

RED CANYON RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Red Canyon Resources Ltd.:

Opinion

We have audited the consolidated financial statements of Red Canyon Resources Ltd. and its subsidiary (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows for the years then ended, and 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 its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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 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 describes conditions indicating 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.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Assessment of the existence of impairment indicators for exploration and evaluation assets | |
| Refer to note 6 | Our approach to addressing the matter involved the following procedures, among others: |
| <p>As at December 31, 2023, the carrying amount of the Company's exploration and evaluation assets was \$1,920,710.</p> <p>At each reporting period, management assesses the exploration and evaluation assets to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.</p> <p>Management assesses exploration and evaluation assets for impairment based on, at minimum, the presence of any of the following indicators:</p> <ul style="list-style-type: none"> (i) the period for which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) the Company has decided to discontinue exploration for and evaluation of mineral resources in the specific area; and/or (iv) for areas of likely development, available data indicates that the carrying amount exceeds the recoverable amount. <p>An impairment indicator was identified for the Hatter property. The carrying amount exceeds the recoverable amount of the asset and for the year ended December 31, 2023, an impairment of \$34,070 was recognized.</p> <p>We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments made by management in their assessment of impairment indicators related to the exploration and evaluation assets. These factors have resulted in a high degree of subjectivity in performing audit procedures, related to the judgment applied by management.</p> | <p>Evaluating the judgments made by management in determining the impairment indicators, which included the following:</p> <ul style="list-style-type: none"> • Obtained evidence to support (i) the right to explore the area and (ii) claim expiration dates, by reference to government license registries for a sample of claims under the related purchase and property option agreements. • Read the board of directors' minutes and resolutions and observed evidence supporting the continued and planned exploration expenditures. • Assessed whether available data indicates the potential for commercially viable mineral resources. • Based on evidence obtained in other areas of the audit, considered whether other facts and circumstances suggest that the carrying amount may exceed the recoverable amount. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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 and remain alert for indications that the other information appears to be materially misstated. 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 in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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.

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 Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 25, 2024

RED CANYON RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

| | Note | December 31, 2023 \$ | December 31, 2022 \$ |
|--------------------------------------|------|----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | 2 | 968,620 | 269,396 |
| Restricted cash | 2 | 20,763 | 20,210 |
| Amounts and other receivables | | 46,013 | 11,868 |
| Prepaid expenses | | 19,928 | 3,296 |
| Deferred share issuance costs | | - | 278 |
| | | 1,055,324 | 305,048 |
| Non-current assets | | | |
| Reclamation bonds | 4 | 120,000 | - |
| Equipment | 5 | 2,254 | 883 |
| Exploration and evaluation assets | 6 | 1,920,710 | 1,015,386 |
| | | 3,098,288 | 1,321,317 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 63,208 | 229,970 |
| Flow-through premium liability | 9 | 210,581 | - |
| | | 273,789 | 229,970 |
| Equity | | | |
| Share capital | 7 | 3,387,644 | 1,463,841 |
| Share-based payment reserve | 7 | 278,053 | 233,538 |
| Accumulated other comprehensive loss | | (516) | (2,854) |
| Accumulated deficit | | (840,682) | (603,178) |
| | | 2,824,499 | 1,091,347 |
| | | 3,098,288 | 1,321,317 |

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 25, 2024 and are signed on its behalf by:

 /s/“Wendell Zerb” Director /s/“Cecil R. Bond” Director

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

RED CANYON RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| | Note | Year ended December 31, 2023 \$ | Year ended December 31, 2022 \$ |
|--|----------|--|--|
| Expenses | | | |
| Accounting and audit | | 47,308 | 56,351 |
| Consulting | 11 | 642 | 30,164 |
| Depreciation | 5 | 481 | 378 |
| Filing fees | | 40,648 | 2,487 |
| General exploration | | 37,536 | 55,999 |
| Investor communication | | 11,204 | 542 |
| Legal | | 57,857 | 1,384 |
| Management | 11 | 98,601 | 38,937 |
| Office | | 35,905 | 18,731 |
| Salaries and benefits | 11 | 100,981 | 60,661 |
| Share-based payments | 7, 8, 11 | 37,307 | 30,482 |
| Travel | | 9,088 | 2,321 |
| Total expenses | | (477,558) | (298,437) |
| Other income (expenses) | | | |
| Flow-through share premium | 9 | 260,654 | - |
| Finance income | | 34,489 | 3,477 |
| Foreign exchange gain (loss) | | (21,019) | 39,630 |
| Impairment of exploration and evaluation assets | 6 | (34,070) | (3,549) |
| Total other income (expenses) | | 240,054 | 39,558 |
| Net loss | | (237,504) | (258,879) |
| Other comprehensive loss | | | |
| Items that may be reclassified to comprehensive income (loss): | | | |
| Cumulative translation adjustment | | 2,338 | (2,607) |
| Comprehensive loss | | (235,166) | (261,486) |
| Loss per common share, basic and diluted | | (0.01) | (0.01) |
| Weighted average number of common shares outstanding | | 31,273,469 | 25,945,754 |

