Hercules Silver Corp.

Consolidated Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Hercules Silver Corp. :

Opinion

We have audited the consolidated financial statements of Hercules Silver Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and 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 December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises 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 audits 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 audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards, 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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 Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 17, 2024 — Licensed Public Accountants

Hercules Silver Corp.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(Expressed in Canadian dollars)

	December 31, 2023	December 31, 2022
	$	$
Assets		
Cash and cash equivalents (Note 4)	**12,723,946**	1,802,284
Short-term investments (Note 5)	**11,854,531**	-
Sales tax recoverable (Note 6)	**168,351**	141,106
Prepaid expenses (Note 7)	**340,813**	32,183
Total Current Assets	**25,087,641**	1,975,573
Investment (Note 8)	**727,430**	-
Equipment (Note 9)	**34,476**	-
Total Assets	**25,849,547**	1,975,573
Liabilities		
Accounts payable and accrued liabilities (Notes 10 and 16)	**504,930**	517,209
Total Liabilities	**504,930**	517,209
Shareholders' Equity		
Share capital (Note 11)	**42,081,995**	12,731,456
Warrant reserve (Note 13)	**5,104,257**	1,102,784
Options reserve (Note 14)	**714,536**	545,222
RSU reserve (Note 15)	**190,448**	126,641
Accumulated other comprehensive loss	**(170,144)**	-
Accumulated deficit	**(22,576,475)**	(13,047,739)
Total Shareholders' Equity	**25,344,617**	1,458,364
Total Liabilities and Shareholders' Equity	**25,849,547**	1,975,573

Nature of operations and going concern (Note 1)
Commitments (Note 18)
Contingencies (Note 24)
Subsequent events (Note 26)

Approved on behalf of the Board of Directors:

"Christopher Paul"
Christopher Paul, Director

"Kelly Malcolm"
Kelly Malcolm, Director

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

Hercules Silver Corp.
Consolidated Statements of Loss and Comprehensive loss
For the Years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	$	$
Expenses		
Exploration and evaluation expenditures (Notes 16, 19 and 24)	**7,340,425**	1,131,774
General and administrative (Notes 16 and 17)	**1,035,344**	998,900
Share-based compensation (Notes 14, 15 and 16)	**692,549**	771,938
Professional fees (Note 16)	**373,655**	401,934
Foreign exchange loss (gains)	**259,453**	(8,890)
Property acquisition costs (Note 18)	**134,970**	-
Depreciation expense (Note 9)	**8,504**	-
Dividend and interest income (Notes 4 and 5)	**(190,197)**	(332)
Total Expenses	**(9,654,703)**	(3,295,324)
Other Expenses		
Unrealized loss on investment (Note 8)	**(39,985)**	-
Total Other Expenses	**(39,985)**	-
Net Loss	**(9,694,688)**	(3,295,324)
Other Comprehensive Loss		
Exchange loss on translation of foreign operations	**(170,144)**	-
Comprehensive Loss	**(9,864,832)**	(3,295,324)
Net Loss per Share – Basic and Diluted (Note 12)	**(0.05)**	(0.02)
Weighted Average Number of Outstanding Shares - Basic and Diluted (Note 12)	**183,294,240**	134,656,012

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

Hercules Silver Corp.
Consolidated Statements of Changes in Shareholders' Equity
For the Years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants Reserve	Options Reserve	Restricted Share Units Reserve	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$
Balance, December 31, 2021	**113,867,063**	**10,913,815**	**278,832**	**256,647**	**80,022**	**-**	**(9,779,409)**	**1,749,907**
Issuance of units from private placement (Notes 11 and 13)	30,666,666	1,450,886	849,114	-	-	-	-	2,300,000
Share issuance costs (Notes 11 and 13)	-	(42,995)	(25,162)	-	-	-	-	(68,157)
Issuance of shares on exercise of RSUs (Notes 11 and 15)	4,900,000	409,750	-	-	(409,750)	-	-	-
Share-based compensation (Notes 13 and 14)	-	-	-	315,569	456,369	-	-	771,938
Expiry and cancellation of options (Note 14)	-	-	-	(26,994)	-	-	26,994	-
Net loss for the year	-	-	-	-	-	-	(3,295,324)	(3,295,324)
Balance, December 31, 2022	**149,433,729**	**12,731,456**	**1,102,784**	**545,222**	**126,641**	**-**	**(13,047,739)**	**1,458,364**
Issuance of units from private placement (Notes 11 and 13)	50,015,370	24,006,727	5,135,180	-	-	-	-	29,141,907
Share issuance costs (Notes 11 and 13)	-	(751,360)	(208,142)	-	-	-	-	(959,502)
Issuance of broker warrants from private placement (Note 13)	-	-	236,183	-	-	-	-	236,183
Issuance of shares on exercises of warrants (Notes 11 and 13)	24,907,117	5,159,952	(1,012,029)	-	-	-	-	4,147,923
Issuance of shares on exercises of options (Notes 11 and 14)	5,022,500	785,220	-	(293,195)	-	-	-	492,025
Issuance of shares on exercise of RSUs (Notes 11 and 15)	1,750,000	150,000	-	-	(150,000)	-	-	-
Share-based compensation (Notes 14 and 15)	-	-	-	478,742	213,807	-	-	692,549
Cancellation of options (Notes 14)	-	-	-	(16,233)	-	-	16,233	-
Expiry of warrants (Note 13)	-	-	(149,719)	-	-	-	149,719	-
Exchange differences on translating foreign operations	-	-	-	-	-	(170,144)	-	(170,144)
Net loss for the year	-	-	-	-	-	-	(9,694,688)	(9,694,688)
Balance, December 31, 2023	**231,128,716**	**42,081,995**	**5,104,257**	**714,536**	**190,448**	**(170,144)**	**(22,576,475)**	**25,344,617**

