	3,113	12,360	14,270	112,739
Balance, December 31, 2023	**-**	**545,091**	**93,993**	**158,655**	**193,469**	**80,315**	**1,071,523**
Carrying amount							
Balance, December 31, 2022	127,441	591,280	311,663	6,857	62,375	57,333	1,156,949
Balance, December 31, 2023	**127,441**	**567,648**	**252,299**	**19,334**	**50,015**	**42,774**	**1,059,511**

During the years ended December 31, 2023 and 2022, depreciation expense of $36,388 and $40,172, respectively, were capitalized to mineral property (Note 7).

The Company recorded an adjustment of $289 (2022 - $nil) during the year ended December 31, 2023 to the cost of vehicles and leasehold improvements related to the over-accrued amount of office renovation recorded during the year ended December 31, 2022.

(Expressed in Canadian dollars, except where noted)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Trade payables	**377,719**	953,343
Accrued liabilities	**15,000**	198,480
Wages payable	**4,598**	-
Government agencies payable	**7,438**	-
	404,755	1,151,823

10. LOAN PAYABLE

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 loan remains interest free until January 18, 2024 with a rate of 5% per annum being applied from January 19, 2024. Repayment of $30,000 by January 18, 2024 will result in a $10,000 loan forgiveness. On December 31, 2023, the Company repaid $30,000 and recorded $10,000 loan forgiveness as other income.

11. LEASE LIABILITY

In February 2017, the Company signed an extension agreement to renew the lease of its former office premises. The agreement commenced June 1, 2017 and expired May 31, 2022. As at May 31, 2022, the Company had fulfilled its entire lease obligation and vacated the property, which resulted in the derecognition of the right-of-use asset and extinguishment of the corresponding lease liability.

During March 2022, the Company entered into an agreement to sublease new office premises. The term of the sublease begins June 1, 2022 and expires March 31, 2023. Concurrently, the Company entered into a lease extension with the head landlord which begins April 1, 2023 and expires March 31, 2028. The total aggregate lease payments pursuant to the sublease and head lease agreements are $404,001. Additionally, operating costs are estimated at $253,124 over the same period. Of the deposit of $13,636 paid to sublandlord upon the execution of the original sublease agreement, $6,818 was applied to first month of sublease during the year ended December 31, 2022 and $6,818 to the last month of sublease during the year ended December 31, 2023. The Company paid a deposit of $10,444 to its head landlord upon the execution of the lease extension.

The Company used an estimated incremental borrowing rate of 5% to measure its lease liability upon initial recognition.

A summary of the Company's operating lease commitments to the lease obligation recognized as follows:

	December 31, 2023
	$
2024	73,089
2025	75,391
2026	77,693
2027	78,268
2028	19,567
Total future minimum lease payments	324,008
Effect from discounting using the incremental borrowing rate	(33,163)
Total present value of minimum lease payments	**290,845**

(Expressed in Canadian dollars, except where noted)

11. LEASE LIABILITY (continued)

A summary of the Company's lease liability is as follows:

	$
Balance, December 31, 2021	39,788
Lease liability recognized at execution of lease agreements	346,292
Payments	(58,128)
Interest expense	9,059
Balance, December 31, 2022	337,011
Payments	(62,154)
Interest expense	15,988
Balance, December 31, 2023	**290,845**
Current portion	**59,885**
Non-current portion	**230,960**

12. SHARE CAPITAL

a) Authorized share capital

- Unlimited number of common voting shares without par value
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

As at December 31, 2023 and 2022, there are no first or second preferred shares outstanding.

b) Issued and outstanding

During the year ended December 31, 2023, the Company had the following share capital transactions:

- On May 12, 2023, the Company completed a private placement of 28,571,429 units priced at $0.21 per unit for total proceeds of $6,000,000. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.25 for a period of 24 months following the closing date of the respective tranche and subject to earlier expiry if the ten-day volume weighted average price exceeds $0.30 per share. On initial recognition, the warrants had a fair value of $nil. As a result, proceeds of $6,000,000 was allocated to share capital. In connection with the private placement, the Company paid unit issuance costs of $90,231 in cash.
- During the year ended December 31, 2023, 2,550,000 stock options were exercised for proceeds of $239,000 pursuant to the which the Company issued a total of 2,550,000 common shares. As a result, $200,017 was transferred to share capital from reserves.
- During the year ended December 31, 2023, 3,250,000 stock options were forfeited following the termination of certain officers and consultants of the Company. As a result, $639,472 was transferred to deficit from reserves.

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

- The Company issued total of 600,000 common shares following the exercise of 600,000 stock options for proceeds of $52,000. As a result, $44,189 was transferred to share capital from reserves.
- The Company issued total of 7,241,500 common shares following the exercise of 7,241,500 share purchase warrants for proceeds of $1,086,225.
- During the year ended December 31, 2022, 800,000 stock options were forfeited following the termination of certain officers and consultants of the Company. As a result, $163,584 was transferred to deficit from reserves.

