InZinc Mining

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
InZinc Mining Ltd.

Opinion

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 audit 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 consolidated financial statements of the current year. 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.

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 obtained at the date of this auditor's report includes 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 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 auditor’s 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 28, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

	2022	2021
ASSETS		
Current		
Cash (Note 4)	**$ 1,464,808**	$ 3,165,251
Receivables (Note 5)	**12,861**	36,976
Prepaids and advances	**17,627**	19,142
Marketable securities (Note 6)	**1,328,076**	1,110,646
	2,823,372	4,332,015
Reclamation deposits (Note 7)	**40,000**	40,000
Exploration and evaluation assets (Note 7)	**358,660**	273,345
	$ 3,222,032	$ 4,645,360
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 8 and 10)	**$ 79,796**	$ 74,155
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**18,001,995**	17,954,024
Reserves – share-based (Note 9)	**240,672**	245,344
Deficit	**(15,100,431)**	(13,628,163)
	3,142,236	4,571,205
	$ 3,222,032	$ 4,645,360

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board:

"Wayne Hubert"	*"John Murphy"*
Wayne Hubert, Director	John Murphy, Director

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)
For the year ended December 31,

	2022	2021
EXPENSES		
Communication and investor relations	**$ 38,449**	$ 23,006
Exploration and evaluation expenditures (Note 7)	**1,446,209**	298,927
Filing and regulatory	**16,775**	17,675
Foreign exchange loss (gain)	**(646)**	3,235
Office and miscellaneous	**72,967**	53,656
Professional fees (Note 10)	**103,419**	276,299
Property investigation	**-**	2,151
Share-based compensation (Notes 9 and 10)	**153,798**	86,874
Travel	**8,726**	-
	(1,839,697)	(761,823)
Disposal of marketable securities (Note 6)	**-**	(2,289)
Gain on sale of exploration and evaluation assets (Note 7)	**-**	4,677,235
Unrealized gain (loss) on marketable securities (Note 6)	**217,430**	(641,946)
Net income (loss) for the year	**(1,622,267)**	3,271,177
Reclassification on disposal of marketable securities (Note 6)	**-**	1,728
Unrealized gain on marketable securities (Note 6)	**-**	270
Net income (loss) and comprehensive income (loss) for the year	**$ (1,622,267)**	$ 3,273,175
Income (loss) per common share – basic and diluted	**$ (0.01)**	$ 0.03
Weighted average number of common shares outstanding – basic and diluted	**122,674,824**	121,199,755

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital					
	Issued	**Amount**	**Reserves – share-based**	**Reserves – accumulated other comprehensive loss**	**Deficit**	**Total**
Balance at December 31, 2020	115,085,419	$ 17,713,150	$ 477,262	$ (1,998)	$ (17,171,397)	$ 1,017,017
Shares issued for cash	6,666,665	200,000	-	-	-	200,000
Shares issued for exploration and evaluation assets	400,000	18,000	-	-	-	18,000
Share issue costs	-	(23,861)	-	-	-	(23,861)
Share-based compensation	-	-	86,874	-	-	86,874
Allocation of expired options	-	-	(272,057)	-	272,057	-
Allocation of expired warrants	-	46,735	(46,735)	-	-	-
Unrealized gain on marketable securities	-	-	-	270	-	270
Reclassification on disposal of marketable securities	-	-	-	1,728	-	1,728
Net income for the year	-	-	-	-	3,271,177	3,271,177
Balance at December 31, 2021	122,152,084	17,954,024	245,344	-	(13,628,163)	4,571,205
Shares issued for exploration and evaluation assets	400,000	22,000	-	-	-	22,000
Shares issued for option exercise	350,000	25,971	(8,471)	-	-	17,500
Share-based compensation	-	-	153,798	-	-	153,798
Allocation of expired options	-	-	(149,999)	-	149,999	-
Loss for the year	-	-	-	-	(1,622,267)	(1,622,467)
Balance at December 31, 2022	**122,902,084**	**$ 18,001,995**	**$ 240,672**	**$ -**	**$ (15,100,431)**	**$ 3,142,236**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the year ended December 31,