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

Hercules Silver Corp.
Notes to the Consolidated Statements of Cash Flows
For the Years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	$	$
Operating Activities		
Net loss for the year	**(9,694,688)**	(3,295,324)
Items not affecting cash:		
Interest earned on short-term investments (Note 5)	**(48,031)**	-
Unrealized loss on investment (Note 8)	**39,985**	-
Depreciation expense (Note 9)	**8,504**	-
Share-based compensation (Notes 14 and 15)	**692,549**	771,938
Foreign exchange loss	**90,225**	-
	(8,911,456)	(2,523,386)
Change in working capital items:		
Sales tax recoverable	**(27,245)**	(95,846)
Prepaid expenses	**(308,630)**	(9,266)
Income tax recoverable	**-**	(20,159)
Accounts payables and accrued liabilities	**(12,279)**	383,399
Cash Flows (used in) Operating Activities	**(9,259,610)**	(2,265,258)
Financing Activities		
Proceeds from private placement financings (Note 11)	**29,141,907**	2,300,000
Share issuance costs (Note 11)	**(723,319)**	(68,157)
Proceeds from exercise of warrants (Notes 11 and 13)	**4,147,923**	-
Proceeds from exercise of stock options (Notes 11 and 14)	**492,025**	-
Cash Flows provided by Financing Activities	**33,058,536**	2,231,843
Investing Activities		
Purchases of short-term investments (Note 5)	**(11,896,725)**	-
Acquisition of minority interest in investment (Note 8)	**(767,415)**	-
Additions of equipment (Note 9)	**(42,980)**	-
Cash Flows (used in) Investing Activities	**(12,707,120)**	-
Increase (decrease) in cash and cash equivalents	**11,091,806**	(33,415)
Effect of foreign exchange on cash and cash equivalents	**(170,144)**	-
Cash and cash equivalents, beginning of year	**1,802,284**	1,835,699
Cash and cash equivalents, end of year	**12,723,946**	1,802,284

1. Nature of Operations and Going Concern

Hercules Silver Corp. ("Hercules Silver" or the "Company") is incorporated under the *Business Corporations Act (Ontario)* with its registered office located at 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, Canada. The Company's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "BIG", on the OTCQB® Venture Market under the symbol "BADEF", and on the Frankfurt Stock Exchange under the symbol "8Q7".

The Company is a junior mining company focused on the exploration and development of the 100% owned Hercules Silver Project (the "Hercules Project"), located in Washington County, Idaho, in the United States (the "U.S.").

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The Company's viability depends upon the acquisition and financing of mineral exploration or other projects. If mineral projects are to be successful, additional funds will be required for development and, if warranted, to place them into commercial production. The sources of financing presently available to the Company are equity financing. The ability of the Company to raise new funds will depend, in part, on prevailing market conditions as well as the operating performance of the Company. There can be no assurance that the Company will be successful in securing the necessary financing, if needed, on terms satisfactory to the Company. If additional financing is arranged through the issuance of shares, control of the Company may change, and shareholders may suffer significant dilution.

During the year ended December 31, 2023, the Company incurred a net loss of $9,694,688 (2022 – $3,295,324), and as of that date, the Company's accumulated deficit was $22,576,475 (December 31, 2022 – accumulated deficit of $13,047,739). As at December 31, 2023, the Company had available working capital of $24,582,711 (December 31, 2022 – working capital of $1,458,364), including a cash and cash equivalents balance of $12,723,946 (December 31, 2022 – $1,802,284) and short-term investments of $11,854,531 (December 31, 2022 – $nil), which it can deploy to fulfill financial requirements for the 12-month period ending December 31, 2024. Nevertheless, it is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the volatile and speculative nature of the mining business, represent material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to the periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on April 17, 2024.

(b) Basis of Measurement

These consolidated financial statements have been prepared in accordance with IFRS, based on the historical cost basis, modified by the measurement at fair value of certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. Basis of Presentation (continued)

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as follows:

Name	Jurisdiction	Percentage Owned
Hercules Silver Corp.	Ontario, Canada	100%
BE Gold Canada Inc.	Ontario, Canada	100%
Frontera Gold Nevada Inc.	Nevada, U.S.	100%
1218530 B.C. Ltd.	British Columbia, Canada	100%
Anglo-Bomarc, U.S., Inc.	Idaho, U.S.	100%
Frontier Metals Canada Holdings Corp.	Ontario, Canada	100%
Frontier Metals LLC	Idaho, U.S.	100%

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Functional Currency

The functional and presentation currency of the Company and its Canadian subsidiaries is the Canadian dollar ("$" or "CAD"). The functional currency of the Company's U.S. subsidiaries is the US dollar ("USD"). The functional currency is the currency of the primary economic environment in which the Company operates.

(e) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses, and uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known.

Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financing and the Company's cash and cash equivalents position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Determination of fair value hierarchy

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Provisions

The Company recognizes a provision if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Exploration and evaluation expenditures

Exploration and evaluation ("E&E") expenditures include the costs of acquiring licenses, costs associated with E&E activities, and the fair value (at acquisition date) of E&E assets. E&E expenditures are expensed as incurred except for expenditures associated with the acquisition of the E&E assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation on stock options, restricted share units (each a "RSU") and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments are used in applying the valuation techniques. These assumptions and judgments include the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Such assumptions and judgments are inherently uncertain. Changes in these assumptions can affect the fair value estimates of share-based compensation and share purchase warrants.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECL") for amounts receivable and all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Functional currency

Foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position in. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labor, material and other costs for each consolidated entity.

3. Summary of Material Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit, and short-term investments with maturities of three months or less at the time of acquisition. The Company does not hold any asset-backed commercial paper.

(b) Financial Instruments

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the consolidated statements of loss and comprehensive loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the consolidated statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss) ("OCI").

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial assets classified under this category are measured at amortized cost using the effective interest method.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Investment	FVTPL
Accounts payable and accrued liabilities	Amortized cost

3. Summary of Material Accounting Policies (continued)

(b) Financial Instruments (continued)

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets, including equity investments, are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or OCI (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in OCI.

