

**HIGHBANK RESOURCES LTD.**  
**Condensed Interim Financial Statements**  
**For the period ended March 31, 2023**  
**Unaudited Expressed in Canadian Dollars**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**HIGHBANK RESOURCES LTD.**Condensed Interim Statements of Financial Position  
(Unaudited - Expressed in Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 54,089	\$ 146,358
Accounts receivable		2,149	1,184
Due from related parties	11	1,704	1,704
Prepaid expenses		10,119	5,866
		68,061	155,112
<b>Non-current assets</b>			
Equipment	4	636	657
Reclamation bond	6	189,500	189,500
Exploration and evaluation assets	5	154,235	134,235
		344,371	324,392
<b>TOTAL ASSETS</b>		<b>\$ 412,432</b>	<b>\$ 479,504</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	7	\$ 2,543,141	\$ 2,529,535
Promissory notes	10	3,176,914	3,114,626
Due to related parties	11	1,194,534	1,172,034
Production loan	10	900,000	900,000
Convertible debentures	10	3,378,869	3,198,950
		11,193,458	10,915,145
<b>Non-current liabilities</b>			
Reclamation obligation	6	94,750	94,750
		94,750	94,750
<b>TOTAL LIABILITIES</b>		<b>11,288,208</b>	<b>11,009,895</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	8	17,558,795	17,538,795
Share subscription advance (receivable)		(6,650)	(6,650)
Equity component of convertible debentures	10	1,207,205	1,207,205
Contributed surplus	9	1,575,152	1,575,152
Deficit		(31,210,278)	(30,844,893)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>(10,875,776)</b>	<b>(10,530,391)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>\$ 412,432</b>	<b>\$ 479,504</b>

Nature and continuance of operations (Note 1)  
Commitments (Notes 4, 5, and 10)  
Contingency (Note 5)

Approved on behalf of the Board:

*"Gary Musil"*

Director

*"Mark Luchinski"*

Director

See accompanying notes to the financial statements

**HIGHBANK RESOURCES LTD.**Condensed Interim Statements of Comprehensive Loss  
(Unaudited - Expressed in Canadian dollars)

		Three months ended March 31,	
	Notes	2023	2022
<b>Expenses</b>			
Depreciation		\$ 21	\$ 25
Consulting fees	11	7,500	-
Interest and bank charges		30,108	23,816
Management fees	11	15,000	37,500
Office and miscellaneous		4,876	4,332
Professional fees		11,666	2,151
Regulatory and transfer agent		3,510	1,729
Shareholder information		330	-
Travel and promotion		168	78
		73,179	69,631
<b>Other items</b>			
Interest on promissory notes, convertible debentures, and production loan	10,11	292,206	249,516
		292,206	249,516
Net and comprehensive loss for the period		\$ 365,385	\$ 319,147
Weighted average number of common shares outstanding (basic and diluted)			
		22,329,904	13,994,662
Basic and diluted net loss per share		\$ (0.02)	\$ (0.02)

See accompanying notes to the financial statements

**HIGHBANK RESOURCES LTD.**

Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)  
(Unaudited - Expressed in Canadian dollars)

	Share capital		Share subscription advance (receivable)	Equity component of convertible debenture	Contributed Surplus	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2022	13,990,662	\$ 17,189,233	\$ (6,650)	\$ 1,207,205	\$ 1,509,658	\$ (29,357,142)	\$ (9,457,696)
Loss for the period	-	-	-	-	-	(319,147)	(319,147)
<b>Balance at March 31, 2022</b>	<b>13,990,662</b>	<b>\$ 17,189,233</b>	<b>\$ (6,650)</b>	<b>\$ 1,207,205</b>	<b>\$ 1,509,658</b>	<b>\$ (29,676,289)</b>	<b>\$ (9,776,843)</b>
Balance at January 1, 2023	21,917,816	\$ 17,538,795	\$ (6,650)	\$ 1,207,205	\$ 1,575,152	\$ (30,844,893)	\$ (10,530,391)
Loss for the period	-	-	-	-	-	(365,385)	(365,385)
Shares issued for exploration and evaluation asset	500,000	20,000	-	-	-	-	20,000
<b>Balance at March 31, 2023</b>	<b>22,417,816</b>	<b>\$ 17,558,795</b>	<b>\$ (6,650)</b>	<b>\$ 1,207,205</b>	<b>\$ 1,575,152</b>	<b>\$ (31,210,278)</b>	<b>\$ (10,875,776)</b>