	2022	2021
OPERATING ACTIVITIES		
Net income (loss) for the year	$ (1,622,267)	$ 3,271,177
Items not involving cash:		
Share-based compensation	153,798	86,874
Foreign exchange	-	218
Unrealized (gain) loss on marketable securities	(217,430)	641,946
Gain on sale of exploration and evaluation assets	-	(4,677,235)
Disposal of marketable securities	-	2,289
Changes in non-cash working capital items:		
Receivables	24,115	(35,621)
Prepaids and advances	1,515	2,549
Accounts payable and accrued liabilities	5,641	23,878
Cash used in operating activities	(1,654,628)	(683,925)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(63,315)	(36,582)
Sale of exploration and evaluation assets	-	3,318,770
Reclamation deposit	-	120,635
Cash provided by (used in) investing activities	(63,315)	3,402,823
FINANCING ACTIVITIES		
Proceeds from share issue	17,500	200,000
Share issue costs	-	(23,861)
Cash provided by financing activities	17,500	176,139
Change in cash during the year	(1,700,443)	2,895,037
Cash, beginning of the year	3,165,251	270,214
Cash, end of the year	$ 1,464,808	$ 3,165,251

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

InZinc Mining Ltd. (the "Company") was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June 2002. The Company's registered and records office is at Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, BC, V6C 2B5. The Company's head office is at P.O. Box 48268, Station Bentall Centre, Vancouver, BC, V7X 1A2. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol IZN.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. The Company raised capital in the previous periods through private placements of its common shares and from the sale of the West Desert property, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. COVID-19 and any related adverse public health developments have adversely affected workforces, economies, and financial markets globally. To date there has been significant stock market volatility, significant volatility in foreign exchange markets, and restrictions on the conduct of business in many jurisdictions and the global movement of people. In addition, in February 2022, Russia invaded Ukraine. This has created additional global supply chain issues, market instability and volatility, and increased inflation. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak nor the Russian invasion and their effects on the Company's business or results of operations or its ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

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

Approval of the financial statements

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 28, 2023.

2. BASIS OF PRESENTATION (cont'd…)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiary.

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, N.P.R. (US) Inc., a dormant Nevada corporation. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation.

Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>

Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

<u>Valuation of share-based compensation</u>

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Marketable securities

The Company's marketable securities had a hold period of one year (from issue) and could not be actively traded. Accordingly, as part of the valuation a discount was applied based on a valuation model to account for the lack of marketability. The model requires the input of subjective assumptions including expected price volatility. Changes in the input assumptions could materially affect the fair value estimate.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is, but is not limited to, as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of cash, receivables, and reclamation deposits, classified as amortized cost, and marketable securities, classified as FVTPL. In fiscal 2020, marketable securities were classified as FVOCI; these marketable securities were disposed of during the year ended December 31, 2021.

Financial liabilities

Financial liabilities are designated as either: FVTPL; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the years presented.

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants, and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

Valuation of equity units issued in private placements

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

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Current income tax

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

Deferred tax

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax (cont'd…)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

New accounting policies

There were no new accounting policies adopted for the year ended December 31, 2022.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2023 which have not been applied in preparing these consolidated financial statements as they are not yet effective. The standards and amendments to standards that would be applicable to the consolidated financial statements of the Company are the following:

IAS 1, Presentation of Financial Statements

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. This amendment is effective for financial statements beginning on or after January 1, 2024, with early adoption permitted.

While management does not currently anticipate these amendments having a material effect on the Company's consolidated financial statements for 2023, they may have an effect in periods beyond 2023.

4. CASH

Cash is comprised as follows:

	December 31, 2022	December 31, 2021
Cash in Canadian financial institutions	**$ 1,464,808**	$ 3,165,241
Cash in US financial institutions	**-**	10
	$ 1,464,808	$ 3,165,251

(Expressed in Canadian dollars)

5. RECEIVABLES

Receivables are comprised as follows:

		December 31, 2022		December 31, 2021
GST receivable	$	8,102	$	32,668
British Columbia Mining Tax Credit		-		4,308
Other		4,759		-
	$	12,861	$	36,976

6. MARKETABLE SECURITIES

In fiscal 2021, the Company received 13,385,000 common shares of American West Metals Limited ("American West"), with a fair value of $1,752,592, pursuant to the option agreement on the West Desert property (Note 7). The shares became free trading on December 2, 2022. As at December 31, 2022, the Company held 13,385,000 (2021 - 13,385,000) shares with a fair value of $1,328,076 ($1,110,646). The fair value of the common shares was calculated using the market price, adjusted for a discount of nil% (2021 - 28.0%). The discount was determined using a valuation model which incorporated, among other things, a volatility of nil% (2021 - 75%). The change in the fair value of the shares resulted in an unrealized gain (loss) on marketable securities for the year ended December 31, 2022 of $217,430 (2021 - $(641,946)).