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

RED CANYON RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital \$ | Share Subscriptions \$ | Share-based Payment Reserve \$ | Accumulated Other Comprehensive Income (Loss) \$ | Accumulated Deficit \$ | Total \$ |
|---|---------------------|---------------------|------------------------------|---|--|------------------------------|------------------|
| Balance, December 31, 2021 | 24,925,450 | 1,251,641 | 92,200 | 180,292 | (247) | (344,299) | 1,179,587 |
| Shares issued for private placement (Note 7) | 1,061,000 | 212,200 | (92,200) | - | - | - | 120,000 |
| Share-based payments (Note 8) | - | - | - | 53,246 | - | - | 53,246 |
| Net loss | - | - | - | - | - | (258,879) | (258,879) |
| Other comprehensive loss | - | - | - | - | (2,607) | - | (2,607) |
| Balance, December 31, 2022 | 25,986,450 | 1,463,841 | - | 233,538 | (2,854) | (603,178) | 1,091,347 |
| Shares issued for private placement (Note 7) | 5,221,600 | 1,148,752 | - | - | - | - | 1,148,752 |
| Shares issued for flow-through private placement (Note 7) | 3,729,409 | 820,470 | - | - | - | - | 820,470 |
| Share-based payments (Note 8) | - | - | - | 37,307 | - | - | 37,307 |
| Share issue costs (Note 7) | - | (45,419) | - | 7,208 | - | - | (38,211) |
| Net loss | - | - | - | - | - | (237,504) | (237,504) |
| Other comprehensive loss | - | - | - | - | 2,338 | - | 2,338 |
| Balance, December 31, 2023 | 34,937,459 | 3,387,644 | - | 278,053 | (516) | (840,682) | 2,824,499 |

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

RED CANYON RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| | Year ended December 31, 2023 \$ | Year ended December 31, 2022 \$ |
|---|---------------------------------------|---------------------------------------|
| Operating activities | | |
| Net loss | (237,504) | (258,879) |
| Items not involving cash: | | |
| Depreciation | 481 | 378 |
| Unrealized foreign exchange | 17,653 | (35,192) |
| Share-based payments | 37,307 | 30,482 |
| Flow-through share premium | (260,654) | - |
| Impairment of exploration and evaluation assets | 34,070 | 3,549 |
| Changes in non-cash working capital accounts: | | |
| Amounts and other receivables | (34,145) | (3,715) |
| Prepaid expenses | (16,635) | (2,082) |
| Trade and other payables | (75,407) | 89,134 |
| Cash used in operating activities | (534,834) | (176,325) |
| Investing activities | | |
| Expenditures on exploration and evaluation assets | (1,045,610) | (444,721) |
| Deposits for reclamation bonds | (120,000) | - |
| Purchase of equipment | (1,852) | - |
| Cash used in investing activities | (1,167,462) | (444,721) |
| Financing activities | | |
| Proceeds from share issuances | 2,440,457 | 120,000 |
| Share issuance costs | (37,933) | (278) |
| Cash provided by financing activities | 2,402,524 | 119,722 |
| Effect of foreign exchange on cash | (451) | 2,614 |
| Increase (decrease) in cash | 699,777 | (498,710) |
| Cash, beginning of year | 289,606 | 788,316 |
| Cash, end of year | 989,383 | 289,606 |
| Supplemental information | | |
| Cash on hand | 968,620 | 269,396 |
| Restricted cash | 20,763 | 20,210 |
| | 989,383 | 289,606 |
| Share-based payments capitalized to exploration and evaluation assets | - | 22,764 |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

RED CANYON RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Red Canyon Resources Ltd. (the “Company”) was incorporated on October 2, 2020 under the laws of British Columbia. The Company’s principal business activities include the acquisition and exploration of mineral property assets in Canada and the United States. The address of the Company’s corporate office and its principal place of business is Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada, V6E 4A4. The Company’s shares were approved for trading on the Canadian Securities Exchange (“CSE”) under the symbol “REDC” on October 25, 2023.

The Company has one wholly owned subsidiary: RC Metals Inc. The accounts of the subsidiary are consolidated with the Company.

As at December 31, 2023, the Company had not yet determined whether the Company’s mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The Company has not generated revenue or positive cash flows from operations, has recurring net losses and an accumulated deficit of \$840,682 at December 31, 2023 (2022 - \$603,178). The Company’s ability to continue its operations, develop its properties and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These conditions indicate a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) and related interpretations of the IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”).

b) Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. 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.

RED CANYON RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, RC Metals Inc., since its incorporation in Nevada on October 27, 2020. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly. The Company controls an investee when it 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. Inter-company balances and transactions are eliminated on consolidation.

d) Use of Estimates

The preparation of these consolidated financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates and judgments are described in Note 3.

e) Exploration and Evaluation Assets

Once the Company has legal title to or the right to explore a mineral property, all costs related to the acquisition, exploration and development of those mineral properties are capitalized and classified as exploration and evaluation assets ("E&E Assets"), which are intangible assets. Costs incurred prior to acquiring the legal title to or right to explore a mineral property are expensed in the period incurred.

The carrying values of E&E Assets are assessed for indicators of impairment at least annually, or when changes in facts or circumstances suggests that the carrying value of E&E Assets may not be recoverable. The recoverability of the carrying amounts of E&E Assets is dependent on maintaining the rights and title to E&E Assets, continued plans to explore the property in question, identifying the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the exploration for and development of such ore reserves. The Company has not yet determined whether any of its E&E Assets contains economically recoverable reserves. Amounts capitalized as E&E Assets represent costs incurred to date, less impairments (if any) and recoveries, and does not necessarily reflect present or future values.

f) Equipment

Equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using the following rates and methods, over the useful lives of the equipment:

| | |
|--------------------|-----------------------------|
| Computer equipment | 20% straight line basis |
| Field equipment | 30% declining balance basis |

Equipment is assessed annually to determine whether the remaining useful lives and or depreciation rate should be adjusted. Any adjustments thereto are applied on a prospective basis.

RED CANYON RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
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2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g) Impairment of Non-Financial Assets

Equipment and E&E assets are assessed for indicators of impairment on an annual basis or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Where indications of impairment exist, the recoverable amount of the equipment or an E&E Asset in question is calculated. The recoverable amount is the higher of an asset's fair value less cost of disposal or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are cash-generating units. Impairments are recognized in profit or loss in the period in which they occur.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is reversed, the carrying amount of the asset is adjusted to a value not higher than the value of the asset would have been had the original impairment not been recognized.

h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – Classification

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices 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 or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Financial Instruments (continued)

Cash and restricted cash are carried at fair value using a level 1 fair value measurement. The carrying value of reclamation bonds, and trade and other payables approximate their fair values because of their attached market rates of interest or the short-term nature of the instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method. The ‘effective interest rate’, is the rate that discounts the contractual cash flows over the instruments life, or a shorter period if appropriate. The Company classifies its reclamation bonds at amortized cost.
- **Fair value through OCI (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the period in which it arises. The Company measures cash and restricted cash at FVTPL.