Expected credit loss impairment model

IFRS 9 introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

<u>Financial assets</u>

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

<u>Financial liabilities</u>

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

3. Summary of Material Accounting Policies (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

As at December 31, 2023, the Company had determined that the investment that it held in Scout Discoveries Corp. (defined hereafter) did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company had classified this investment as Level 3 input under the fair value hierarchy.

(c) Mineral Properties and Exploration and Evaluation Expenditures

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a mineral property has been acquired, the Company expenses E&E expenditures as incurred. These expenditures include, but are not limited to, costs such as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on property, plant and equipment, if any, during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

Acquisition costs of mineral property rights, property option payments related to E&E activities are also expensed as incurred.

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved by the Board, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

(d) Reclamation Obligations

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged to the consolidated statements of loss and comprehensive loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2023 and 2022, the Company had no material reclamation obligations.

(e) Equipment

Equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes acquisition costs or construction costs, as well as costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When equipment includes significant components with different useful lives, they are recorded and amortized separately.

3. Summary of Material Accounting Policies (continued)

(e) Equipment (continued)

Depreciation is computed using the straight-line method based on the estimated useful life of the assets, or the declining-basis method, and commences when title and ownership have transferred to the Company and is readily available for its intended use. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of capital assets.

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

Depreciation is recorded on a straight-line basis over three years for drilling equipment, and on a 20% declining basis for trailer equipment.

(f) Impairment

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU") to which the exploration activity relates.

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

(g) Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be reliably estimated. 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. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(h) Income Taxes

Income tax comprises current and deferred income tax expenses. Current and deferred taxes are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI.

Current income taxes

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

3. Summary of Material Accounting Policies (continued)

(h) Income Taxes (continued)

Deferred income taxes

Deferred income taxes are recorded for temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated, and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined using the application of the Black-Scholes valuation model ("Black-Scholes").

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the period, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the period.

(l) Share-Based Payments

The Company operates an employee stock option plan, which allows eligible participants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of stock options is determined using the Black-Scholes model. The fair value of equity-settled share-based transactions is recognized as a stock-based compensation expense with a corresponding increase in contributed surplus.

The number of stock options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

If share-settled payments are modified, as a minimum an expense is recognized as if the modification has not been made. An additional expense is recognized, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Amounts recorded for cancelled or expired unexercised options are transferred to retained earnings (accumulated deficit) in the period of which the cancellation or expiry occurs.

3. Summary of Material Accounting Policies (continued)

(m) Restricted Share Units

The Company also operates a RSU plan (the "RSU Plan"), where RSUs are granted to directors, employees and consultants from time to time. Under the RSU Plan, employees and directors are granted RSUs where each RSU has a value equal to one common share of the Company. RSUs are equity-settled share-based payments and are measured at fair value on the date of grant, based on the closing price of the Company's common shares on the grant date. Share-based compensation is recognized over the vesting period with a corresponding credit to RSU reserve.

Amounts recorded for cancelled RSUs are transferred to retained earnings (accumulated deficit) in the period of which the cancellation or expiry occurs.

Upon the issuance of common shares on vested RSUs, the amounts of the RSUs are transferred to share capital and the related reserves are transferred to share capital.

(n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains or losses resulting from translation are reflected in net comprehensive income (loss) for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in OCI is transferred to profit or loss as part of the profit or loss on disposal.

On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange.

(p) Segment Reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and the U.S.

3. Summary of Material Accounting Policies (continued)

(q) Adoption of New Accounting Policies

The Company adopted the following amendments, effective January 1, 2023. The changes were made in accordance with the applicable transitional provisions. The Company had assessed that there was no material impact upon the adoption of these following amendments on its consolidated financial statements:

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board ("CPA Canada Handbook – AcSB") in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements; and
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively.

Amendments to IAS 12 – Income Taxes ("IAS 12")

In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 which were incorporated into Part I of the CPA Canada Handbook – AcSB in September 2021. The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

Amendments to IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") and IAS 7 – Statements of Cash Flows ("IAS 7")

In May 2023, the IASB issued disclosure-only amendments to IFRS 7 and IAS 7. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as on its liquidity risk and risk management.

4. Cash and Cash Equivalents

As at December 31, 2023, the Company had total cash and cash equivalents of $12,723,946 (December 31, 2022 – $1,802,284), including a balance of $1,926,851 (December 31, 2022 – $nil) invested in high interest savings funds (the "High Interest Savings Funds"), which are available on demand, and a balance of $6,527,086 (December 31, 2022 – $nil) invested in certain guaranteed investment certificates ("GICs") with a maturity of less than three months. During the year ended December 31, 2023, dividend income of $113,211 was received and reinvested into the High Interest Savings Funds, and interest income of $25,430 was received on the GICs, respectively.

5. Short-Term Investments

As at December 31, 2013, the Company had invested in various short-term GICs with maturity ranging between six months to one year valued at $11,854,531 (December 31, 2012 – $nil), which are measured at amortized cost. These short-term investments were held in order to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. During the year ended December 31, 2023, interest income of $48,031 was received on these short-term investments.

(Expressed in Canadian dollars)

6. Sales Tax Recoverable

As at December 31, 2023 and 2022, the Company's sales tax recoverable balance comprises amounts in respect of Harmonized Sales Tax refunds which are currently held with the Canada Revenue Agency, pending completion of certain outstanding corporate tax filings. Subsequent to year-end, the Company received these amounts in full.

7. Prepaid Expenses

As at December 31, 2023 and 2022, the Company's prepaid expenses were comprised of the following items:

	December 31, 2023	December 31, 2022
	$	$
Prepaid insurance	**25,683**	24,300
Advances made to suppliers	**63,836**	7,883
Advances made to suppliers related to E&E activities	**251,294**	-
	340,813	32,183

8. Investment

On July 28, 2023, the Company participated in a private placement investment (the "Investment") and acquired a minority interest in Scout Discoveries Corp. ("Scout Discoveries"), a mineral exploration company with a 100% interest in four precious and base metals projects based in Idaho, U.S. The Company subscribed for 500,000 shares of Scout Discoveries for a sum of $340,425 (USD $250,000). The Investment was recorded at fair value at initial recognition.

