SILVER WOLF EXPLORATION LTD.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Silver Wolf Exploration Ltd. (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities, and reviews the results of the audit and the annual consolidated financial statements prior to their approval.

The consolidated financial statements as at December 31, 2022, and for the year ended December 31, 2022 and 2021, have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination, and gives their opinion on the consolidated financial statements.

"David Wolfin"	*"Nathan Harte"*
David Wolfin Chairman & CEO April 25, 2023	Nathan Harte, CPA Chief Financial Officer April 25, 2023

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
Silver Wolf Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Silver Wolf Exploration Ltd. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information. (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 Financial Statements for the year ended December 31, 2022. 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial Statements, including the disclosures, and whether the Consolidated financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial Statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph R. Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 25, 2023

Silver Wolf Exploration Ltd.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash		$ 208,715	$ 364,784
Sales taxes receivables and other		122,628	58,356
		331,343	423,140
Non-Current Assets			
Investments	**5**	13,649	47,500
Exploration and evaluation assets	**6**	1,354,363	784,713
Property and equipment	**7**	30,877	93,422
Reclamation deposit	**9**	3,000	3,000
TOTAL ASSETS		$ 1,733,232	$ 1,351,775
LIABILITIES			
Current Liabilities			
Trade and other payables		$ 110,424	$ 177,082
Current portion of lease liability	**8 (b)**	7,828	21,304
Due to related parties	**11**	246,394	78,859
		364,646	277,245
Non-Current Liabilities			
Lease liability	**8 (b)**	11,882	61,819
Site restoration obligation	**9**	3,000	3,000
		379,528	342,064
EQUITY			
Share capital	**10**	6,546,765	6,065,144
Contributed surplus		641,421	591,542
Accumulated other comprehensive income (loss)		4	(545,831)
Deficit		(5,834,486)	(5,101,144)
		1,353,704	1,009,711
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 1,733,232	$ 1,351,775

Note 1 – Nature of Operations and Going Concern

These consolidated financial statements are authorized for issue by the Board of Directors on April 25, 2023:

"David Wolfin" **Director** "Stephen Williams" **Director**

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

Silver Wolf Exploration Ltd.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

	Note	Years ended December 31, 2022	2021
General and Administrative Expenses			
Administrative benefits and salaries		$ 63,997	$ 138,893
Automobile		1,280	2,521
Consulting fees		35,202	40,458
Depreciation		7,306	10,759
Foreign exchange (gain) loss		110,368	(12,938)
Interest and bank charges		7,870	6,467
Listing and filing fees		38,087	68,212
Office and miscellaneous		67,334	65,521
Professional fees		115,907	67,395
Share-based compensation		304,500	169,200
Shareholder information		115,173	30,230
Transfer agent fees		15,419	13,309
Operating Loss		(882,443)	(600,027)
Other Items			
Impairment loss	**6**	-	(323,619)
Gain on forgiveness of debt	**11**	56,849	-
Net Loss For the Year		$ (825,594)	$ (923,646)
Unrealized gain (loss) on investment securities		33,723	(36,100)
Reclassification of accumulated loss on investment sold	**5**	322,958	-
Currency translation differences		189,154	(529)
Total Comprehensive Loss		$ (270,563)	$ (960,275)
Basic and Diluted Loss per Share	**10 (e)**	$ (0.02)	$ (0.03)
Weighted Average Number of Shares Outstanding	**10 (e)**		
Basic		33,368,403	28,642,845
Diluted		33,368,403	28,642,845

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

Silver Wolf Exploration Ltd.
Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars

	Note	Number of Common Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Accumulated Other Comprehensive Income (Loss)		Total Equity
Balance, January 1, 2021		**23,912,048**	**$**	**4,611,274**	**$**	**369,092**	**$**	**(4,177,498)**	**$**	**(509,202)**	**$**	**320,666**
Private placement		5,750,000		1,161,250		26,250		-		-		1,187,500
Share Issuance Cost				(5,250)		-		-		-		(5,250)
Exercise of warrants		1,205,000		246,500		(96,000)		-		-		150,500
Common shares issued for mineral property		131,718		51,370		-		-		-		51,370
Share-based payments		-		-		169,200						169,200
Fair value of warrants issued for mineral property		-		-		96,000		-		-		96,000
Net loss for the period		-		-		-		(923,646)		-		(923,646)
Other comprehensive loss for the period		-		-		-		-		(36,629)		(36,629)
Balance, December 31, 2021		**30,998,766**	**$**	**6,065,144**	**$**	**591,542**	**$**	**(5,101,144)**	**$**	**(545,831)**	**$**	**1,009,771**
Balance, January 1, 2022		**30,998,766**	**$**	**6,065,144**	**$**	**591,542**	**$**	**(5,101,144)**	**$**	**(545,831)**	**$**	**1,009,711**
Private placement	**10 (b)**	4,014,734		441,621		-		-		-		441,621
Common shares issued for mineral property	**6, 10 (b)**	250,000		40,000		-		-		-		40,000
Share-based compensation	**10 (d)**	-		-		304,500		-		-		304,500
Stock options cancelled or expired	**10 (d)**	-				(415,210)		415,210		-		-
Fair value of warrant issuer	**10 (c)**	-		-		160,589		-		-		160,589
Net loss for the period		-		-		-		(825,594)		-		(825,594)
Reclassification of accumulated losses on investments sold	**5**	-		-		-		(322,958)		322,958		-
Other comprehensive income for the period		-		-		-		-		222,877		222,877
Balance, December 31, 2022		**35,263,500**	**$**	**6,546,765**	**$**	**641,421**	**$**	**(5,834,486)**	**$**	**4**	**$**	**1,353,704**

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

Silver Wolf Exploration Ltd.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	Years ended December 31, 2022	2021
Cash provided by (used in):		
Operating Activities		
Net Loss	$ (825,594)	$ (923,646)
Items not involving cash in the period:		
Share-based compensation	304,500	169,200
Interest charges	3,814	6,223
Depreciation	7,306	10,759
Foreign exchange movements	206,344	(9,940)
Impairment loss	-	323,619
Gain on forgiveness of debt	56,849	-
Changes in non-cash working capital items:		
Sales taxes recoverable and other	(64,272)	(55,152)
Trade and other payables	(66,657)	148,665
Due to related parties	110,686	15,709
	(267,024)	(314,563)
Financing Activities		
Issuance of common shares or units for cash, net	602,210	1,182,250
Issuance of common shares on exercise of warrants	-	150,500
Finance lease payments	(14,118)	(16,739)
	588,092	1,316,011
Investing Activities		
Proceeds from disposition of investments	50,383	-
Additions to machinery and equipment	2,130	(12,453)
Exploration and evaluation expenditures	(529,650)	(650,238)
	(477,137)	(662,691)
Change in Cash	(156,069)	338,757
Cash, Beginning of Period	364,784	26,027
Cash, End of Period	$ 208,715	$ 364,784
Supplementary Disclosure of Cash Flow Information		
Shares issued for Option Agreement payments	$ 40,000	$ 51,370
Issuance of share purchase warrants for Option Agreement	$ -	$ 96,000
Lease modification	$ (53,109)	$ 35,861
Income taxes paid	$ -	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Wolf Exploration Ltd. (formerly Gray Rock Resources Ltd.) ("Silver Wolf" or the "Company") was incorporated under the laws of the Province of British Columbia, Canada. It is in the exploration stage with regards to its business of the exploration and development of mineral properties. The Company has an option on the Ana Maria and Laberinto properties in Durango, Mexico. The Company's head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada.