(Expressed in Canadian dollars, except where noted)

12. SHARE CAPITAL (continued)

c) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
	#	$
Balance, December 31, 2021	67,961,427	0.30
Exercised	(7,241,500)	0.15
Expired	(60,719,927)	0.32
Balance, December 31, 2022	-	-
Issued	14,285,715	0.25
Balance, December 31, 2023	**14,285,715**	**0.25**

As at December 31, 2023, the Company had 14,285,715 share purchase warrants outstanding and exercisable (December 31, 2022 - nil) with an exercise price of $0.25 and expire on May 12, 2025. As at December 31, 2023, the remaining life of these warrants is 1.36 years.

d) Stock options

The Company's incentive stock option plan ("Option Plan") authorizes the issuance of options up to a maximum of 20% of the Company's issued common shares. The maximum number of stock options issuable has been fixed at 17,401,903 by a special resolution of shareholders since 2009. The exercise price of any stock option granted will not be less than the fair market value of a common share at the time of the grant. The expiry date for each stock option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Unless stipulated by the Board of Directors, stock options granted generally vest 25% on the date of grant and a further 25% vest every six months and expire after five years.

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

	Number of stock options	Weighted average exercise price
	#	$
Balance, December 31, 2021	7,200,000	0.19
Granted	3,950,000	0.18
Exercised	(600,000)	0.09
Forfeited	(800,000)	0.27
Balance, December 31, 2022	9,750,000	0.19
Exercised	(2,550,000)	0.09
Forfeited	(3,250,000)	0.25
Balance, December 31, 2023	**3,950,000**	**0.20**

A summary of the Company's stock options outstanding and exercisable as at December 31, 2023 is as follows:

Date of expiry	Exercise price	Number of options	Number of options exercisable	Weighted average remaining life
	$	#	#	Years
July 3, 2024	0.08	450,000	450,000	0.51
December 16, 2025	0.36	800,000	800,000	1.96
January 24, 2027	0.21	1,200,000	1,200,000	3.07
September 13, 2027	0.15	300,000	225,000	3.70
October 12, 2027	0.14	600,000	450,000	3.78
October 19, 2027	0.13	600,000	450,000	3.80
		3,950,000	**3,575,000**	**2.82**

(Expressed in Canadian dollars, except where noted)

12. SHARE CAPITAL (continued)

d) Stock options (continued)

During the years ended December 31, 2023 and 2022, the weighted average share price on the dates of exercise of the stock options was $0.20 and $0.21, respectively.

The weighted average remaining contractual life of outstanding stock options as at December 31, 2023 is 2.82 years (December 31, 2022 - 2.78 years).

e) Share-based compensation

During the year ended December 31, 2022, the Company granted an aggregate of 3,950,000 incentive stock options with a weighted average exercise price of $0.18 per share to certain employees and directors of the Company. The stock options expire five years from the grant date and their respective grant dates will vest in accordance with the Company's Option Plan and have an estimated aggregate fair value of $548,713 at their respective grant dates.

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for stock options granted during the year ended December 31, 2022 is as follows:

Share price	0.18
Exercise price	0.18
Risk-free interest rate	2.37%
Expected life (in years)	5.00
Expected volatility	107.87%
Expected dividend yield	0.00%

The expected life in years represents the period of time the options granted are expected to be outstanding. The volatility rate is based on comparable companies with a historical volatility. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

In accordance with the vesting schedule for these and previously granted incentive stock options, $130,118 of share-based compensation was recognized during the year ended December 31, 2023 (December 31, 2022 - $462,152), of which 18,763 (December 31, 2022 - $156,692), was capitalized to mineral property.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of directors and executive officers of the Company.

A summary of the Company's compensation for key management personnel is as follows:

	Year ended December 31,	
	2023	2022
	$	$
Geological and technical consulting [1]	**58,500**	157,534
Legal and accounting	**19,983**	-
Salaries and wages [2]	**698,876**	460,836
Share-based compensation [1]	**105,120**	313,649
	882,479	932,019

[1] During the year ended December 31, 2023, amount capitalized from compensation for related parties totaled $62,639 (December 31, 2022 - $192,576).
[2] During the year ended December 31, 2023, the Company paid contractual termination benefits totaling $240,000 (December 31, 2022 - $nil), to key management personnel.

As at December 31, 2023, the accounts payable and accrued liabilities included a total of $4,598 (December 31, 2022 - $137,421) owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

(Expressed in Canadian dollars, except where noted)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, rent deposit, deposits for reclamation, accounts payable and accrued liabilities, and loan payable, approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents, short-term investments, and accounts receivable. The Company manages credit risk in respect of cash and cash equivalents, short-term investments, and deposits for reclamation by holding these at a major Canadian financial institution with strong investment-grade ratings by a recognized agency. The Company manages credit risk in respect to short-term investments with major Canadian financial intuitions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and short-term investments, as all amounts are held at a major Canadian financial institution.