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(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Financial Instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into the following categories:

- FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value change to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

The Company has classified its trade and other payables at amortized cost. The Company has not designated any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its E&E Assets and accordingly no provision has been recorded for such site reclamation or abandonment.

j) Income Taxes

Income tax expense comprises current income tax and deferred tax. Income tax is recognized in profit or loss except to the extent it relates to items recognized in OCI or directly in equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

j) Income Taxes (continued)

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities

- are recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

k) 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 warrants and stock options are classified as equity instruments.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares, and any residual value is allocated to share purchase warrants. Prior to the Company's common shares becoming listed, management estimated the fair value of common shares issued in a unit based on all available information about the Company's performance and operations that would indicate that the cash subscription price of the most recent common share issuance might not be representative of fair value. Where there is a wide range of possible fair value measurements and the recent cash subscription price received from parties that are not related to the Company represents the best estimate of fair value within that range, that cash subscription price was determined to be the

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2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

k) Share Capital (continued)

fair value. Subsequent to the Company's common shares becoming listed, the quoted market price of the Company's shares on the date of issuance is the most reliable indicator of fair value of the common share component.

Equity instruments issued to agents as financing costs are measured at their fair value at the date of grant as determined using the Black-Scholes option pricing model using comparable public company volatilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-Through Shares and Units

The Company will from time to time, issue flow-through common shares or flow-through units, consisting of a common share of the Company and a share purchase warrant, to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, the shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through issuance into i) share capital (being the value of the common shares and or warrants) and ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability. Upon expenses being incurred and renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until qualifying expenditures are incurred.

l) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury stock method in which the dilutive effect on net income per share is recognized based on the proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year. Where the Company incurs a net loss for the year, the effect of potentially dilutive instruments would be anti-dilutive. As such, diluted net loss per share is equivalent to basic net loss per share. The weighted average number of common shares outstanding for the years ended December 31, 2023 and 2022 does not include options outstanding as the inclusion of the amounts would be anti-dilutive.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

m) Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued at the date of grant, and recognized over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued where the fair value of the goods or services cannot be reliably determined. The fair value of share-based payments is charged to profit or loss with a corresponding credit recorded to share-based payment reserve. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

The fair value of stock options is determined using the Black-Scholes option pricing model. Because the Company has limited trading history for its common shares, volatility for the model is determined using comparable public company volatilities. The number of stock options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

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

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

n) Foreign Currency Translation

The presentation and functional currency of the Company is the Canadian dollar as this is the principal currency of the economic environment in which it operates. The functional currency of the subsidiary is the United States Dollar.

The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in profit or loss.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

n) Foreign Currency Translation

A subsidiary that has a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in OCI as cumulative translation adjustments.

o) Adoption of New and Revised Standards and Interpretations

Effective January 1, 2023, amendments to IAS 1 Presentation of Financial Statements were adopted with respect to disclosure of the Company's accounting policies. The adoption of the amendments did not result in any changes to the Company's accounting policies, the only impact was to the accounting policy information disclosed in the consolidated financial statements. As a result of the adoption of the amendments, the title of this note was changed from "significant accounting policies" which had been used in all previous periods. Where management determined necessary, clarifying language was applied in order to enhance focus on the materiality of a policy, and immaterial policy language was deleted.

The Company has not early adopted new or amended standards with adoption dates subsequent to January 1, 2024 in preparing these consolidated financial statements. These new standards are either not applicable to the Company or are not expected to have a material impact on the Company's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the E&E Assets to which the expenditures are attached are impaired, the amount capitalized is written off in profit or loss in the period the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the estimated grant date share price, expected life of the share option, volatility based on comparable companies and dividend yield, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 8.

4. RECLAMATION BONDS

During the year ended December 31, 2023, the Company advanced cash reclamation bond deposits of \$120,000 directly to the Province of British Columbia. The bond deposits are returnable to the Company only after the government agencies are satisfied that there is no outstanding reclamation liability associated with the land. The deposits were applied to the projects as follows:

| | Peak | Ping | Kendal | SP | Total |
|---------------------------------------|-------------|-------------|---------------|-----------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at December 31, 2021 and 2022 | - | - | - | - | - |
| Additions | 30,000 | 32,500 | 46,500 | 11,000 | 120,000 |
| Balance at December 31, 2023 | 30,000 | 32,500 | 46,500 | 11,000 | 120,000 |

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5. EQUIPMENT

| | Computer Equipment \$ | Field Equipment \$ | Total \$ |
|---------------------------------------|--------------------------------------|-----------------------------------|---------------------|
| Cost | | | |
| Balance at December 31, 2021 and 2022 | - | 1,327 | 1,327 |
| Additions | 1,852 | - | 1,852 |
| Balance at December 31, 2023 | 1,852 | 1,327 | 3,179 |
| Depreciation | | | |
| Balance at December 31, 2021 | - | 66 | 66 |
| Depreciation | - | 378 | 378 |
| Balance at December 31, 2022 | - | 444 | 444 |
| Depreciation | 216 | 265 | 481 |
| Balance at December 31, 2023 | 216 | 709 | 925 |
| Carrying amounts | | | |
| At December 31, 2022 | - | 883 | 883 |
| At December 31, 2023 | 1,636 | 618 | 2,254 |