Silver Wolf is in the exploration stage and has not yet determined whether the Company's properties contain ore reserves which are economically recoverable. The underlying carrying value of the mineral property interest and related exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, confirmation of Silver Wolf's interest in the mineral claims, the ability of Silver Wolf to obtain necessary financing to complete the exploration and development, and future profitable production or proceeds from the sale of all or an interest in its mineral claims.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2022, the Company has a working capital deficit of $33,303 and accumulated losses of $5,834,486. The Company has not yet generated any revenues from its operations and requires financing through the sale of shares or issuance of debt to continue with its operations and to develop its mineral properties. Although management intends to secure additional financing, there is no assurance that management will be successful in its efforts to secure additional financing, or that it will ever develop a self-supporting business. These factors together form a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Risks associated with Public Health Crises, including COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers, including smelter and refining service providers, and the demand for the Company's production.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

As at the date of the consolidated financial statements, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. In particular, the region in which we operate may not have sufficient public infrastructure to adequately respond or efficiently and quickly recover from such event, which could have a materially adverse effect on the Company's operations. The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

Functional Currency

The presentation and functional currency of the Company is the Canadian dollar, and the functional currency of the Company’s Mexican subsidiary is the Mexican peso, which is determined to the currency of the primary economic environment in which it operates. The Company’s US subsidiary is inactive.

Foreign Currency Translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that denominated in foreign currencies are translated at historical rates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Cortez, a company incorporated on June 21, 2006 in Nevada, USA.
- Compania Minera Mexicana de Gray Rock, S.A. de C.V., a company incorporated under the Mexican United States law on July 21, 2020.

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates, which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

2. BASIS OF PRESENTATION (CONTINUED)

Revisions to accounting estimates are recognized in the period, in which the estimate is revised, and may affect both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Exploration and Evaluation Expenditures

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

Site Closure and Reclamation Provisions

The Company assesses its reclamation provision at each reporting date or when new material information becomes available. Exploration, development, and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. The Company's exploration work to date has resulted in no significant site disturbance and therefore the Company's reclamation provision is limited to the amount posted as a reclamation bond.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Title to Mineral Properties

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

Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions for any share options granted could have a material impact on the Company's consolidated financial statements.

2. BASIS OF PRESENTATION (CONTINUED)

Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

Going Concern

The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company does not hold any cash equivalents as at December 31, 2022 and 2021.

Financial Instruments

<u>Measurement – initial recognition</u>

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

<u>Classification – financial assets</u>

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognized using the effect interest method, and is recognized in interest and other income, on the consolidated statements of operations and comprehensive income (loss).

The Company has no financial assets recognized at amortized cost.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit.

The Company financial assets designated as FVTOCI includes investments.

Fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL, which includes cash, and reclamation deposit.

<u>Classification – financial liabilities</u>

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include trade and other payables, and due to related parties.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations. The Company has no financial liabilities designated at FVTPL.

The Company has no hedging arrangements and does not apply hedge accounting.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as production commences at levels intended by management, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. General exploration costs not related to specific mineral property are expensed as incurred. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment.

An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Incidental revenues and operating costs are included in mineral properties and development costs prior to production at levels intended by management. Accrued tax credits on eligible exploration expenditures are accounted for as deduction from mineral properties and development costs, on a property by property basis, and will be charged to operations on the same basis as the acquisition, exploration, and development expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for provided there is reasonable assurance that the tax credits will be realized.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining properties under development.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations.

The amounts shown for exploration and evaluation assets represent net costs incurred to the date of the consolidated financial statements and do not necessarily reflect present or future values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, equipment and mining properties

Property and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditures that are directly attributable to bringing the asset to a location and condition necessary to operate in a manner intended by management. Such costs are accumulated as construction in progress until the asset is available for use, at which point the asset is classified as plant, equipment and mining properties and depreciation commences.

Accumulated machinery and equipment are depreciated using the straight-line method over their estimated useful lives. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of property and equipment.

Property and equipment are depreciated using the following annual rates and methods:

Office equipment, furniture, and fixtures	3 years straight line balance
Computer equipment	5 years straight line balance
Machinery and equipment	5 years straight line balance
Right of use asset	5 - 20 years straight line

Impairment

At each financial position reporting date, 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset’s 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 or cash generating unit 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 profit or loss for the year.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the fair value of the warrants issued, with the residual allocated to common shares. The share purchase warrants are recognized at fair value using the Black-Scholes option pricing model or the listed trading price at the date of issue and as vesting occurs. Share purchase warrants are initially recorded into equity reserves and future changes in fair value are not recognized.