In fiscal 2021, the Company disposed of its investment in public company common shares for proceeds of $nil, resulting in a loss of $2,289. The change in the market value of the shares resulted in the recording of other comprehensive gain of $270 during the year ended December 31, 2021. In fiscal 2021, the Company reclassified $1,728 from other comprehensive loss for disposal of marketable securities.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

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

	West Desert	Indy	Total
Total, December 31, 2020	$ 394,127	$ 218,763	$ 612,890
Additions during the year:			
Cash payments	-	35,000	35,000
Shares issued	-	18,000	18,000
Staking	-	1,582	1,582
	-	54,582	54,582
Option payment received	(394,127)	-	(394,127)
Total, December 31, 2021	-	273,345	273,345
Additions during the year:			
Cash payments	-	50,000	50,000
Shares issued	-	22,000	22,000
Staking	-	13,315	13,315
	-	85,315	85,315
Total, December 31, 2022	**$ -**	**$ 358,660**	**$ 358,660**

West Desert property

The Company held a 100% interest in various mining claims and a mineral lease referred to as the West Desert property ("West Desert"), located in Utah, USA. The property was subject to a 1.5% net smelter returns royalty ("NSR") and a future cash payment of $1,000,000, upon the completion of a financing necessary to bring West Desert into production.

On April 15, 2021, amended September 25, 2021, the Company entered into an option agreement (the "Option Agreement") with American West, a private Australian company, pursuant to which the Company granted an option, subject to an indium royalty in favour of the Company, to earn a 100% interest in West Desert. To earn its interest, American West paid USD $500,000 on the effective date; paid USD $125,000 on signing the amendment; paid $1,000,000, paid USD $1,225,000, and issued 13,385,000 shares of American West upon American West completing the listing of its shares on the Australian Securities Exchange through an initial public offering. In fiscal 2021, America West satisfied the terms of the amended Option Agreement and the West Desert property was transferred to America West. The Company will also receive 50% of the revenue, on a NSR basis, from the sale of indium mined from West Desert subject to American West's right to reduce this NSR interest to 25% by paying the Company USD $5,000,000 in cash at any time prior to the first sale of indium from the property. In fiscal 2021, a total of $5,071,362 was received ($3,318,770 in cash and $1,752,592 in common shares of America West), of which $394,127 was recorded as option payment received on evaluation and exploration assets and the balance of $4,677,235 was recorded as a gain on exploration and evaluation assets.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Indy property

On October 17, 2016, subsequently amended April 2, 2020, the Company entered into an option agreement with Pac Shield Resources Inc. ("PSR"), a private British Columbia company, to acquire a 100% interest in and to certain mineral claims located in central British Columbia referred to as the Indy Property ("Indy").

To acquire Indy, the Company must make cash payments totaling $315,000, issue a total of 2,400,000 common shares, and complete work commitments of $2,600,000, as follows:

	Acquisition in cash	Acquisition in shares	Work commitments
January 31, 2017 (completed)	$ 30,000	200,000	$ -
January 31, 2018 (completed)	25,000	200,000	75,000
January 31, 2019 (completed)	25,000	300,000	200,000
January 31, 2020 (completed)	25,000	400,000	325,000
January 31, 2021 (completed)	35,000	400,000	350,000
January 31, 2022 (completed)	50,000	400,000	400,000
January 31, 2023 (Note 16)	125,000	500,000	1,250,000
	$ 315,000	2,400,000	$ 2,600,000

In addition, a $500,000 cash payment and the issuance of 500,000 shares of the Company will be made to PSR if the Company files a technical report establishing a 500,000,000 pound zinc resource on the property. A further $500,000 cash payment will be made to PSR should the Company file a technical report establishing a 750,000,000 pound zinc resource on the property.