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6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

| | British Columbia | Nevada | Utah | Total |
|---|-----------------------------|---------------|-------------|--------------|
| | \$ | \$ | \$ | \$ |
| Acquisition costs | | | | |
| Balance, December 31, 2021 | 12,916 | 169,396 | 118,867 | 301,179 |
| Additions | 23,335 | 50,378 | 15,452 | 89,165 |
| Impairment | (2,640) | - | - | (2,640) |
| Foreign exchange | - | 13,474 | 8,739 | 22,213 |
| Balance, December 31, 2022 | 33,611 | 233,248 | 143,058 | 409,917 |
| Additions | 12,490 | 45,176 | 15,874 | 73,540 |
| Impairment | (3,236) | - | - | (3,236) |
| Foreign exchange | - | (6,157) | (3,599) | (9,756) |
| Balance, December 31, 2023 | 42,865 | 272,267 | 155,333 | 470,465 |
| Exploration costs | | | | |
| Balance, December 31, 2021 | 48,461 | 107,222 | - | 155,683 |
| Additions | | | | |
| Administration | 22,764 | - | - | 22,764 |
| Geology | 204,923 | 26,331 | 117 | 231,371 |
| Mapping and sampling | 127,912 | 11,212 | - | 139,124 |
| Project manager | 43,254 | 1,436 | - | 44,690 |
| Reports | 17,717 | - | - | 17,717 |
| BC Mineral Exploration Tax Credit | (14,538) | - | - | (14,538) |
| | 402,032 | 38,979 | 117 | 441,128 |
| Impairment | (909) | - | - | (909) |
| Foreign exchange | - | 9,563 | 4 | 9,567 |
| Balance, December 31, 2022 | 449,584 | 155,764 | 121 | 605,469 |
| Additions | | | | |
| Community relations | 7,587 | - | - | 7,587 |
| Drilling | 388,123 | 5,525 | - | 393,648 |
| Geology | 146,935 | 29,178 | 9,079 | 185,192 |
| Geophysics | 162,307 | - | - | 162,307 |
| Prospecting, mapping, sampling | 71,050 | - | - | 71,050 |
| Project manager | 42,692 | - | - | 42,692 |
| Reports | 1,600 | 16,204 | - | 17,804 |
| | 820,294 | 50,907 | 9,079 | 880,280 |
| Impairment | (30,834) | - | - | (30,834) |
| Foreign exchange | - | (4,527) | (143) | (4,670) |
| Balance, December 31, 2023 | 1,239,044 | 202,144 | 9,057 | 1,450,245 |
| Total acquisition costs and exploration expenditures | | | | |
| December 31, 2022 | 483,195 | 389,012 | 143,179 | 1,015,386 |
| December 31, 2023 | 1,281,909 | 474,411 | 164,390 | 1,920,710 |

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) British Columbia Properties

The Company holds a 100% interest in five mineral properties in British Columbia.

- (i) Peak Property - Peak is comprised of fifteen mineral claims totalling 6,718 hectares located in south central British Columbia, approximately 30 km northeast of Williams Lake. The Company acquired eleven of the claims by staking and one claim was purchased from an arm's length vendor for \$575 and a 1% net smelter return ("NSR") royalty that the Company may purchase for \$1,000,000 at any time.

During the year ended December 31, 2022, the Company received a British Columbia Mining Exploration Tax Credit ("METC") of \$3,408 which reduced the carrying value of the Peak Property.

- (ii) SP Property - SP was acquired by staking and is comprised of four mineral claims totalling 3,763 hectares located in south central British Columbia, approximately 50 km northeast of Williams Lake.

During the year ended December 31, 2022, the Company received a British Columbia METC of \$11,130 which reduced the carrying value of the SP Property.

- (iii) Kendal Property - Kendal was acquired by staking and is comprised of five mineral claims totalling 2,738 hectares located in west central British Columbia, approximately 25 kilometres northeast of Terrace.

- (iv) Ping Property - Ping was acquired by staking and is comprised of five mineral claims totalling 5,408 hectares located in south central British Columbia, approximately 50 km northwest of Prince George.

- (v) Cooper Property - Cooper was acquired by staking and is comprised of eight mineral claims totalling 5,445 hectares located in south central British Columbia, approximately 50 km northeast of the community of 100 Mile House.

- (vi) Hatter Property - Hatter was acquired by staking and was comprised of three mineral claims totalling 1,849 hectares located in south central British Columbia, approximately 20 km south of Merritt. The Company elected not to maintain the claim and accordingly \$3,236 in acquisition costs and \$30,834 in exploration costs were written off during the year ended December 31, 2023.

- (vii) Lou Property - Lou was acquired by staking and was comprised one mineral claim totalling 1,508 hectares located in south central British Columbia. The Company elected not to maintain the claim and accordingly \$2,640 in acquisition costs and \$909 in exploration costs were written off during the year ended December 31, 2022.

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Property

The Company holds a 100% interest in the Scraper Springs property, which is comprised of 190 mineral claims totalling 1,589 hectares located in Elko County, Nevada. The Company acquired 96 of the claims pursuant to a property purchase and sale agreement with NewQuest Capital Inc. (“NewQuest”). NewQuest is a significant shareholder of the Company with certain directors in common. The purchase and sale agreement was dated February 22, 2021 for consideration of \$100,000 (Canadian dollars) and is subject to a 2% NSR royalty. The Company staked an additional 94 claims on federal Bureau of Land Management (“BLM”) land in September and October 2021 (Note 15(a)).

c) Utah Property

The Company holds a 100% interest in the Keg property, which is comprised of 63 mineral claims on BLM land and two Utah State leased sections totalling 1,049 hectares located in Juab County, Utah. The Property was acquired pursuant to a property purchase and sale agreement with NewQuest dated March 22, 2021 for consideration of \$100,000 and is subject to a 2% NSR royalty.

7. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company’s residual assets.