On November 14, 2023, the Company participated in a second round of the Investment with Scout Discoveries and subscribed for an additional 600,000 shares of Scout Discoveries for a sum of $426,990 (USD $300,000). The Investment was recorded at fair value at initial recognition.

As a result of these investments, at December 31, 2023, the Company holds 1.1 million shares of Scout Discoveries, representing approximately 4% of Scout Discoveries.

As at December 31, 2023, the investment in Scout Discoveries is recorded at a fair value of $727,430, with an unrealized loss of $39,985 being recorded during the year ended December 31, 2023.

9. Equipment

	Drilling Equipment	Trailer Equipment	**Total**
	$	$	**$**
Cost at:			
December 31, 2022 and 2021	-	-	**-**
Additions	35,438	7,542	**42,980**
December 31, 2023	**35,438**	**7,542**	**42,980**
Accumulated depreciation at:			
December 31, 2022 and 2021	-	-	**-**
Depreciation expense	7,875	629	**8,504**
December 31, 2023	**7,875**	**629**	**8,504**
Net book value:			
December 31, 2022	-	-	**-**
December 31, 2023	**27,563**	**6,913**	**34,476**

(Expressed in Canadian dollars)

10. Accounts Payable and Accrued Liabilities

	December 31, 2023	December 31, 2022
	$	$
Trade payables	**152,212**	412,429
Accrued liabilities	**352,718**	104,780
	504,930	517,209

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

11. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. Common shares issued and outstanding as at December 31, 2023 and 2022 are as follows:

	Common shares	**Amount**
	#	**$**
Balance, December 31, 2021	**113,867,063**	**10,913,815**
Shares issued from private placement financing	30,666,666	1,450,886
Share issuance cost	-	(42,995)
Shares issued on vesting of RSUs	4,900,000	409,750
Balance, December 31, 2022	**149,433,729**	**12,731,456**
Shares issued from private placement financing (Apr 2023)	28,750,000	4,454,383
Shares issued from private placement financing (Nov 2023)	21,265,370	19,552,344
Share issuance cost	-	(751,360)
Shares issued on exercise of warrants	24,907,117	5,159,952
Shares issued on exercise of options	5,022,500	785,220
Shares issued on exercise of RSUs	1,750,000	150,000
Balance, December 31, 2023	**231,128,716**	**42,081,995**

Share capital transactions for the year ended December 31, 2022

On May 31, 2022, the Company completed a non-brokered private placement (the "Private Placement") of 30,666,666 units (each a "Unit") at a price of $0.075 per Unit, for gross proceeds of $2,300,000 with each Unit comprising one common share and one common share purchase warrant (each a "Warrant") exercisable at an exercise price of $0.11 for a period of 24 months from closing. Crescat Portfolio Management LLC ("Crescat") and certain accounts managed by Crescat participated in the Private Placement and collectively made an investment of approximately $1,100,000. The Company granted Crescat a right to participate in future financing so as to allow Crescat to maintain its current equity stake on a pro rata basis, subject to certain terms and conditions. In connection with the Private Placement, the Company paid total issuance costs of $68,157, of which $25,162 was allocated to warrant reserve.

During the year ended December 31, 2022, the Company also issued a total of 4,900,000 common shares as a result of the exercise of RSUs. The fair value of these RSUs was estimated to be $409,750.

Share capital transactions for the year ended December 31, 2023

On April 20, 2023, the Company completed a brokered private placement (the "Brokered Offering") of 28,750,000 Units at a price of $0.20 per Unit, for gross proceeds of $5,750,000. Each Unit is comprised of one common share and one-half of a Warrant exercisable at an exercise price of $0.30 for a period of 24 months from closing. As consideration for Agent's services in connection with the Brokered Offering, the Company paid a cash commission of $292,050 to the Agents. The Company also issued 1,460,250 broker warrants (each a "Broker Warrant"), each exercisable to acquire one common share at an exercise price of $0.20 for a period of 24 months from closing (see Note 13 for more details). In connection with the Brokered Offering, the Company paid total issuance costs of $827,810, of which $186,526 was allocated to warrant reserve.

(Expressed in Canadian dollars)

11. Share Capital (continued)

Share capital transactions for the year ended December 31, 2023 (continued)

On November 7, 2023, the Company completed a non-brokered private placement (the "Placement"), resulting in Barrick Gold Corporation ("Barrick") subscribing for 21,265,370 Units at a price of $1.10 per Unit, for gross proceeds of $23,391,907. Each Unit is comprised of one common share and 0.32 of a Warrant. Each whole Warrant entitles the holder thereof to purchase one common share for a price of $1.32 per common share for a period of 24 months from closing. In connection with the Placement, the Company paid total issuance costs of $131,692, of which $21,616 was allocated to warrant reserve.

During the year ended December 31, 2023, the Company issued 24,907,117 common shares as a result of the exercise of Warrants for total cash proceeds of $4,147,924.

During the year ended December 31, 2023, the Company issued 5,022,500 common shares as a result of the exercise of stock options for total cash proceeds of $492,025.

During the year ended December 31, 2023, the Company also issued a total of 1,750,000 common shares as a result of the exercise of RSUs. The fair value of these RSUs was estimated to be $150,000.

12. Loss per Share

Basic and diluted loss per share for the year ended December 31, 2023 is calculated by dividing the net loss of $9,694,688 (2022 – $3,295,324) by the weighted average number of common shares outstanding of 183,294,240 (2022 – 134,656,012).

For the year ended December 31, 2023, the basic and diluted loss per share was $0.05 (2022 – basic and diluted loss of $0.02).