See accompanying notes to the financial statements

HIGHBANK RESOURCES LTD.  
Condensed Interim Statements of Cash Flows  
(Unaudited – Expressed in Canadian dollars)

	Three months ended March 31,	
	2023	2022
<b>Operating activities</b>		
Loss for the year	\$ (365,385)	\$ (319,147)
Adjustments for non-cash items:		
Depreciation	21	25
Accrued interest and accretion	242,207	249,516
Changes in non-cash working capital items:		
Accounts receivable	(965)	358
Prepaid expenses	(4,253)	(5,201)
Trade payables and accrued liabilities	13,606	(744)
Due from related parties	-	62,625
Due to related parties	22,500	-
<b>Net cash flows used in operating activities</b>	<b>(92,269)</b>	<b>(12,568)</b>
<b>Financing activities</b>		
Promissory notes issued	-	45,700
<b>Net cash flows provided by financing activities</b>	<b>-</b>	<b>45,700</b>
<b>(Decrease) increase in cash</b>	<b>(92,269)</b>	<b>33,132</b>
<b>Cash, beginning</b>	<b>146,358</b>	<b>2,204</b>
<b>Cash, ending</b>	<b>\$ 54,089</b>	<b>\$ 35,336</b>

See accompanying notes to the financial statements

## 1. Nature and continuance of operations

Highbank Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "HBK".

The corporate office and principal place of business of the Company is 800 West Pender Street, Suite 615, Vancouver, British Columbia, Canada, V6C 2V6.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2023, the Company has a working capital deficiency of \$11,125,397, a deficit of \$31,210,278, has not advanced its property to commercial production, and is not able to finance day to day activities through operations. This material uncertainty raises significant doubt regarding the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration and development activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and from companies controlled by directors, loans from non-related parties, and/or private placement of common shares.

The outbreak of the coronavirus, also known as "COVID-19", spread across the globe and continues to impact worldwide economic activity. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

## 2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on May 30, 2023 by the directors of the Company.

### ***Statement of compliance to International Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Reporting".

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Basis of preparation***

The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

### ***Significant accounting judgments, estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates made in the preparation of these financial statements include the valuation of the reclamation obligation. Significant judgments include assessment of going concern assumption and assessment of any impairment indicators for its exploration and evaluation assets in accordance with IFRS 6.

### ***Foreign currency translation***

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

### ***Transactions and balances:***

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

### ***Exploration and evaluation expenditures***

The Company is in the exploration stage in respect to its exploration and evaluation assets.

Pre-exploration costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include costs such as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as



## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Exploration and evaluation expenditures (cont'd)***

a liability when they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "property and equipment". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

The Company assesses exploration and evaluation assets for impairment at each reporting date.

### ***Provision for environmental rehabilitation***

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets, property and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

### ***Share-based payment***

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payment to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the contributed surplus. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. All equity-settled share-based payment is reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the related amount remains in contributed surplus.

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

## 2. Significant accounting policies and basis of preparation (cont'd)

### *Financial instruments (cont'd)*

#### *i. Classification (cont'd)*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company has designated its cash as FVTPL which is measured at fair value. Due from related parties and reclamation bond are classified as and measured at amortized cost. Trade payables and accrued liabilities, promissory notes, production loan, convertible debenture, and amounts due to related parties are classified as and measured at amortized cost.

#### *ii. Measurement*

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the statements of comprehensive income (loss) in the period in which they arise.

##### *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### *iii. Derecognition*

##### *Financial assets*

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 of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss in the statements of comprehensive income (loss).

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Compound financial instruments***

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. If the conversion option is exercised, the carrying amount of the liability and the equity component of the compound financial instrument is transferred to share capital.

### ***Impairment of assets***

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

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

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

### ***Income taxes***

#### Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 by the end of the reporting period.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Income taxes (cont'd)***

#### Deferred income tax: (cont'd)

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### ***Flow-through shares***

The Company may from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability and deferred tax expense for the amount of tax reduction renounced to the shareholders. The reduction of the premium previously recorded is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act). The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

### ***Property and equipment***

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated at the following rates upon the asset being ready for use:

Computer equipment	30%
Office equipment	20%
Mining equipment	30%, capitalized to mine under development
Conveyor system	6 years straight line, commencing upon final installation
Barge load out	20 years straight line, capitalized to mine under development

One-half the normal rate is recorded in the year of acquisition.