A summary of the Company's cash and cash equivalents as well as short-term investments is as follows:

	December 31, 2023	December 31, 2022
	$	$
Cash held in bank accounts	**108,020**	275,677
Term deposits	**3,198,982**	2,540,308
Short-term investments (1)	**-**	250,000
	3,307,002	3,065,985

(1) Comprises non-redeemable GICs with an original term to maturity greater than three months.

As at December 31, 2023, the Company had $nil (December 31, 2022 - $250,000) invested in non-redeemable GICs with original maturity greater than three months. Interest is accrued during the GICs term. The weighted average interest rate earned on the Company's cash and cash equivalents and short-term investments at December 31, 2023 is 4.41% (December 31, 2022 - 3.67%).

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalents and short-term investments at December 31, 2023 of $3,307,002 (December 31, 2022 - $3,065,985) in order to meet its current liabilities. As at December 31, 2023, the Company had accounts payable and accrued liabilities of $404,755 (December 31, 2022 - $1,151,823), which have contractual maturities of 90 days or less, interest free loan payable of $nil (December 31, 2022 - $40,000), and a current portion of lease liability of $59,885 (December 31, 2022 - $46,166). The amount of the Company's remaining undiscounted contractual maturities for the lease liability is approximately $324,008 (December 31, 2022 - $386,161) (Note 11). The Company is exposed to liquidity risk through accounts payable and accrued liabilities and lease liability.

(Expressed in Canadian dollars, except where noted)

14. 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. The Company is exposed to interest rate and foreign currency risk as follows:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

The Company's cash and cash equivalents and short-term investments are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as at December 31, 2023.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as at December 31, 2023.

15. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of share capital. Other than the loan payable (Note 10), the Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet strategic goals.

In accordance with its investment policy, the Company periodically invests its capital in liquid investments to obtain returns that are considered reasonable under prevailing market conditions. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurances that it will continue into the future. There were no changes in the Company's approach to capital management during the year ended December 31, 2023.

16. INCOME TAXES

A summary of income tax computed at the statutory tax rate to income tax recovery for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Loss before tax	**(2,345,423)**	(1,044,280)
Expected income tax recovery	**(633,264)**	(281,956)
Items non-deductible for income tax purposes	**31,111**	59,661
Share issuance costs	**(24,362)**	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**(31,333)**	-
Change in unrecognized deferred income tax assets	**452,961**	54,477
Deferred income tax expense	**(204,887)**	(167,818)

(Expressed in Canadian dollars, except where noted)

16. INCOME TAXES (continued)

A summary of the tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities is presented as follows:

	December 31, 2023	December 31, 2022
	$	$
Property and equipment	**286,776**	288,663
Non-refundable mining income tax credit	**1,729,860**	2,177,833
Share issuance costs and financing fees	**30,254**	22,384
Non-capital loss carried forward	**6,309,292**	5,660,665
Mineral property	**(8,366,684)**	(8,354,432)
ROU liability, net of ROU asset	**10,407**	-
Share issuance costs and financing fees	**95**	-
Deferred income tax assets (liability), net	**-**	(204,887)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate taxable income to utilize its deferred income tax assets.

The Company is eligible for British Columbia mining exploration tax credits ("BC METC"), based on qualified mineral exploration expenditures incurred for determining the existence, location, extent, or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred to the extent such expenditures are not renounced or committed with respect to issued flow-through shares, if any. The filing for the BC METC is subject to an assessment process, which may include an audit by the taxation authorities. The amount ultimately recoverable may be different from the amount claimed.

A summary of the Company unrecognized temporary differences and tax losses is as follows:

Temporary difference	**December 31, 2023**	**Expiry**	December 31, 2022	Expiry
	$		$	
Share issuance costs and financing fees	**112,052**	**2042 to 2047**	82,905	2042 to 2044
Allowable capital losses	**702**	**No expiry date**	-	No expiry date
Non-capital losses	**23,367,751**	**2026 to 2043**	20,965,429	2026 to 2042
Property and equipment	**1,062,133**	**No expiry date**	1,069,120	No expiry date
Non-refundable mining income tax credit	**2,177,833**	**No expiry date**	8,269,793	No expiry date
Mineral property	**(30,987,716)**	**No expiry date**	(30,942,345)	No expiry date
ROU asset	**(252,299)**	**No expiry date**	-	No expiry date
ROU liability	**290,845**	**No expiry date**	-	No expiry date
Non-capital losses - Parent	**23,037,746**	**2026 to 2043**	20,635,424	2026 to 2042
Non-capital losses - Subsidiary	**330,005**	**2026 to 2043**	330,005	2026 to 2042

17. SUBSEQUENT EVENT

On January 21, 2024, 450,000 stock options with exercise price of $0.36 and 250,000 stock options with exercise price of $0.21 were forfeited following the termination of a consultant of the Company.