Upon exercise of the share purchase warrants, the initial value allocated to equity reserves in reversed and the residual of the cash proceeds over the initial fair value is recorded as to issued capital. On expiry, the equity reserve is reclassified from the warrant reserve to contributed surplus.

Share-Based Payment Transactions

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

Site Restoration Obligation

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 from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

These costs are charged against profit or loss over the economic life of the related asset, through deprecation using either the unit-of-production or the straight-line method. The related liability is adjusted for each year 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. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company evaluated its site restoration obligation to be $3,000 as at December 31, 2022 (2021 - $3,000).

Earnings or Loss per Share

The Company presents basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted earnings or loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on investments, gains or losses on certain derivative instruments, and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income and (loss), components of other comprehensive income and (loss) and cumulative translation adjustments are presented in the consolidated statements of operations and comprehensive loss and the consolidated statements of changes in equity.

Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Application of new and revised accounting standards:

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company adopted the amendments to IAS 16 with no material impact on the financial statements.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2022:

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

Expressed in Canadian Dollars

5. INVESTMENTS

Investments consist of the following:

	Number of Shares	Cost	Accumulated Unrealized Gain/(Loss)	December 31, 2022 Fair Value	December 31, 2021 Fair Value
Garibaldi Resources Corp	65,000	$ 202,800	$ (189,151)	$ 13,649	$ 47,500
		$ 202,800	$ (189,151)	$ 13,649	$ 47,500

During the year ended December 31, 2022, the Company disposed of 125,000 common shares of Garibaldi Resources Corp. for proceeds of $50,383 and realized cumulative fair value losses of $322,958 on sale, which was reclassified within equity from Accumulated Other Comprehensive income to Accumulated Deficit.

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

	Ana Maria & El Laberinto Option	Silver Stream Claims	Total
Balance, January 1, 2021	$ 4,409	$ 306,844	$ 311,253
Exploration costs incurred during the year:			
Acquisition costs	147,370	-	147,370
Geological consulting	204,865	-	204,865
Field expenditures	200,836	-	200,836
Mapping	168,516	-	168,516
Taxes and Licensing	34,064	16,775	50,839
Assays	24,653	-	24,653
Impairment charges	-	(323,619)	(323,619)
Balance, December 31, 2021	784,713	-	784,713
Exploration costs incurred during the year:			
Geological consulting	251,355	-	251,355
Field expenditures	153,773	-	153,773
Taxes and licensing	70,753	-	70,753
Acquisition costs	40,000	-	40,000
Assays	24,472	-	24,472
Foreign exchange	29,297	-	29,297
Balance, December 31, 2022	$ 1,354,363	$ -	$ 1,354,363

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Ana Maria & Laberinto Properties

During 2020, the Company announced the signing of an option agreement (the "Option Agreement") with Avino Silver & Gold Mines Ltd. ("Avino"), a company with directors and management in common, as optionor. Pursuant to the terms of the Option Agreement, the Company was granted the exclusive right to acquire an 100% interest in the Ana Maria and El Laberinto properties in Mexico (the "Option"), in consideration of the issuance to Avino of share purchase warrants to acquire 300,000 common shares of the Company at an exercise price of $0.20 per share for a period of 36 months from the date of the TSX Venture Exchange's final approval date of the Option Agreement of March 8, 2021.

During year ended December 31, 2021, the Company received final acceptance from the TSX Venture Exchange and issued to Avino the share purchase warrants to acquire 300,000 common shares and issued 131,718 common shares at an average price of $0.3796, valued at $50,000, to satisfy the terms laid out in Item 1 a) of the Option Agreement

In order to exercise the Option, the Company will:

1. Pay or issue to Avino a total of $600,000 in cash or common shares of the Company as follows:
    a. $50,000 in common shares of the Company within 30 days of March 8, 2021;
    b. A further $50,000 on or before March 8, 2022;
    c. A further $100,000 on or before March 8, 2023;
    d. A further $200,000 on or before March 8, 2024; and
    e. A further $200,000 on or before March 8, 2025; and

2. Incur a total of $750,000 in exploration expenditures on the properties, as follows:
    a. $50,000 on or before March 8, 2022;
    b. A further $100,000 on or before March 8, 2023; and
    c. A further $600,000 on or before March 8, 2025.