The property is subject to a 1.0% NSR held by PSR (the "PSR NSR") and a 1.5% NSR held by Kerry Curtis, non-executive Chairman of the Board and a director of the Company and a director and the controlling shareholder of PSR. On exercise of the option and prior to completion of a feasibility study on the property, the Company has the right to purchase the PSR NSR for $1,500,000.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the year ended December 31, 2022 are as follows:

	Indy	Total
Air support	$ 4,577	**$ 4,577**
Analytical	67,135	**67,135**
Claims maintenance	500	**500**
Communication	4,927	**4,927**
Drilling	821,492	**821,492**
Equipment and supplies	93,509	**93,509**
Geochemistry	13,825	**13,825**
Geophysics	221,990	**221,990**
Personnel	231,000	**231,000**
Room and board	68,619	**68,619**
Travel	8,659	**8,659**
	1,536,233	**1,536,233**
BC mineral exploration tax credit	(90,024)	**(90,024)**
Total, December 31, 2022	$ 1,446,209	**$ 1,446,209**

Exploration and evaluation expenditures for the year ended December 31, 2021 are as follows:

	West Desert	Indy	Total
Air support	$ -	$ 42,464	**$ 42,464**
Analytical	-	30,022	**30,022**
Claims maintenance	633	500	**1,133**
Communication	-	1,124	**1,124**
Drilling	-	68,550	**68,550**
Equipment and supplies	2,068	15,017	**17,085**
Geochemistry	-	2,981	**2,981**
Personnel	-	105,338	**105,338**
Room and board	452	31,658	**32,110**
Travel	-	2,428	**2,428**
	3,153	300,082	**303,235**
BC mineral exploration tax credit	-	(4,308)	**(4,308)**
Total, December 31, 2021	$ 3,153	$ 295,774	**$ 298,927**

Reclamation deposits

As at December 31, 2022, the Company has reclamation deposits of $40,000 (2021 - $40,000) to cover potential disturbances on Indy.

(Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		December 31, 2022		December 31, 2021
Trade payables	**$**	**47,562**	$	41,229
Accrued liabilities		**27,580**		31,674
Due to related parties		**4,654**		1,252
	$	**79,796**	$	74,155

9. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

Issued share capital

During the year ended December 31, 2022, the Company issued:

i. 400,000 common shares, valued at $22,000, pursuant to the Indy option agreement (Note 7); and
ii. 350,000 common shares, pursuant to the exercise of options, for proceeds of $17,500.

During the year ended December 31, 2021, the Company issued:

i. 6,666,665 units at a price of $0.03 per unit by way of a non-brokered private placement for total proceeds of $200,000. Each unit was comprised of one common share and one-half of one share purchase warrant, which entitles the holder of each whole warrant to acquire an additional common share of the Company at a price of $0.06 per common share, for a period of 24 months from the date of issue. The Company recorded a total of $23,861 in cash for fees; and
ii. 400,000 common shares, valued at $18,000, pursuant to the Indy option agreement (Note 7).

Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the year ended December 31, 2022, the Company granted 2,725,000 (2021 - 2,675,000) incentive stock options to directors, officers, and consultants, with various vesting provisions. The weighted average fair value of stock options granted during the year ended December 31, 2022 was $0.06 (2021 - $0.04) per option. During the year ended December 31, 2022, the Company expensed $153,798 (2021 - $86,874) for options granted using the graded-vesting method, which was recorded in share-based compensation.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options (cont'd…)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Risk-free interest rate	**2.72%**	0.80%
Expected option life (years)	**5.0**	4.9
Expected stock price volatility	**164%**	159%
Expected forfeiture rate	**-**	-

Option transactions are summarized as follows:

	Number of options	**Weighted average exercise price**
Balance - December 31, 2020	6,680,000	$ 0.09
Granted	2,675,000	0.05
Expired	(3,350,000)	0.10
Balance - December 31, 2021	6,005,000	0.06
Granted	2,725,000	0.06
Exercised	(350,000)	0.05
Expired	(2,980,000)	0.07
Balance – December 31, 2022	5,400,000	$ 0.06
Exercisable – December 31, 2022	4,875,000	$ 0.05

Options outstanding as at December 31, 2022 are as follows:

Number of options	**Exercise price**	**Expiry date**	**Contractual life remaining (years)**
100,000	$ 0.05	February 4, 2024	1.10
2,575,000	$ 0.05	June 11, 2026	3.45
300,000	$ 0.06	January 24, 2027	4.07
2,425,000	$ 0.06	June 1, 2027	4.42
5,400,000			3.87[(1)]

(1) weighted average

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance - December 31, 2020	3,080,000	$	0.09
Granted	3,333,331		0.06
Expired	(3,080,000)		0.09
Balance - December 31, 2021 and December 31, 2022	3,333,331	$	0.06

Warrants outstanding as at December 31, 2022 are as follows:

Number of warrants	Exercise price	Expiry date	Contractual life remaining (years)
3,333,331	$ 0.06	February 18, 2023	0. 13[1]
3,333,331			0.13[2]

[1] expired unexercised (Note 16)
[2] weighted average

10. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its directors and officers. The Company entered into the following transactions with key management personnel:

		For the year ended December 31, 2022		For the year ended December 31, 2021
Professional fees	**$**	**39,500**	$	17,000
Share-based compensation		**126,193**		58,824
	$	**165,693**	$	75,824

As at December 31, 2022, included in accounts payable and accrued liabilities, are amounts owing to related parties of $4,654 (2021 - $1,252).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31, 2022, the Company's significant non-cash transactions consisted of:

i. shares issued for acquisition of exploration and evaluation assets of $22,000;
ii. allocation of fair value of exercised options from reserves to share capital of $8,471; and
iii. allocation of expired options from reserves to deficit of $149,999.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

For the year ended December 31, 2021, the Company's significant non-cash transactions consisted of:

i. shares issued for acquisition of exploration and evaluation assets of $18,000;
ii. shares received on sale of exploration and evaluation assets of $1,752,592;
iii. reallocation of marketable securities of $1,728;
iv. change in fair market value of marketable securities of $270;
v. allocation of expired options from reserves to deficit of $272,057; and
vi. allocation of expired warrants from reserves to share capital $46,735.

12. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets in Canada.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The fair value of cash, receivables, reclamation deposits, and accounts payable and accrued liabilities approximates their carrying values. Marketable securities are measured at fair value using level 1 inputs. In the prior year, they were measured at fair value using level 2 inputs with valuation assumptions as described in Note 6.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency, and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are primarily due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due. The Company has sufficient cash as at December 31, 2022 to settle its current liabilities as they come due for the upcoming year.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2022.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. A 10% change in foreign exchange rates would result in a nominal difference for the year ended December 31, 2022.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are exposed to price risk.

14. CAPITAL MANAGEMENT

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

The property in which the Company currently has an interest is in the exploration stage, as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2022.

(Expressed in Canadian dollars)

15. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		For the year ended December 31, 2022		For the year ended December 31, 2021
Net income (loss) for the year before income tax	**$**	**(1,622,267)**	$	3,271,177
Expected income tax expense (recovery)		**(438,000)**		883,000
Change in statutory and foreign taxes, foreign exchange rates, and other		**(371,000)**		206,000
Permanent differences		**12,000**		110,000
Share issue cost		**-**		(6,000)
Adjustment to prior year provision vs tax authority assessment		**1,025,000**		(30,000)
Change in unrecognized deductible temporary differences		**(228,000)**		(1,163,000)
Total income tax (recovery)	**$**	**-**	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2022		2021
Deferred tax assets:				
Exploration and evaluation assets	**$**	**954,000**	$	2,086,000
Marketable securities		**57,000**		87,000
Property and equipment		**30,000**		30,000
Share issue costs		**6,000**		9,000
Non-capital losses available for future period		**2,470,000**		1,533,000
		3,517,000		3,745,000
Unrecognized deferred tax assets		**(3,517,000)**		(3,745,000)
	$	**-**	$	-

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of approximately $9,468,000 available to offset against taxable income in future years, which if unutilized will expire through 2042 and share issue costs of approximately $22,000 available to offset against taxable income in future years, which if unutilized will expire through 2024. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $3,494,000 available to offset taxable income in future years. The Company has a temporary difference in relation to its marketable securities of $425,000. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these consolidated financial statements due to a lack of probability of their realization.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company:

i. had 3,333,331 warrants expire unexercised; and
ii. issued 500,000 common shares and paid $125,000 pursuant to the Indy option agreement (Note 7).