### ***Share capital***

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **2. Significant accounting policies and basis of preparation (cont'd)**

### ***Loss per share***

The Company applies the "Treasury Stock Method" to calculate loss per common share. Under this method, the basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each period. The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period and proceeds from dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share warrants and options had an anti-dilutive impact in 2022 and 2021.

### ***Warrants***

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the remaining balance to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in contributed surplus.

### ***Borrowing costs***

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in profit or loss in the period in which they are incurred.

### ***Leases***

Recognition, measurement, presentation and disclosure of leases is under a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

### ***Contracts***

Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

## **3. Accounting standards adopted or issued but not yet effective**

The Company has adopted the following amendment effective January 1, 2023:

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023, and are not expected to have a material impact on the Company. The adoption of the amendment had no material impact on the financial statements.

#### 4. Mine under development - Swamp Point

By an Earn-in Agreement dated August 22, 2003 (amended February 10, 2005 and December 9, 2005) with Portland Canal Aggregates Corporation ("PCAC"), the Company acquired a 100% Working Ownership Interest in PCAC's Swamp Point Gravel Deposit (the "Property") located in British Columbia for consideration of:

- Issuance of a total of 200,000 common shares of the Company's capital stock at a price of \$2.00 per share (issued);
- Exploration and development expenditures of \$1,300,000 (incurred).

In addition, the Company issued 15,000 common shares at a price of \$2.00 per share in payment of finder's fees related to the transaction.

This Earn-in Agreement is subject to a 5% royalty payable to PCAC on the gross receipts from sales of product from the Property of 7,000,000 Metric Tonnes or less, and an 8% royalty on sales of product of greater than 7,000,000 Metric Tonnes.

In the event that the Company had not obtained production and sale of product from the Property on or before May 2006, the Company was obliged to make advanced royalty payments to PCAC as follows:

- \$25,000 on or before May 31, 2006; (paid)
- \$25,000 on or before November 30, 2006; (paid)
- \$50,000 on or before May 31, 2007; (paid) and
- \$50,000 on or before November 30, 2007 (paid).

On November 1, 2012 the Company entered into a Cooperation Agreement with the Metlakatla First Nation and the Metlakatla Development Corporation ("Metlakatla") which provides the Metlakatla with the opportunity to participate in the economic benefits arising from the development of SPNAP within their traditional territory. Consideration includes payment of \$25,000 (paid), the issuance of a total of 500,000 share purchase warrants (issued), and a production benefit of \$0.25 per metric tonne of aggregate produced.

On March 19, 2014, the Company received the Mines Act permit which carries special conditions which are to be satisfied prior to commencing production for the Swamp Point North Aggregate Project. The Company has also remitted \$189,500 for the reclamation security deposit.

On October 1, 2014, the Company classified the SPNAP as a mine under development and transferred the capitalized costs to property and equipment. All subsequent expenditures were classified as property and equipment additions.

During the year ended December 31, 2015, the Company entered into a Royalty Agreement in which a \$900,000 non-interest bearing production loan was advanced to the Company to be repaid from sales and a royalty of \$0.50 per ton to be paid once the loan was repaid. The Company calculated the value of the sale of the royalty interest to be \$144,264. The fair value of the royalty component was determined at the time of issue as the difference between the proceeds of the production loan and the fair value of the liability component. (See Note 10).

During the year ended December 31, 2020, the Company incurred additional Swamp Point costs of \$8,194, \$84,811 of depreciation, and a further \$46,062 in demobilization costs. The Company sold equipment during the period and realized gain of \$10,811 net of repair, selling, and transportation costs. The Company also recorded an impairment of \$1,380,000 in mine under development.

#### 4. Mine under development - Swamp Point (cont'd)

During the year ended December 31, 2021, the Company incurred additional Swamp Point costs of \$8,896 and \$83,224 of amortization. The Company also recorded an impairment of \$5,646,615 in mine under development, \$8,638 in mining equipment, \$1,482,807 in barge load out, and \$686,950 in conveyor system as the Company does not intend to develop the project any further. Future expenditures will be recognized in the statement of profit and loss.