All share issuances will be based on the average volume weighted trading price of the Company's shares on the TSX Venture Exchange for the ten (10) trading days immediately preceding the date of issuance of the shares, and the shares will be subject to resale restrictions under applicable securities legislation for 4 months and a day from their date of issue.

Any exploration expenditures in excess of any period stated above will be applied towards the next succeeding period's minimum requirements. During the option period, the Company will also assume liability and be responsible for all required semi-annual property payments required to maintain the properties in good standing.

The Company also granted to Avino a right of first refusal on 60 days' notice to Avino to purchase and process any ore or concentrate extracted from the properties under a custom milling contract at Avino's mine facilities.

On March 30, 2022, the Company issued 250,000 common shares to Avino as part of the terms outlined in 1.b. in the Option Agreement, and as of the date of these financial statements, all requirements have been fulfilled within the timeline of the Option Agreement outlined above, including the fulfillment of 1.c. with 500,000 common shares issued to Avino on March 15, 2023.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Ana Maria Property

The Ana Maria property is located 21 kilometres (km) northwest of the City of Gómez Palacio and the adjacent City of Torreón, and 1 km north of the town of Dinimita, in the municipality of Gómez Palacio, Durango, Mexico. The claims are located in the Minitas mining district in the Guadalupe Victoria mining region. The property consists of 9 mining concessions encompassing 2,549 hectares ("ha").

Laberinto Project

The Laberinto Project is located in the "Sierra de la Silla" northwest of the town of Francisco I. Madero in the municipality of Panuco de Coronado. It is approximately 60 kilometres northeast of the city of Durango City, México. The property consists of mining concession encompassing 91.7 ha.

b) Silver Stream Claims

The Company has a 100% interest in two mineral claims in the Lillooet mining district of British Columbia, subject to a 3% net smelter returns royalty, known as Silver Stream 1 and Silver Stream 2 claims, collectively the Silver Stream Claims. The claims comprising the Silver Stream Claims remain in good standing until July 29, 2022.

As of December 31, 2021, the Company performed an evaluation of the exploration and evaluation asset at Silver Stream and recorded an impairment charge of $323,619 against the carrying value, reducing the carrying value to nil.

The impairment charge results from the Company's decision in 2021 to focus its efforts and resources on the Ana Maria and Laberinto properties and during 2022, the Company dropped the Silver Stream Claims as part of the continued focus on the Option properties.

Expressed in Canadian Dollars

7. PROPERTY AND EQUIPMENT

	Right of Use Asset (Note 8)	Office equipment, furniture, and fixtures	Computer equipment	Machinery and equipment	Total
	$	$	$	$	$
COST					
Balance at January 1, 2021	61,853	-	-	-	61,853
Additions / Transfers	35,681	2,762	8,891	2,741	50,075
Effect of movements in exchange rates	-	-	-	-	-
Balance at December 31, 2021	97,534	2,762	8,891	2,741	111,928
Additions / Transfers	(53,109)	-	-	-	(53,109)
Effect of movements in exchange rates	-	349	973	356	1,678
Balance at December 31, 2022	44,425	3,111	9,864	3,097	60,497
ACCUMULATED DEPLETION AND DEPRECIATION					
Balance at January 1, 2021	5,807	-	-	-	5,807
Additions / Transfers	10,759	169	1,670	101	12,699
Effect of movements in exchange rates	-	-	-	-	-
Balance at December 31, 2021	16,566	169	1,670	101	18,506
Additions / Transfers	7,306	627	3,027	156	11,114
Effect of movements in exchange rates	-	-	-	-	-
Balance at December 31, 2022	23,872	795	4,696	257	29,620
NET BOOK VALUE					
At December 31, 2022	**20,553**	**2,316**	**5,168**	**2,840**	**30,877**
At December 31, 2021	80,968	2,593	7,221	2,640	93,422
At January 1, 2021	56,046	-	-	-	56,046