13. Warrants

The following summarizes the warrants activity for the years ended December 31, 2023 and 2022:

	2023		2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**41,395,944**	**0.13**	10,729,278	0.20
Issued from private placement financing	**14,375,000**	**0.30**	30,666,666	0.11
Issued from private placement financing	**1,460,250**	**0.20**	-	-
Issued from private placement financing	**6,804,918**	**1.32**	-	-
Exercised	**(5,802,950)**	**0.20**	-	-
Exercised	**(14,441,667)**	**0.11**	-	-
Exercised	**(4,662,500)**	**0.30**	-	-
Expired	**(5,762,018)**	**0.20**	-	-
Outstanding, end of year	**33,366,977**	**0.41**	41,395,944	0.13

Warrant activities for the year ended December 31, 2022

On May 31, 2022, the Company issued 30,666,666 Warrants in connection with the Private Placement, as disclosed in Note 11. Each Warrant is exercisable at $0.11 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $849,114 using Black-Scholes with the following assumptions: expected volatility of 115% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.67% and an expected life of two years. In connection with the Private Placement, issuance costs of $25,162 had also been allocated under warrant reserve.

(Expressed in Canadian dollars)

13. Warrants (continued)

Warrant activities for the year ended December 31, 2023

On April 20, 2023, the Company issued 14,375,000 Warrants in connection with the Brokered Offering, as disclosed in Note 11. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $1,295,617 using Black-Scholes with the following assumptions: expected volatility of 121% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.79% and an expected life of two years. In connection with the Private Placement, issuance costs of $186,526 had also been allocated under warrant reserve. In addition, the Company issued 1,460,250 Broker Warrants, of which each Broker Warrant is exercisable into one common share of the Company, at an exercise price of $0.20 for a period of 24 months from closing. The grant date fair value of the Broker Warrants issued was estimated to be $236,183 using Black-Scholes based on the same assumptions used for the Warrants.

On November 7, 2023, the Company issued 6,804,912 Warrants in connection with the Placement with Barrick, as disclosed in Note 11. Each Warrant is exercisable at $1.32 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $3,839,563 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 4.44% and an expected life of two years. In connection with the Placement, issuance costs of $21,616 had also been allocated under warrant reserve.

On March 24, 2023, 5,762,018 Warrants, including 168,513 Broker Warrants, all exercisable at $0.20, expired unexercised. An amount of $149,719, representing the grant date fair value of these Warrants recorded in warrants reserve, was transferred to accumulated deficit upon expiry.

During the year ended December 31, 2023, 24,907,117 Warrants were exercised for total cash proceeds of $4,147,924. An amount of $1,012,029, representing the grant date fair value of these Warrants was transferred to share capital upon the exercises.

The following table summarizes information of warrants outstanding as at December 31, 2023:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
May 31, 2024	16,224,999	0.11	0.42
April 20, 2025	9,712,500	0.30	1.30
April 20, 2025	624,560	0.20	1.30
November 7, 2025	6,804,918	1.32	1.85
	33,366,977	**0.41**	**0.98**

14. Stock Options

The Company previously had a stock option plan (the “Stock Option Plan”) for qualified directors, officers, employees, and consultants of the Company (the “Eligible Participants”). The Stock Option Plan provided for the granting of options up to 10% of its issued and outstanding common shares. The designation of Eligible Participants, number of options, exercise price and vesting provisions of awards under the Stock Option Plan was determined by the Board at the time of issuance.

On July 15, 2022, shareholders of the Company approved a new omnibus incentive plan (the “Omnibus Plan”), and the Company will no longer be issuing options pursuant to the Stock Option Plan. The Stock Option Plan will remain in force and effect solely for the purposes of governing previously existing options granted thereunder. The Omnibus Plan provides for the issuance of options and RSUs to Eligible Participants. Pursuant to the terms and conditions of the Omnibus Plan, the maximum amount of the Company’s common shares reserved for issuance under the New Plan is limited to 29,341,745 common shares less any other common shares reserved for issuance pursuant to other securities-based compensation arrangements.

(Expressed in Canadian dollars)

14. Stock Options (continued)

The following summarizes the options activity for the years ended December 31, 2023 and 2022:

	2023		2022	
	Number of options	**Weighted average exercise**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**10,670,000**	**0.11**	1,680,000	0.25
Granted	**750,000**	**0.265**	1,200,000	0.10
Granted	**2,750,000**	**0.17**	8,430,000	0.09
Granted	**500,000**	**0.215**	-	-
Exercised	**(900,000)**	**0.10**	(390,000)	0.0833
Exercised	**(3,647,500)**	**0.09**	-	-
Exercised	**(350,000)**	**0.15**	-	-
Exercised	**(125,000)**	**0.17**	-	-
Expired	**-**	**-**	(250,000)	0.50
Cancelled	**(2,500,000)**	**0.09**	-	-
Cancelled	**(300,000)**	**0.15**	-	-
Outstanding, end of year	**6,847,500**	**0.17**	10,670,000	0.11

Options activities for the year ended December 31, 2022

On January 24, 2022, the Company granted 1,200,000 options to an officer. The options are exercisable at a price of $0.10 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to January 24, 2024. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.63% and an expected life of five years. The grant date fair value attributable to these options was $68,868, of which $16,205 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023 (2022 – $52,097).

On March 19, 2022, 390,000 options granted from the Qualifying Transaction at an exercise a price of $0.0833, expired unexercised. An amount of $16,238, representing the grant date fair value of these options recorded in options reserve, was transferred to accumulated deficit upon expiry.

On March 28, 2022, the Company granted 1,000,000 options to certain consultants. The options are exercisable at a price of $0.09 per common share for a period of five years. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.46% and an expected life of five years. The grant date fair value attributable to these options of $29,482 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2022. These options were subsequently exercised in 2023.

On April 24, 2022, 250,000 options granted on April 16, 2021, to a former officer and director at an exercise a price of $0.50, were cancelled. An amount of $10,756, representing the grant date fair value of these options recorded in options reserve, was transferred to accumulated deficit upon the cancellation.