#### 5. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

##### **Terra Nova Property, Newfoundland**

On July 4, 2022, the Company entered into a property option agreement with CMC Metals Ltd. to earn up to an 80% right, title and interest in 6 licenses comprising 71 claims known as the Terra Nova Property located in Newfoundland and Labrador. Terms are as follows:

Cash:

- \$10,000 within 30 days of signing the Agreement (**paid**); \$20,000 on/or before October 22, 2022 (assuming the second anniversary payment of CMC to the vendors) (**paid**);
- \$30,000 on/or before October 22, 2023 (assuming the third anniversary payment of CMC to the vendor); and
- Starting at the fifth-year anniversary of the CMC agreement (October 22, 2025) assuming an advance royalty payment of \$5,000 per year.

Shares:

- 500,000 common shares upon TSX Venture Exchange ("Exchange") acceptance (issued);
- 500,000 common shares within six (6) months of Exchange approval (issued); and
- 500,000 common shares within twelve (12) month of Exchange approval.

A two percent (2%) Net Smelter Returns royalty related to Mineral Products from any and all conventional mining on, in or under the Property is payable of which 1% can be purchased by the Company for \$1,000,000.

##### **Highland Valley Property**

On December 8, 2009, the Company entered into an agreement to acquire a 50% interest in the Highland Valley Property, located in British Columbia.

The terms of the agreement include the issuance of a total of 20,000,000 common treasury shares of the Company, staged cash payments totalling \$250,000 (paid \$50,000), and expenditures of \$1,000,000 in exploration and development within three years of Exchange approval (received). The Company obtained disinterested shareholder approval of the transaction.

On July 19, 2012, the Company negotiated an amendment of the agreement with MOAG Copper Gold Resources Inc. ("MOAG") to eliminate the remaining \$200,000 in cash payments and \$412,000 in exploration commitments required, and still earn its 50% interest, subject to other terms of the December 8, 2009 agreement remaining. On December 6, 2012, the Company resolved to cancel the agreement to acquire the property and recorded an impairment to reduce the carrying value to \$1. On January 7, 2013 the Company cancelled the balance of 14,000,000 treasury shares remaining in escrow.

## 5. Exploration and evaluation assets (cont'd)

On December 23, 2013 the Company received a Notice of Civil Claim (the "Claim") in the B.C. Supreme Court from MOAG claiming losses as a result of the Company cancelling the balance of 14 million treasury shares in escrow, general damages, and interest on those general damages. On January 17, 2014 the Company filed a Response to the Civil Claim. The summary trial application filed by MOAG's counsel did not proceed on June 25, 2014 and has been postponed indefinitely. The Company is unable to determine the outcome at this time, as the matter is still before the courts.

	<b>Terra Nova</b>		
	<b>Newfoundland</b>	<b>Other</b>	<b>Total</b>
<b>Acquisition costs - December 31, 2022</b>	<b>\$ 55,000</b>	<b>\$ 3</b>	<b>\$ 55,003</b>
Cash	-	-	-
Shares	-	-	-
	55,000	3	55,003
<b>Exploration costs - December 31, 2022</b>	<b>79,232</b>	<b>-</b>	<b>79,232</b>
Assays and testing	-	-	-
Geological consulting	-	-	-
Road construction	-	-	-
Reports and administration	-	-	-
Travel, accommodation, and supplies	-	-	-
	79,232	-	79,232
<b>TOTAL, March 31, 2023</b>	<b>\$ 134,232</b>	<b>\$ 3</b>	<b>\$ 134,235</b>

## 6. Reclamation deposit and obligation

During the year ended December 31, 2014, the Company posted a bond totaling \$189,500 with the British Columbia government. The purpose of the bond is to cover any costs of reclamation and rehabilitation of the Swamp Point mine site.

Management has recorded an obligation of \$94,750 (2021 - \$94,750) at this time based on the estimated level of disturbance as at March 31, 2023. The Company used the estimated cost of reclamation reported in the 2013 Notice of Work Application as the base cost plus a contingency. The base amount has been tested for inflation and, due to inactivity on the site, remains unchanged in 2023.

## 7. Trade payables and accrued liabilities

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Trade payables	\$ 894,453	\$ 942,676
Accrued liabilities	88,763	76,934
Interest payable on convertible debentures	1,535,314	1,485,314
Other liabilities - Part XII.6 tax payable	24,611	24,611
	<b>\$ 2,543,141</b>	<b>\$ 2,529,535</b>



## 8. Share capital

### *Authorized share capital*

Unlimited number of common shares without par value.