Expressed in Canadian Dollars

8. LEASE LIABILITY & RIGHT-OF-USE ASSET

(a) Right-of-use asset

The Company shares office space with other companies related to it by virtue of certain directors and management in common (Note 11). In 2020, the Company recognized a right-of-use asset in relation to its share of office space lease allocated through Oniva International Services Corp. ("Oniva")

	December 31 2022	December 31 2021
Balance, beginning	$ 80,968	$ 56,046
Additions	-	35,681
Changes to lease terms	(53,109)	-
Depreciation	(7,306)	(10,759)
Balance, ending	$ 20,553	$ 80,968

(b) Lease liability

The contractual maturities and interest charges in respect of the Company's lease obligations in connection with its share of the office lease are as follows:

	December 31, 2022	December 31, 2021
Not later than one year	$ 9,186	$ 29,837
Later than one year and not later than five years	12,545	71,597
Less: future interest charges	(2,021)	(18,311)
Present value of lease payments	19,710	83,123
Less: current portion	(7,828)	(21,304)
Non-current portion	$ 11,882	$ 61,819

During the year ended December 31, 2022, the Company and Oniva amended the share of rental expense allocated to Silver Wolf. As a result, the Company recognized a lease modification and adjusted the right-of-use asset and lease liability accordingly as noted above.

(c) Amounts Recognized in Statement of Operations and Comprehensive Loss

Payments relating to short-term leases recognized as an expense during the year ended December 31, 2022, totalled $Nil (2021 - $Nil).

(d) Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the year ended December 31, 2022, totalled $Nil (2021 - $Nil).

9. RECLAMATION DEPOSIT

As at December 31, 2021, the Company has hypothecated a term deposit in the amount of $3,000 as security to the Province of British Columbia for future mineral claims site reclamation costs.

10. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value.

(b) Issued:

(i) During the year ended December 31, 2022, the Company closed a non-brokered private placement which consist of 4,014,734 units at a price of $0.15 per unit for gross proceeds of $602,160. Each unit consists of one common share and one non-transferable common share purchase warrant to purchase a common share at an exercise price of $0.25.

During the year ended December 31, 2022, the Company the Company issued 250,000 common shares at an average price of $0.16, valued at $40,000, to satisfy the terms laid out in Item 1 b) of the Option Agreement. For full details of the Option Agreement

(ii) During the year ended December 31, 2021, the Company closed a non-brokered private placement of 5,000,000 shares at a price of $0.20 per unit for gross proceeds of $1,000,000.

During the year ended December 31, 2021, the Company closed a non-brokered private placement of 750,000 units at a price of $0.25 per unit for gross proceeds of $187,500. Each unit consists of one common share and one half (1/2) of a non-transferable common share purchase warrant to purchase a common share at an exercise price of $0.35.

During the year ended December 31, 2021, the Company received final acceptance from the TSX Venture Exchange ("TSX-V") and issued to Avino the share purchase warrants to acquire 300,000 common shares and issued 131,718 common shares at an average price of $0.3796, valued at $50,000, to satisfy the terms laid out in Item 1 a) of the Option Agreement. See Note 5 for details on the Option Agreement. The shares issued were recorded to share capital at a fair value of $51,370, which represents the closing TSX-V share price on the date of issuance.

During the year ended December 31, 2021, the Company received proceeds of $150,500 upon exercise of 1,205,000 share purchase warrants, which includes the exercise by Avino of 300,000 share purchase warrants for proceeds of $60,000.

Expressed in Canadian Dollars

10. SHARE CAPITAL (CONTINUED)

(c) Share purchase warrants

At December 31, 2022, the Company had 4,389,734 (December 31, 2021 – 695,250) share purchase warrants outstanding and exercisable. Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2021	1,225,250	$0.23
Issued	675,000	$0.28
Exercised	(1,205,000)	$0.12
Outstanding and exercisable, December 31, 2021	695,250	$0.47
Issued	4,014,734	$0.25
Expired	(320,250)	$0.60
Outstanding and exercisable, December 31, 2022	4,389,734	$0.26

At December 31, 2022, weighted average remaining contractual life of warrants outstanding was 0.92 years (December 31, 2021 – 1.47 years).