On May 10, 2022, the Company granted 3,500,000 options to a former director. The options are exercisable at a price of $0.09 per common share for a period of five years. 1,000,000 options vested immediately on grant, with the remaining options to vest in equal increment after six months and 12 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.77% and an expected life of five years. The grant date fair value attributable to these options was $222,210, of which $63,489 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2022. These options were subsequently cancelled in 2023.

14. Stock Options (continued)

Options activities for the year ended December 31, 2022 (continued)

On July 27, 2022, the Company granted 3,500,000 options to various consultants and directors. The options are exercisable at a price of $0.09 per common share for a period of five years. 25% of the options vested immediately on grant, with the remaining options to vest in equal increment after six months, 12 months and 18 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.83% and an expected life of five years. The grant date fair value attributable to these options was $237,699, of which $82,092 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023 (2022 – $152,684).

On August 10, 2022, the Company granted 130,000 options to various consultants. The options are exercisable at a price of $0.09 per common share for a period of five years. 25% of the options vested immediately on grant, with the remaining options to vest in equal increment after six months, 12 months and 18 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.85% and an expected life of five years. The grant date fair value attributable to these options was $7,128, of which $2,666 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023 (2022 – $4,329).

On December 1, 2022, the Company granted 300,000 options to an investor relations consultant. The options are exercisable at a price of $0.09 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to December 1, 2023. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.05% and an expected life of five years. The grant date fair value attributable to these options was $23,072, of which $19,093 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023 (2022 – $3,979). These options were subsequently exercised in 2023.

Options activities for the year ended December 31, 2023

On March 1, 2023, the Company granted 750,000 options to a director. The options are exercisable at a price of $0.265 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to March 1, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 102% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.59% and an expected life of five years. The grant date fair value attributable to these options was $152,273, of which $106,786 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023.

On May 22, 2023, the Company granted 2,750,000 options to certain officers and consultants. The options are exercisable at a price of $0.17 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to May 22, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 103% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.29% and an expected life of five years. The grant date fair value attributable to these options was $359,162, of which $208,297 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023.

On July 10, 2023, the Company granted 500,000 options to a consultant. The options are exercisable at a price of $0.215 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to July 10, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 102% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.91% and an expected life of five years. The grant date fair value attributable to these options was $82,894, of which $40,939 was recorded as share-based compensation in connection with the vesting of options during the year ended December 31, 2023.

On October 12, 2023, the Board extended the date of expiry of 150,000 options previously granted on May 19, 2019, and another 250,000 granted on July 22, 2022, to July 18, 2024. The extension constituted a modification in accordance with the guidance of IFRS 2 – Share-Based Payments. As the modification in connection to the 150,000 options increases the fair value of the options, measured immediately before and after the modification, the Company recorded the incremental fair value, the difference between the fair value of the modified options and that of the original grant. As a result, the Company recorded an additional share-based compensation of $2,666, which is included in options reserve.

During the year ended December 31, 2023, 5,022,500 options were exercised for total cash proceeds of $492,025. An amount of $293,195, representing the grant date fair value of these options was transferred to share capital upon the exercises.

(Expressed in Canadian dollars)

14. Stock Options (continued)

Options activities for the year ended December 31, 2023 (continued)

In total, share-based compensation of $478,742 was recorded in connection with the vesting of options during the year ended December 31, 2023 (2022 – $315,569).

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2023:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
May 19, 2024	150,000	150,000	0.50	0.38
July 18, 2024	150,000	150,000	0.50	0.55
July 18, 2024	250,000	187,500	0.09	0.55
January 24, 2027	300,000	-	0.10	3.07
July 27, 2027	2,000,000	1,187,500	0.09	3.57
August 10, 2027	32,500	-	0.09	3.61
March 1, 2028	750,000	187,500	0.265	4.17
May 22, 2028	2,625,000	562,500	0.17	4.39
July 10, 2028	500,000	-	0.215	4.53
August 2, 2028	90,000	90,000	0.0833	4.59
	6,847,500	**2,515,000**	**0.17**	**3.71**

15. Restricted Share Units

RSUs activities for the year ended December 31, 2022

On January 31, 2022, the Company granted 1,700,000 RSUs to an officer. The RSUs vested immediately on grant. The RSUs were valued at $136,000 based on the Company's closing share price on the date of grant and was recorded as share-based compensation in connection with the vesting of RSUs during the year ended December 31, 2022.

On July 27, 2022, the Company granted 4,000,000 RSUs to a former director and consultants. 2,000,000 RSUs granted to the former director vested immediately on grant. Of the remaining 2,000,000 RSUs, 25% vested immediately on grant, with the remaining RSUs to vest in equal increment after six months, 12 months and 18 months until fully vested. The RSUs were valued at $360,000 based on the Company's closing share price on the date of grant, of which $62,165 was recorded as share-based compensation in connection with the vesting of RSUs during the year ended December 31, 2023 (2022 – $295,622).

During the year ended December 31, 2022, 4,900,000 RSUs were exercised upon vesting. The fair value of these RSUs was estimated to be $409,750.

RSUs activities for the year ended December 31, 2023

On March 1, 2023, the Company granted 750,000 RSUs to a director. The RSUs vest 25% at each six-month anniversary from grant up to March 1, 2025. The RSUs were valued at $198,750 based on the Company's closing share price on the date of grant, of which $147,660 was recorded as share-based compensation in connection with the vesting of RSUs during the year ended December 31, 2023.

During the year ended December 31, 2023, 1,750,000 RSUs were exercised upon vesting. The fair value of these RSUs was estimated to be $150,000.

In total, share-based compensation of $213,807 was recorded in connection with the vesting of RSUs during the year ended December 31, 2023 (2022 – $456,369).

As at December 31, 2023, the Company had a total of 1,250,000 RSUs outstanding (December 31, 2022 – 2,250,000 RSUs).

(Expressed in Canadian dollars)

16. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee of the Board.