On June 16, 2022 the Company consolidated its capital on a 10 old shares for 1 new share basis. All share figures, number of options and warrants have been presented on a post consolidation basis.

### *Issued share capital*

At March 31, 2023 there were 22,417,816 issued and fully paid common shares (December 31, 2022 – 21,917,816).

On January 15, 2023 the Company issued 500,000 common shares valued at \$20,000 for a property acquisition.

On October 19, 2022 the Company completed a non-brokered flow-through private placement of 1,107,144 units at a price of \$0.07 per unit for gross proceeds of \$77,500. Each unit consisted of one flow-through common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.10 until October 19, 2024. Finder's fees of \$2,400 in cash and 34,286 broker's warrants with a fair value of \$1,057 were paid. The broker's warrants were valued at a volatility of 161%, expected life of 2 years, discount rate of 3.87%, and a dividend rate of 0% and have the same terms of the unit warrants.

The flow-through units were issued at a premium to the market price in recognition of the tax benefits accruing to subscriber. The Company flow-through premium was calculated to be \$22,143 in relation to this issuance. The premium liability is derecognized through income as the qualifying expenditures are incurred. During the year ended December 31, 2022, the Company fulfilled the commitment by incurring qualifying expenditures of \$79,232 and recognized a flow-through premium recovery of \$22,143.

On September 12, 2022 the Company completed a non-brokered private placement of 3,300,000 units at a price of \$0.05 per unit for gross proceeds of \$165,000. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.075 for the first year and \$0.10 per share for the second. Finder's fees of \$12,800 in cash and 256,000 broker's warrants with a fair value of \$7,757 were paid. The broker's warrants were valued at a volatility of 158%, expected life of 2 years, discount rate of 3.64%, and a dividend rate of 0% and have the same terms as the unit warrants.

On August 10, 2022 the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.05 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company for a period of two years at a price of \$0.075 for the first years and \$0.10 per share for the second. Finder's fees of \$5,600 in cash and 112,000 broker's warrants with a fair value of \$3,974 were paid. The broker's warrants were valued at a volatility of 164%, expected life of 2 years, discount rate of 3.08%, and a dividend rate of 0% and have the same terms as the unit warrants.

The volatility used in the Black-Scholes calculation was determined based on the Company's historical data. The Company also incurred an aggregate of \$13,007 in other share issue costs in connection with the above private placements.

On July 15, 2022 the Company issued 500,000 common shares valued at \$25,000 for a property acquisition.

On May 6, 2022 the Company issued 16,000 common shares valued at \$800 as bonus shares as part of a finance fee for a loan made to the Company.

## 8. Share capital (cont'd)

### Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the period ended March 31, 2023 and year ended December 31, 2022 are as follows:

	March 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,650,000	\$ 0.06	425,000	\$ 0.05 <sup>1</sup>
Options granted	-	-	1,225,000	0.07
Options outstanding, ending	1,650,000	\$ 0.06	1,650,000	\$ 0.06
Options exercisable, ending	1,650,000	\$ 0.06	1,650,000	\$ 0.06

<sup>1</sup>The 425,000 post consolidation options were repriced to \$0.05 from \$0.50.

Details of options outstanding as at March 31, 2023 are as follows:

Exercise Price	Number of options Outstanding	Expiry Date
\$0.05	425,000	July 17, 2023
\$0.07	1,225,000	September 15, 2025
	1,650,000	1.90 weighted average years

### Warrants

Details of warrants outstanding as at March 31, 2023 are as follows:

Warrants outstanding at December 31, 2021	-
Granted	4,105,858
Warrants outstanding at December 31, 2022 and March 31, 2023	4,105,858

The weighted average exercise price is \$0.08 and the weighted average life remaining is 1.41 years.

**8. Share capital (cont'd )**

***Warrants (cont'd)***

<b>Exercise Price</b>	<b>Number of warrants Outstanding</b>	<b>Expiry Date</b>
\$0.075	1,612,000	August 10, 2023
\$0.10		August 10, 2024
\$0.075	1,906,000	September 12, 2023
\$0.10		September 12, 2024
\$0.10	587,858	October 19, 2024
	<b>4,105,858</b>	

**9. Contributed surplus**

Contributed surplus includes share-based payment expense of stock options granted and fair value of share purchase warrants issued.