The following table summarizes information about the Company's warrants outstanding at December 31, 2022:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
June 20, 2023	$0.35	375,000
December 16, 2023	$0.25	4,014,734
		4,389,734

(d) Stock option plan

The Company established a stock option plan, under which it may grant stock options totalling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis, and to any one optionee in a 12 month period not to exceed 5% of the total number of shares issued and outstanding on a non-diluted basis. The stock option plan limits the options issuable within a one-year period to regular employees and persons providing investor-relation or consulting services to 5% and 2% respectively of the Company's total number of issued and outstanding shares on a non-diluted basis on the date of grant.

The stock options are fully vested on the date of grant. The option price must be greater or equal to the discounted market price on the grant date, and the option expiry date can not exceed five years after the grant date.

Expressed in Canadian Dollars

10. SHARE CAPITAL (CONTINUED)

Continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2020	1,190,000	$0.40
Granted	1,000,000	$0.20
Forfeited	(35,000)	$0.20
Outstanding, December 31, 2021	2,155,000	$0.31
Granted	2,520,000	$0.19
Forfeited	(1,330,000)	$0.38
Outstanding, December 31, 2022	3,345,000	$0.19
Outstanding and exercisable, December 31, 2022	3,345,000	$0.19

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
January 8, 2026	$0.20	845,000
March 30, 2027	$0.20	1,810,000
August 8, 2027	$0.15	690,000
		3,345,000

As at December 31, 2022, the weighted average remaining contractual life of stock options outstanding was 4.01 years (December 31, 2021 – 1.91 years).

Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates.

The fair value of the options granted during the years ended December 31, 2022 and 2021, was calculated using the Black-Scholes model with the following weighted average assumptions:

	2022	2021
Weighted average assumptions:		
Share price	0.19	0.20
Risk-free interest rate	2.54%	0.44%
Expected dividend yield	0%	0%
Expected option life (years)	5.00	5.00
Expected stock price volatility	114.67%	132.77%
Weighted average fair value at grant date	$0.12	$0.18

Expressed in Canadian Dollars

10. SHARE CAPITAL (CONTINUED)

(e) Loss per share

The calculations for basic and diluted earnings per share are as follows:

	2022	2021
Net loss for the year	$ (872,443)	$ (944,586)
Basic weighted average number of shares outstanding	33,368,403	28,642,845
Effect of dilutive share options and warrants (i)	-	-
Diluted weighted average number of shares outstanding	33,368,403	28,642,845
Basic loss per share	$ (0.03)	$ (0.03)
Diluted loss per share (i)	$ (0.03)	$ (0.03)

(i) As the effect of dilutive share options and warrants is anti-dilutive on loss per share, the diluted amounts presented are the same as the basic loss per share amounts.

11. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel are as follows:

		2022		2021
Consulting fees, wages and benefits	$	17,998	$	41,691
Share-based payments		207,450		108,000
	$	225,448	$	149,691

Expressed in Canadian Dollars

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties

In the normal course of operations, the Company transacts with companies related to its directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at December 31, 2022, and December 31, 2021, the following amounts were due to related parties:

	2022		2021
Oniva International Services Corp.	128,909	$	78,859
Avino Silver and Gold Mines Ltd.	117,485		-
	246,394	$	78,859

During the year ended December 31, 2022, the Company entered into a debt forgiveness agreement with Oniva International Services Corp. ("Oniva") for certain outstanding amounts payable for office, occupancy, and administrative salaries and services paid by Oniva on behalf of the Company. The Company and Oniva agreed to have an amount of $56,582 forgiven, which the Company had owed Oniva. The Company has recorded a gain in other income for the amount forgiven.