Remuneration to key management personnel and directors

The remuneration of directors and other members of key management personnel during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
	$	$
Consulting fees, salaries, and wages	**538,713**	337,487
Professional fees	**202,966**	216,719
Share-based compensation – options	**249,678**	85,301
Share-based compensation – RSUs	**147,660**	344,902
	1,139,017	984,409

During the year ended December 31, 2023, Clearwater Resources Inc. ("Clearwater"), an entity controlled by the Chief Executive Officer and also a director of Hercules Silver, charged fees of $225,000, including a management bonus amount of $180,000 (2022 – $41,250), for services provided to the Company, which are included in consulting fees under general and administrative ("G&A") expenses (see Note 17). During the year, Clearwater also charged fees of $135,000 (2022 – $123,750) which are included in E&E expenditures. As at December 31, 2023, $16,002 (December 31, 2022 – $31,500) owing to Clearwater was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Effective May 22, 2023, the Company, through Anglo-Bomarc, U.S., Inc. ("Anglo-Bomarc"), and its Vice-President, Exploration ("VP-Exploration") entered into an employment agreement, whereas the Company agreed to pay an annual base salary of USD $200,000 for the VP-Exploration's services. During the year ended December 31, 2023, the VP-Exploration's salaries of $168,713 (USD $125,000) were included in E&E expenditures. As at December 31, 2023, $4,198 (December 31, 2022 – $nil) owing to the VP-Exploration was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2023, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which a director of the Company is also a partner, charged fees of $125,466 (2022 – $206,719) for legal services provided, which are included in professional fees. As at December 31, 2023, $16,191 (December 31, 2022 – $117,056) owing to Gowling was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2023, Branson Corporate Services Ltd. ("Branson"), where the Company's Chief Financial Officer ("CFO") is affiliated, charged fees of $77,500 (2022 – $10,000) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at December 31, 2023, no balance was owed to Branson (December 31, 2022 – $nil).

During the year ended December 31, 2023, certain former officers and directors charged fees of $10,000 (2022 – $213,737), for services provided to the Company, which are included in consulting fees under G&A expenses.

Other related party transactions

During the year ended December 31, 2023, the Company had recorded share-based compensation of $249,678 and $147,660, respectively, in connection with the vesting of options and RSUs previously granted to its officers and directors (2022 – 85,301 and $344,902, respectively).

In connection with the Brokered Offering which closed on April 20, 2023, Gowling charged fees of $153,003 for legal services related to the financing, which is included in the amount of share issuance costs paid.

In connection with the Placement which closed on November 7, 2023, Gowling also charged fees of $62,169 for legal services related to the financing, which is included in the amount of share issuance costs paid.

(Expressed in Canadian dollars)

17. General and Administrative Expenses

The Company's G&A expenses for the years ended December 31, 2023 and 2022 were comprised of the following:

	2023	2022
	$	$
Consulting fees, salaries and wages	**459,534**	500,699
Business development	**252,662**	259,126
Office and general	**179,059**	154,761
Filing fees	**89,546**	84,314
Insurance	**54,543**	-
	1,035,344	998,900

18. Lease Option Agreement

On September 27, 2023, the Company entered into a lease option agreement (the "Lease Option Agreement") between the Company, Anglo-Bomarc (the "Lessee") and a local prospector (the "Lessor"), which grants Hercules Silver the option to acquire a 100% interest in a mineral property, comprising 87 unpatented lode mining claims within the Mineral mining district (the "Property") located on Bureau of Land Management-administered lands, 14 miles southwest of the Hercules Property.

Pursuant to the terms and subject to the conditions of the Lease Option Agreement, the Company and/or the Lessee will be required to make lease payments in accordance with the following schedule:

Payment Date	Cash Payments	Share Consideration
Within five business days of TSXV Approval	USD $100,000	USD $nil
September 27, 2024	USD $60,000	USD $60,000
September 27, 2025	USD $70,000	USD $70,000
September 27, 2026	USD $80,000	USD $80,000
September 27, 2027	USD $80,000	USD $80,000
September 27, 2028	USD $80,000	USD $80,000
September 27, 2029	USD $80,000	USD $80,000
September 27, 2030	USD $80,000	USD $80,000

Upon execution of the Lease Option Agreement, the Company shall also pay the annual maintenance fees for the claims. The Lease Option Agreement provides the Lessee with certain rights, including but not limited to, the right to access, enter, occupy, improve, explore, use, market, sell and dispose mineral and mineral substances on or from the Property.

As at December 31, 2023, the initial cash payment of USD $100,000 ($134,970) had been made and was recorded as property acquisition cost on the consolidated statements of loss and comprehensive loss.

At any time prior to the eighth anniversary of the Lease Option Agreement, the Lessee has the right to purchase the Property for an aggregate of USD $3 million (the "Option"), comprised of USD $1.5 million in cash and common shares equal to USD $1.5 million at a deemed value per common share equal to the 10-day VWAP of the common shares on the TSXV on the day preceding the delivery of the common shares to Lessor pursuant to the Option. In the event that the Option is exercised, the Lessee will receive credit for all lease payments previously made pursuant to the Lease Option Agreement, which will serve to reduce the cash and common share value owed upon potential exercise of the Option.

At the conclusion of the eight-year term, if the Lessee elects not to purchase the Property pursuant to the Option, then the Lessee has the sole and exclusive right and discretion to continue to lease the Property by providing the Lessor with: (i) annual lease payments of USD $160,000, and a 2% net smelter return ("NSR") royalty from the sale of all minerals on the Property.

In the event that the Lessee pays an aggregate total of USD $2,000,000 in royalties, then the Lessee may reduce the royalty rate to 1% upon payment of a one-time lump sum of USD $1,000,000 to Lessor. Thereafter, Lessor shall receive a 1% NSR royalty for production on any or all unpatented claims within the Property. If Lessee does not elect to "buy down" the Royalty, then Lessor shall receive a 2% NSR royalty for production on any or all unpatented claims within the Property.