The Company issued the following common shares during the year ended December 31, 2023:

- i) On March 31, 2023, the Company completed the first tranche of a non-brokered private placement (the “Unit Offering”) consisting of 2,450,000 units priced at \$0.22 (each, a “Unit”) for gross proceeds of \$539,000. Each Unit is comprised of one common share and one-half of a share purchase warrant, with each whole warrant exercisable at \$0.40 per share for a two year term. \$Nil of the Unit Offering was allocated to the warrants. Finder’s fees of \$10,758 and 48,900 finder’s warrants with a fair value of \$3,855 exercisable into common shares at \$0.40 for a two year term were paid on \$179,300 of the placement. One director and member of key management of the Company purchased a total of 100,000 Units for total proceeds of \$22,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.
- ii) On April 25, 2023, the Company completed the second tranche of the Unit Offering consisting of 2,439,500 Units priced at \$0.22 for gross proceeds of \$536,690. \$Nil of the Unit Offering was allocated to the warrants. Finder’s fees of \$2,501 and 11,370 finder’s warrants with a fair value of \$927 exercisable into common shares at \$0.40 for a two year term were paid on \$41,690 of the placement.

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7. SHARE CAPITAL (CONTINUED)

- iii) On April 25, 2023, the Company completed the first tranche of a non-brokered private placement (the “FT Unit Offering”) consisting of 856,682 flow-through units (each, a “FT Unit”) priced at \$0.33 for gross proceeds of \$282,705. Each FT Unit is comprised of one flow-through common share and one-half of a share purchase warrant, with each whole warrant exercisable at \$0.40 per share for a two year term. \$Nil of the FT Unit Offering was allocated to the warrants. Finder’s fees of \$7,989 and 24,210 finder’s warrants with a fair value of \$1,975 exercisable into common shares at \$0.40 for a two year term were paid on \$133,155 of the placement. One member of key management personnel of the Company purchased a total of 100,000 FT Units for total proceeds of \$33,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders. The Company recorded a flow-through premium liability of \$94,235 (Note 9).

The proceeds of the FT Unit Offering are to be used to incur eligible “Canadian Exploration Expenses” that are Qualifying Expenses within the meaning of the Tax Act for FT shares. The Company is committed to renounce \$282,697 in Qualifying Expenses by December 31, 2023 and incur such expenses by December 31, 2024.

- iv) On May 4, 2023, the Company completed a non-brokered private placement (the “Charity FT Unit Offering”) consisting of 2,772,727 charity flow-through units (each, a “CFT Unit”) of the Company priced at \$0.352 for gross proceeds of \$976,000. Each CFT Unit is comprised of one flow-through common share and one-half of a share purchase warrant, with each whole warrant exercisable at \$0.40 per share for a two year term. \$Nil of the Charity FT Unit Offering was allocated to the warrants. The Company recorded a flow-through premium liability of \$366,000 (Note 9).

The proceeds of the Charity FT Unit Offering are to be used to incur eligible “Canadian Exploration Expenses” that are Qualifying Expenses within the meaning of the Tax Act. The Company is committed to renounce \$975,972 in Qualifying Expenses by December 31, 2023 and incur such expenses by December 31, 2024. During the year ended December 31, 2023, the Company incurred \$695,057 in Qualifying Expenses and recognized \$260,654 in flow-through share premium income.

- v) On May 5, 2023, the Company completed the third tranche of the Unit Offering consisting of 288,500 Units priced at \$0.22 for gross proceeds of \$63,470. \$Nil of the Unit Offering was allocated to the warrants. Finder’s fees of \$1,398 and 2,400 finder’s warrants with a fair value of \$197 exercisable into common shares at \$0.40 for a two year term were paid on \$13,420 of the placement. One director and member of key management of the Company purchased a total of 80,000 Units for total proceeds of \$17,600. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.
- vi) On May 5, 2023, the Company completed the second tranche of the FT Unit Offering consisting of 100,000 FT Units priced at \$0.33 for gross proceeds of \$33,000. \$Nil of the FT Unit Offering was allocated to the warrants. One member of key management personnel of the Company purchased a total of 100,000 FT Units for total proceeds of \$33,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders. The Company recorded a flow-through premium liability of \$11,000 (Note 9).

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7. SHARE CAPITAL (CONTINUED)

The proceeds of the FT Unit Offering are to be used to incur eligible “Canadian Exploration Expenses” that are Qualifying Expenses within the meaning of the Tax Act for FT shares. The Company is committed to renounce \$32,999 in Qualifying Expenses by December 31, 2023 and incur such expenses by December 31, 2024.

vii) On July 10, 2023, the Company completed the fourth tranche of the Unit Offering consisting of 43,600 Units priced at \$0.22 for gross proceeds of \$9,592. \$Nil of the Unit Offering was allocated to the warrants. Finder’s fees of \$180 and 816 finder’s warrants with a fair value of \$254 exercisable into common shares at \$0.40 for a two year term were paid on \$2,992 of the placement.

The Company issued the following common shares during the year ended December 31, 2022:

viii) On January 14, 2022, the Company raised gross proceeds of \$212,200 by way of a non-brokered private placement of 1,061,000 common shares priced at \$0.20.

b) Share-Based Payment Reserves

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| | \$ | \$ |
| Fair value of stock options granted or vested | 278,053 | 233,538 |
| Reserves | 278,053 | 233,538 |

c) Share Purchase Warrants

A summary of the Company’s share purchase warrants at December 31, 2023 and 2022 and the changes for the years then ended is presented below:

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------------------|-------------------------------|--|
| Balance at December 31, 2021 and 2022 | - | - |
| Issue of warrants | 4,563,200 | \$0.40 |
| Balance at December 31, 2023 | 4,563,200 | - |

On March 31, 2023, the Company issued 1,225,000 warrants and 48,900 broker warrants exercisable at \$0.40 per share for a two-year term pursuant to the private placement described in Note 7(a)(i).