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Balance, beginning	\$ 1,575,152	\$ 1,509,658
Fair value of brokers' warrants	-	12,788
Fair value of options	-	52,706
<b>Balance, ending</b>	<b>\$ 1,575,152</b>	<b>\$ 1,575,152</b>

**10. Convertible debentures, promissory notes, production loan, and demobilization loan**

**Convertible debentures**

As at December 31, 2019 and 2020, the Company had convertible debentures totaling \$4,000,000 which were issued in 2014 and amended in 2017. The convertible debenture matured in 2019, but continue to accrue interest at 10% per annum, payable in cash or shares. The principal amount is convertible to common shares at \$1.00 and the right of conversion continues until the principal and accrued interest are repaid.

These convertible debentures are secured against the Company's barge load out and conveyor system.

On June 28, 2021 the Company amended certain terms of the convertible debentures. The maturity of the debentures was extended to December 31, 2023 and the interest rate was amended to 5% per annum beginning January 1, 2021. All other terms remain the same.

The modification of the terms is considered substantial, resulting in the recognition of new compound financial instruments containing a liability component and an equity component. The liability component was measured at amortized cost and was accreted over the expected term to maturity using the effective interest method. The fair value of the liability component at the time of issue was calculated using an estimated effective interest rate for a debenture without a conversion feature. The Company estimated the interest rate of 32% based on promissory notes interest rate and bonus shares issued. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the proceeds of the compound convertible debenture and the fair value of the liability component. The equity component of the convertible debenture is recorded net of tax of \$446,500.

**10. Convertible debentures, promissory notes, production loan, and demobilization loan (cont'd)**

The liability component for the amended debentures was calculated as follows:

	March 31, 2023	December 31, 2022
Balance, beginning	\$ 3,198,950	\$ 2,592,094
Extinguishment of convertible debenture	-	-
Recognition of new financial liability	-	-
Equity portion of convertible debenture	-	-
Accretion included in interest expense	179,919	606,856
<b>Balance, ending</b>	<b>3,378,869</b>	<b>3,198,950</b>
<b>Current portion</b>	<b>\$ 3,378,869</b>	<b>\$ 3,198,950</b>

**Promissory notes**

	March 31, 2023	December 31, 2022
Promissory notes with arm's length creditors, bearing interest rates of 1.0 to 1.5% per month, repayable upon demand, non-secured, dependent upon the Company completing a debt or other financing.	\$ 1,288,500	\$ 1,288,500
Promissory notes with a director, bearing interest of 1.5% per month, repayable upon demand, non-secured.	78,000	78,000
Promissory notes with a director, bearing interest of 1.0% per month, repayable upon demand, non-secured.	100,000	100,000
Promissory note with a company 50% owned by a director, bearing interest of 1.5% per month, repayable upon demand, non-secured.	-	-
Advances from arm's length creditors, non interest bearing, repayable from demobilization proceeds	97,000	97,000
Advance from a director, bearing interest of 1.5%, repayable on demand, non-secured	-	-
Accrued interest*	1,613,414	1,551,126
<b>Balance, ending</b>	<b>\$ 3,176,914</b>	<b>\$ 3,114,626</b>

\*During the period ended March 31, 2023 the Company accrued interest of \$6,375 (2022 - \$7,301) and as of March 31, 2023, had accrued interest payable of \$133,288 (December 31, 2022 - \$126,815) to directors

**10. Convertible debentures, promissory notes, production loan, and demobilization loan (cont'd)**

**Production loan**

In May 2015, the Company arranged a non-interest bearing production loan totaling \$900,000 to be repaid from production sales. General terms are repayment of \$1.00 per tonne from sales until the \$900,000 financing is repaid and \$0.50 per tonne interest royalty for the life of operations. No finders fees were paid in connection with this financing. Of the \$900,000, \$675,000 was advanced from a non-related third party and \$225,000 from Melsar Management Inc. (a company controlled by William Loucks, Director).