(Expressed in Canadian dollars)

19. Exploration and Evaluation Expenditures

The Company's E&E expenditures for the years ended December 31, 2023 and 2022 were comprised of the following:

	2023	2022
	$	$
Claims maintenance	**36,953**	-
Geological work and technical studies	**469,859**	1,104,961
Fieldwork testing	**4,644**	26,813
Exploration drilling	**6,828,969**	-
	7,340,425	1,131,774

20. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	2023	2022
	$	$
Loss before income taxes	**(9,694,688)**	(3,295,324)
Expected income tax recovery based on statutory rate	**(2,569,090)**	(873,260)
Adjustment to expected income tax recovery		
Share based compensation and other non-deductible items	**129,830**	187,810
Share issuance cost booked directly to equity	**(254,270)**	-
Difference in tax rates	**424,070**	-
Change in tax benefits not realized	**2,269,460**	685,450
Income tax expense (recovery)	**-**	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom:

	2023	2022
	$	$
Property, plant and equipment	**190,310**	-
Share issuance costs	**874,650**	168,520
Resource pools – mineral properties	**8,924,980**	1,449,580
Investments	**39,990**	-
Operating tax losses carried forward – Canada	**7,534,280**	4,298,840
Operating tax losses carried forward – U.S.	**514,270**	322,350
	18,078,480	6,239,290

Share issuance costs will be fully deducted by 2027.

The Canadian operating tax loss carry forwards expire as noted in the table below.

The U.S. operating tax losses can be carried forward indefinitely.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian dollars)

20. Income Taxes (continued)

The Canadian operating tax losses expire as noted in the table below.

	$
2038	162,290
2039	1,724,180
2040	978,680
2041	1,803,260
2042	1,109,650
2043	1,756,220
	7,534,280

21. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach for managing capital during the years ended December 31, 2023 and 2022.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, warrants reserve, options reserve, RSUs reserve, accumulated other comprehensive loss and accumulated deficit. As at December 31, 2023, the Company's capital consisted of a balance of $25,344,617 (December 31, 2022 – $1,458,364).

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

22. Financial Instruments

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and short-term investments, which expose the Company to credit risk should the borrower default on the maturity of the instruments. Cash and cash equivalents and short-term investments are held with reputable Canadian chartered banks and financial institutions, which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and short-term investments is minimal.

The Company's second exposure to credit risk is on receivables. At each reporting period, management assesses the credit risk of its receivables balance. As the Company does not currently have any trade receivable, management believes that the credit risk concentration with respect to trade receivable is minimal.

(Expressed in Canadian dollars)

22. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

The Company generates cash flow primarily from its financing activities. The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted. As at December 31, 2023, the Company had a cash and cash equivalents balance of $12,723,946 (December 31, 2022 – $1,802,284) and short-term investments of $11,854,531 (December 31, 2022 – $nil), to settle current liabilities of $504,930 (December 31, 2022 – $517,209).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at December 31, 2023:

	Carrying amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	504,930	504,930	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there will be sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash and cash equivalents and short-term investments position as at December 31, 2023.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices.

Price risk

The Company is exposed to price risk with respect to commodity prices. Price risk is remote since the Company is not a producing entity.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. As the Company's E&E activities are primarily based in the U.S., it may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Management monitors closely the movement of foreign exchange between CAD and USD and may periodically purchase USD when the rate of CAD appreciates versus USD.

Fair value

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.

The Company's financial instruments consist of cash and cash equivalents, short-term investments, the Investment in Scout Discoveries and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, short-term investments, the Investment in Scout Discoveries and accounts payable and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

22. Financial Instruments (continued)

Fair value (continued)

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

As at December 31, 2023, the Company's financial instruments carried at fair value consisted of the Investment in Scout Discoveries, which have been classified as Level 3 (December 31, 2022 – $nil).

23. Segmented information

The Company has one operating segment focused on the exploration and development of the Leviathan and Hercules Properties in Idaho, U.S.

24. Contingencies

The Company's E&E activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. As at December 31, 2023, the Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make future expenditures to comply with such laws and regulations.

The Company may also, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Liabilities associated with legal proceedings are recorded when (i) the liabilities are a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligations, and (iii) a reliable estimate can be made of the amount of obligation.

As at December 31, 2023, the Company remained responsible for payment of a dispute in connection to certain exploration drilling services provided by an arm's length party (the "Contractor"), for an alleged breach of the terms pursuant to a drilling services agreement between the parties, for the Contractors' failure to complete drilling as required.

As at December 31, 2023, the Company had recorded a provision of USD $150,000 ($198,390) for the estimated amount that it expects to pay out and settle with the Contractor. The provision amount was included in E&E expenditures. Subsequent to year-end, the Company settled the dispute by making a payment of USD $150,000 to the Contractor.

25. Reclassifications

For comparative purposes, certain items comparative figures on the consolidated statements of loss and comprehensive loss have been reclassed to conform to the current year's presentation. Net loss previously reported had not been impacted.

26. Subsequent Events

Shares, RSUs, options and warrants

Subsequent to December 31, 2023, the Company issued 1,400,000 common shares as a result of the exercise of options for total cash proceeds of $141,625. The Company also issued 12,715,832 common shares from exercises of Warrants for total proceeds of $1,486,617.

On January 30, 2024, the Company issued 500,000 common shares as a result of the vesting of RSUs.

On February 9, 2024, the Company granted 600,000 RSUs to certain consultants. The RSUs vest 50% on the one-year anniversary from grant, and 25% every six months afterward.

On April 4, 2024, the Company granted 200,000 stock options to certain investor relations consultants. The options are exercisable at a price of $0.83 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to April 4, 2026.

26. Subsequent Events (continued)

Shares, RSUs, options and warrants (continued)

On April 8, 2024, the Company granted 1,916,000 RSUs to certain officers and directors. The RSUs vest 25% at each six-month anniversary from grant up to April 8, 2026.

Purchase of building property

On January 3, 2024, the Company purchased a building property for USD $716,189 in Cambridge, Idaho.