On April 25, 2023, the Company issued 1,648,091 warrants and 35,580 broker warrants exercisable at \$0.40 per share for a two-year term pursuant to the private placements described in Notes 7(a)(ii) and 7(a)(iii).

On May 4, 2023, the Company issued 1,386,363 warrants exercisable at \$0.40 per share for a two-year term pursuant to the private placement described in Note 7(a)(iv).

On May 5, 2023, the Company issued 194,250 warrants and 2,400 broker warrants exercisable at \$0.40 per share for a two-year term pursuant to the private placements described in Notes 7(a)(v) and 7(a)(vi).

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7. SHARE CAPITAL (CONTINUED)

c) Share Purchase Warrants (continued)

On July 10, 2023, the Company issued 21,800 warrants and 816 broker warrants exercisable at \$0.40 per share for a two-year term pursuant to the private placement described in Note 7(a)(vii).

| Number of Warrants Outstanding | | Exercise Price per Share | Expiry Date |
|--------------------------------|-------------------|-----------------------------|----------------|
| December 31, 2023 | December 31, 2022 | | |
| 1,273,900 | - | \$0.40 | March 31, 2025 |
| 1,683,671 | - | \$0.40 | April 25, 2025 |
| 1,386,363 | - | \$0.40 | May 4, 2025 |
| 196,650 | - | \$0.40 | May 5, 2025 |
| 22,616 | - | \$0.40 | July 10, 2025 |
| <hr/> | | | |
| 4,563,200 | | | |

The weighted average remaining contractual life of warrants outstanding at December 31, 2023 was 3.31 years (December 31, 2022: nil years).

d) Escrow Shares

On October 12, 2023, the Company entered into an escrow agreement under which 17,887,000 common shares would be held in escrow and are scheduled for release as follows: 10% on the date the shares are listed on a Canadian exchange (the “listing date”, October 25, 2023) and 15% will be released in 6, 12, 18, 24, 30 and 36 months thereafter.

As at December 31, 2023, the Company held 16,098,300 shares in escrow.

8. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a Stock Option Plan dated November 15, 2021 (the “Plan”). The Plan provided for the issuance, from time to time, of options to acquire common shares of the Company (“Shares”) in number equal to a maximum of 15% of the then issued and outstanding shares of the Company until it became a reporting issuer on October 25, 2023 upon listing on the Canadian Securities Exchange following which the maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time-to-time. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other requirements under the Plan. Options granted under the Plan are subject to vesting terms determined by the Board.

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8. SHARE-BASED PAYMENTS (CONTINUED)

a) Option Plan Details (continued)

A summary of the Company's stock options at December 31, 2023 and 2022 and the changes for the years then ended is presented below:

| | December 31, 2023 | | December 31, 2022 | |
|-----------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
| | Options Outstanding | Weighted Average Exercise Price | Options Outstanding | Weighted Average Exercise Price |
| Opening balance | 2,550,000 | \$0.11 | 2,350,000 | \$0.10 |
| Granted | 250,000 | \$0.22 | 350,000 | \$0.20 |
| Cancelled | - | - | (150,000) | \$0.10 |
| Ending balance | 2,800,000 | \$0.12 | 2,550,000 | \$0.11 |

On April 1, 2022, the Company granted 150,000 stock options exercisable at \$0.20 per share for a five year term to a consultant of the Company. The options vested immediately.

On November 16, 2022, the Company granted 200,000 stock options exercisable at \$0.20 per share for a five year term to consultants of the Company. The options vested immediately.

On June 1, 2023, the Company granted 250,000 stock options exercisable at \$0.22 per share for a five year term to a director and an employee of the Company. The options vested immediately.

Details of stock options outstanding and exercisable as at December 31, 2023 and 2022 are as follows:

| Expiry Date | Exercise Price | December 31, 2023 | December 31, 2022 | Weighted Average Remaining Contractual Life (Years) |
|--------------------|-----------------------|--------------------------|--------------------------|--|
| November 15, 2026 | \$0.10 | 2,200,000 ⁽¹⁾ | 2,200,000 | 2.88 |
| April 1, 2027 | \$0.20 | 150,000 | 150,000 | 3.25 |
| November 16, 2027 | \$0.20 | 200,000 | 200,000 | 3.88 |
| June 30, 2028 | \$0.22 | 250,000 | - | 4.42 |
| | | 2,800,000 | 2,550,000 | 3.11 |

(1) 25,000 stock options were cancelled subsequent to year-end on March 21, 2024.

The weighted average remaining contractual life of stock options outstanding at December 31, 2023 was 3.11 years (December 31, 2022: 3.98 years).

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8. SHARE-BASED PAYMENTS (CONTINUED)

b) Fair Value of Options Issued During the Years Ended

The weighted average fair value at grant date of options granted during the year ended December 31, 2023 was \$0.15 per option (2022: \$0.15 per option). The total fair value of options granted during the year was \$37,307 (2022: \$53,246, of which \$22,764 was capitalized to E&E Assets). The fair value was determined using the Black-Scholes option pricing model using the following assumptions:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------|-------------|
| Expected stock price volatility | 100% | 101% |
| Risk-free interest rate | 3.28% | 1.56% |
| Dividend yield | - | - |
| Expected life of options | 5 years | 5 years |
| Stock price on date of grant | \$0.22 | \$0.20 |
| Forfeiture rate | - | - |

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

The following is a continuity schedule of the liability portion of the flow-through share issuances:

| | <u>\$</u> |
|---|----------------|
| Balance at December 31, 2021 and 2022 | - |
| Flow-through share premium liability | 471,235 |
| Settlement of flow-through share premium liability pursuant to qualified expenditures | (260,654) |
| Balance at December 31, 2023 | <u>210,581</u> |