The production loan was a financial instrument containing a liability component and a sale of royalty component. The liability component was initially measured at fair value and is being accreted over the expected term to maturity using the effective interest method. The fair value of the liability component at the time of issue was calculated using an effective interest rate of 15% and an estimated expected term of 15 months. The fair value of the royalty component was determined at the time of issue as the difference between the proceeds of the production loan and the fair value of the liability component. Interest of \$144,264 had been accrued and capitalized in the year ended December 31, 2016.

**Demobilization advances**

In June 2019 the Company decided to move and dispose of certain equipment located at the Swamp Point Property in order to reduce site maintenance costs and reduce liabilities. In order to facilitate the disposal, an arm's length party agreed to advance the necessary funds to effect the demobilization and make necessary repairs. The funds advanced, included in promissory notes on the statements of financial position, are non-interest bearing and will be repaid from the proceeds of disposal.

**11. Related party transactions**

***Related party balances***

The following amounts due to related parties:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Directors of the Company	\$ 225,000	\$ 225,000
Companies owned by directors and former director	849,550	827,050
Companies with common officer and directors	119,984	119,984
	<b>\$ 1,194,534</b>	<b>\$ 1,172,034</b>

The following amounts due from related parties:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Company with common directors	\$ 1,704	\$ 1,704

The amounts due to and from directors and companies related by common directors and officers are unsecured, non-interest bearing and have no fixed terms of repayment, accordingly fair value cannot be reasonably measured. See Note 10 for promissory notes issued to directors of the Company.

## 11. Related party transactions (cont'd)

### *Key management personnel compensation*

	Periods ended March 31,	
	2023	2022
Management fees	\$ 15,000	\$ 37,500
Consulting fee	7,500	-
	\$ 22,500	\$ 37,500

On June 1, 2014 the Company amended the Office Services Agreement (the "Agreement") with its Chief Executive Officer for compensation of \$5,000 per month plus benefits for a term of 24 months. The Agreement automatically renews for consecutive 24 month terms, subject only to termination in accordance with the Agreement. Effective July 2019, the parties to the Office Services Agreement were amended to include a company controlled by the Chief Executive Officer.

On November 1, 2015 the Company entered into a Management Services Agreement (the "Agreement") with Geomorph Consulting (the "Consultant") for monthly remuneration to \$7,500 per month, plus applicable taxes (the "Fee") for a term of 24 months. The Agreement automatically renews for consecutive 24 month terms, subject only to termination in accordance with the Agreement. The Agreement was mutually terminated in July 2022.

On July 1, 2022 the Company entered into a Consulting Services Agreement with Luch Capital Corp., a company owned by the CFO. The Company has agreed to pay a monthly fee of \$2,500 per month, plus applicable taxes (the "Fees") with a term of six months. Such compensation shall be subject to reviews carried out on the basis of each semi-annual period.

## 12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Credit Risk

The Company is exposed to credit risk by holding cash. Holding the cash in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its various refundable credits are due from the Canadian government.

### Currency Risk

The Company's functional currency is the Canadian dollar. There is minimal foreign exchange risk to the Company as its mineral property interests are located in Canada. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

### Interest Rate Risk

The Company's exposure to interest rate risk relates to its outstanding loans to unrelated third parties which bear interest at 5% to 18% per annum. The interest rates are fixed and will have minimal risk.

### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

## 12. Financial risk management (cont'd)

### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. At March 31, 2023, the Company had a cash balance of \$54,089 which will not be sufficient to meet its current obligations related to its accounts payable and accrued liabilities of \$2,543,141, promissory notes of \$3,176,914, production loan of \$900,000 (to be repaid by a royalty, see Note 10), convertible debentures with a principal balance of \$4,000,000, and amounts due to related parties of \$1,194,534.

The Company's ability to continue operations remains uncertain and dependent on its ability to obtain additional financing and the ongoing support of its creditors.

### Capital Management

The Company includes cash and equity in the definition of capital. Equity is comprised of issued common shares, contributed surplus, share subscription advance (receivable), and deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

There were no changes in the Company's approach to capital management during the year.

### **Fair value**

The fair value of the Company's financial assets and liabilities approximates the carrying amount, unless otherwise noted. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair measurement.

As at March 31, 2023 and December 31, 2022, the Company's financial instruments measured at fair value are as follows:

	<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
2023	Cash	\$ 54,089	\$ -	\$ -	\$ 54,089
2022	Cash	\$ 146,358	\$ -	\$ -	\$ 146,358

### **13. Segmented information**

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development in Canada.