As a result of the issuances of flow-through shares on April 25, 2023, May 4, 2023 and May 5, 2023, the Company had a commitment to incur \$1,291,668 in qualifying Canadian exploration expenditures on or before December 31, 2024. As of December 31, 2023, the remaining commitment was \$596,611.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Statutory tax rate | 27% | 27% |
| | \$ | \$ |
| Net loss for the year | (237,504) | (258,879) |
| Income tax (recovery) at combined statutory rate | (64,126) | (69,897) |
| Non-deductible expenses and other items | (31,268) | 8,735 |
| Flow through shares impact | 187,665 | - |
| Share issue costs and other | (10,317) | (1,749) |
| Change in unrecognized deferred tax assets | (81,954) | 62,911 |
| Income tax expense | <u>-</u> | <u>-</u> |

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10. INCOME TAXES (CONTINUED)

As at December 31, 2023 and 2022, the deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized are as follows:

| | 2023 | 2022 |
|-----------------------------------|-------------|-------------|
| Exploration and evaluation assets | (186,562) | - |
| Non-capital loss carry-forwards | 203,096 | 104,941 |
| Share issuance costs | 11,856 | 5,403 |
| Total | 28,390 | 110,344 |
| Unrecognized | (28,390) | (110,344) |
| | - | - |

As at December 31, 2023, the Company has available for deduction against future taxable income non-capital losses of approximately \$752,200 in Canada, which will expire between 2040 and 2043. As at December 31, 2023, the Company has non-capital losses of approximately \$96,600 to reduce future taxable income in the United States with an indefinite expiry period.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are persons or entities that have control, joint control or significant influence over the Company, or who are members of key management personnel of the Company.

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits and director fees | 209,000 | 159,600 |
| Share-based payments | 22,384 | - |
| | <u>231,384</u> | <u>159,600</u> |

The Company has entered into a Management Agreement with the Chairman, President and Chief Executive Officer (the “CEO”) effective January 1, 2022 for no fixed term. As compensation for the services to be provided, the CEO will receive a monthly fee of \$10,800 with provisions for severance of (i) three months of compensation in the event the Company terminates the Agreement without Cause within twelve months of the effective date; (ii) six months of compensation plus an additional one month for each completed year of service up to a maximum of twelve months in the event the Company terminates the Agreement without Cause after twelve months of the effective date; (iii) twelve times the monthly compensation in the event the CEO resigns for Good Cause during the first two years of the Agreement; (iv) eighteen times the monthly compensation if the CEO resigns for Good Cause during the third or any subsequent year of the Agreement; and (v) eighteen months of compensation in the event the Company terminates the Agreement with or without Cause, or the CEO resigns with or without Good Cause, within twelve months following a change of control of the Company. In the event the CEO participates in activities that lead to (i) the sale of any of the Company’s exploration properties or the creation of a new or spin-off company, he will be awarded a

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11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Key Management Compensation (continued)

Special Bonus in the amount of 0.5% of the sale of any of the Company's exploration properties or the creation of a new or spin-off company; and (ii) a corporate transaction involving a sale of the Company or more than 50% of the Company's issued and outstanding common shares, he will be awarded a Special Bonus of 0.2% of the consideration up to \$50 million of consideration received, and 0.1% of additional value beyond that \$50 million level. During the year ended December 31, 2023, the Company recorded \$129,600 (2022: \$129,600) in fees payable to the CEO, of which \$83,160 (2022: \$93,312) was capitalized to Exploration and Evaluation Assets in the Consolidated Statement of Financial Position, \$nil (2022: \$13,608) was expensed to general exploration and \$46,440 (2022: \$22,680) was expensed to Management in the Consolidated Statement of Loss.

The Company has entered into an Employment Agreement with the Chief Financial Officer and Corporate Secretary (the "CFO") effective June 1, 2023 for no fixed term. As compensation for the services to be provided, the CFO will receive a monthly salary of \$6,700 with provisions for severance of (i) three months of compensation in the event the Company terminates the Agreement without Cause; (ii) three months of compensation in the event the CFO resigns for Good Cause; and (iii) eighteen months of compensation in the event the Company terminates the Agreement with or without Cause, or the CFO resigns with or without Good Cause, within twelve months following a change of control of the Company. This Employment Agreement supersedes an Employment Agreement dated January 1, 2022 for the CFO to provide services for compensation of a monthly salary of \$2,500. During the year ended December 31, 2023, the Company recorded \$59,400 (2022: \$30,000) in fees payable to the CFO, of which \$29,700 (2022: \$15,000) was expensed to Management and \$29,700 (2022: \$15,000) was expensed to Salaries and Benefits in the Consolidated Statement of Loss.

The Company has approved the payment of a director's fee of \$1,000 per month to each of three directors and \$2,000 per month to a director and chair of the audit committee, effective September 1, 2023. During the year ended December 31, 2023, the Company recorded \$20,000 (2022: \$nil) in director fees which were expensed to Management in the Consolidated Statement of Loss.

b) Service Agreement

During the year ended December 31, 2022, the Company recorded \$30,000 in strategic consulting fees payable to NewQuest pursuant to a Contract for Services for a six month term from January 1, 2022 to June 30, 2022 for compensation of \$5,000 per month.

c) Private Placements

In connection with the private placement that closed on January 14, 2022, a director and member of key management of the Company purchased a total of 50,000 common shares for total proceeds of \$10,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

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11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

c) Private Placements (continued)

In connection with the private placement that closed on March 31, 2023, a director and member of key management of the Company purchased a total of 100,000 Units for total proceeds of \$22,000, and an insider purchased a total of 200,000 Units for total proceeds of \$44,000. The terms and conditions offered to the related parties in these transactions are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on April 25, 2023, a director and member of key management of the Company purchased a total of 100,000 FT Units for total proceeds of \$33,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placements that closed on May 5, 2023, insiders of the Company purchased a total of 80,000 Units for total proceeds of \$17,600 and 100,000 FT Units for total proceeds of \$33,000. The terms and conditions offered to the related parties in these transactions are identical to those offered to non-related common shareholders.

d) Due to Related Party

As at December 31, 2023, the Company has \$1,491 (December 31, 2022: \$130,218) due to related parties which consists of amounts owed to a director and significant shareholder for salaries and expense reimbursements, which is due on demand, unsecured and is non-interest bearing.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair values

The Company's financial instruments include cash, restricted cash, reclamation bonds and trade and other payables.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

| | December 31, 2023 | | December 31, 2022 | |
|----------------------------------|-------------------|----------------|-------------------|----------------|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| | \$ | \$ | \$ | \$ |
| FVTPL assets (i) | 989,383 | 989,383 | 289,606 | 289,606 |
| Amortized cost assets (ii) | 120,000 | 120,000 | - | - |
| Amortized cost liabilities (iii) | 63,208 | 63,208 | 229,970 | 229,970 |
| (i) Cash and restricted cash | | | | |
| (ii) Reclamation bonds | | | | |
| (iii) Trade and other payables | | | | |

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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

| As at December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| | \$ | \$ | \$ | \$ |
| Cash and restricted cash | 289,606 | - | - | |

| As at December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| | \$ | \$ | \$ | \$ |
| Cash and restricted cash | 989,383 | - | - | |

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their short-term nature and respective maturity dates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of cash represents the Company's maximum exposure to credit risk. To minimize credit risk, the Company only holds its cash with chartered Canadian financial institutions. The Company owns restricted cash of \$20,763 which consists of a savings account held by a financial institution as security against a Company credit card. The Company also owns cash reclamation bond deposits of \$120,000 held by the Province of British Columbia. The Company believes that the credit risk of default for these assets is low. As at December 31, 2023, the Company has no financial assets that are past due or impaired due to credit risk defaults. The Company's management of credit risk has not changed during the year ended December 31, 2023, from that of the prior year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's financial liabilities consist of its trade and other payables. The Company has a working capital surplus of \$781,535 as at December 31, 2023 and does not require additional financing to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 13. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms. The Company's management of liquidity risk has not changed during the year ended December 31, 2023, from that of the prior year.

The following are the contractual maturities of financial liabilities as at December 31, 2023:

| | Carrying Amount | Contractual Cash Flows | Within 1 year | Within 2 years | Within 3 years | Over 3 years |
|--------------------------|-----------------|------------------------|---------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | 63,208 | 63,208 | 63,208 | - | - | - |

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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, currency risk and other price risk. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company does not hold any equity securities; as such, the Company is not exposed to material other price risk. The Company's management of market risk has not changed during the year ended December 31, 2023, from that of the prior year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. A portion of the Company's exploration property expenditures are intended to be incurred in United States dollars. A change in the foreign exchange rate as at December 31, 2023 of +/- 10% would have an impact of \$6,272 on profit or loss.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its E&E Assets, pursue the acquisition and exploration of other mineral interests, and maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in Equity to be capital, which totalled \$2,824,499 at December 31, 2023 (December 31, 2022: \$1,091,347). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash.

14. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in both Canada and the United States:

| | December 31, 2023 | | | December 31, 2022 | | |
|-----------------------------------|-------------------|----------------|------------------|-------------------|----------------|------------------|
| | Canada \$ | USA \$ | Total \$ | Canada \$ | USA \$ | Total \$ |
| Current assets | 1,035,054 | 20,270 | 1,055,324 | 293,896 | 11,152 | 305,048 |
| Reclamation bonds | 120,000 | - | 120,000 | - | - | - |
| Equipment | 2,254 | - | 2,254 | 883 | - | 883 |
| Exploration and evaluation assets | 1,281,909 | 638,801 | 1,920,710 | 483,195 | 532,191 | 1,015,386 |
| Total assets | 2,439,217 | 659,071 | 3,098,288 | 777,974 | 543,343 | 1,321,317 |
| Total liabilities | 273,359 | 430 | 273,789 | 210,792 | 19,178 | 229,970 |

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15. SUBSEQUENT EVENTS

a) Scraper Springs Mineral and Surface Estate Agreement

The Company has entered into an Exploration Lease and Option to Purchase Agreement (the “Agreement”) with an arm’s length party effective February 27, 2024 (the “Effective Date”) under which the Company is granted exclusive mineral and surface rights to certain private lands (the “Property”) within the boundaries of the Scraper Springs property for a 30-year term with an option to purchase the Property for US\$2,375,000, for the following consideration:

- i) US\$5,000 (paid) upon signing the letter of intent on August 28, 2023;
- ii) US\$5,000 (paid) upon signing the definitive agreement on February 27, 2024;
- iii) Annual lease payments of US\$5,000 on the first anniversary and each anniversary of the Effective Date to and including the ninth anniversary of the Effective Date, to be increased by US\$1,000 annually beginning on the second anniversary of the Effective Date;
- iv) Annual lease payments of US\$20,000 on the tenth anniversary and each anniversary of the Effective Date to and including the twentieth anniversary of the Effective Date, to be increased by US\$2,500 annually beginning on the eleventh anniversary of the Effective Date;
- v) Annual lease payments of US\$40,000 on the twenty-first anniversary and each succeeding anniversary of the Effective Date until the thirtieth anniversary of the Effective Date on which the Agreement expires, to be increased by US\$5,000 annually beginning on the twenty-second anniversary of the Effective Date;
- vi) Surface disturbance fee of US\$250 per acre per year for each acre of disturbed and unreclaimed surface of the Property, with the fee increasing by US\$100 per acre per year beginning on the fifth anniversary of the Effective Date; and
- vii) Net smelter return (“NSR”) royalty of 4.0% which the Company may purchase the first 2.0% for US\$500,000 and the second 2.0% for US\$1,000,000 at any time prior to commercial production.