(c) Related party transactions

During the year ended December 31, 2022, $99,328 (2021 - $165,830) was charged for office, occupancy, and administrative salaries and services paid on behalf of the Company by Oniva. Further, the Company paid $2,483 of administrative fees during the year ended December 31, 2022 (2021 - $947) to Oniva.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The arrangement may be terminated with one-month notice by either party.

12. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, trade and other payables, and amounts due to related party approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's investments is detailed in Note 5.

The Company's financial instruments are exposed to certain financial risks comprising credit risk, liquidity risk and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's maximum credit risk is equal to the carrying value of cash. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with a single Canadian financial institution.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2022, the Company had cash in the amount of $208,715 (December 31, 2021 - $364,784) in order to meet short-term business requirements.

At December 31, 2022, the Company had current liabilities of $364,646 (December 31, 2021 – $277,245). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at December 31, 2022, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Trade and other payable	$ 110,424	$ 110,424	$ -	$ -
Lease liability	19,710	7,828	11,882	-
Due to related parties	246,394	246,394	-	-
Total	$ 376,528	$ 364,646	$ 11,882	$ -

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican pesos and US dollars:

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2022		December 31, 2021	
	MXN	USD	MXN	USD
Cash and cash equivalents	$ 201,936	$ 3,552	$ 53,645	$ 50,220
Amounts receivable	1,596,057	-	723,635	-
Accounts payable and accrued liabilities	(2,026,316)	-	(875,942)	-
Net exposure	(228,323)	3,552	(98,661)	50,220
Canadian dollar equivalent	$ 21,616	$ 4,810	$ (6,018)	$(70,036)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2022, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2022 by approximately $640 (year ended December 31, 2021 - $6,428). The Company has not entered into any foreign currency contracts to mitigate this risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk with respect to its investment in marketable securities, as they are carried at fair value based on quoted market prices.

(d) Classification of Financial instruments

IFRS 7 *'Financial Instruments: Disclosures'* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2022:

	Level 1	**Level 2**	**Level 3**
Cash	$ 208,715	$ -	$ -
Investments	13,649	-	-
	$ 222,364	$ -	$ -

Expressed in Canadian Dollars

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and expansion of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company considers equity, comprising of all issued share capital, accumulated deficit, and accumulated other comprehensive income, as well as its promissory notes payable and lease liability, as follows:

	December 31, 2022	December 31, 2021
Equity	$ 1,353,704	$ 1,009,711
Lease liability	19,710	83,123
	$ 1,373,414	$ 1,092,834

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. At December 31, 2022, the Company is not subject to any externally imposed capital requirements.

Expressed in Canadian Dollars

14. INCOME TAXES

The potential benefit of net operating loss carry forwards has not been recognized in the consolidated financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

The components of the deferred tax asset, the statutory tax rate, the effective tax rate and the unrecognized deferred income tax asset are as follows:

	2022	2021
Loss before income taxes	$ (825,594)	$ (923,646
Corporate tax rate	27%	27
Expected tax recovery	(223,000)	(249,000
Decrease resulting from:		
Non-deductible items for tax purposes and other items	125,000	69,000
Change in unrecognized deferred income tax assets	98,000	180,000
Deferred income tax expense (recovery)	$ -	$ -

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	2022	2021
Unrecognized deferred income tax assets include:		
Non-capital losses	$ 708,000	$ 575,000
Investments	26,000	73,000
Exploration and evaluation assets	460,000	460,000
Share issuance costs	1,000	1,000
Capital assets and other	(1,000)	(7,000)
	1,194,000	1,102,000
Unrecognized deferred income tax assets	(1,194,000)	(1,102,000)
	$ -	$ -

Expressed in Canadian Dollars

14. INCOME TAXES

At December 31, 2022, the Company has non-capital losses of approximately $2,491,000 (2021 - $2,044,000) for Canadian income tax purposes which are available to reduce future taxable income. If not utilized, the losses expire through 2042 as follows:

	$
2026	177,000
2027	126,000
2028	112,000
2029	147,000
2030	102,000
2031	118,000
2032	54,000
2033	70,000
2034	59,000
2036	82,000
2037	188,000
2038	142,000
2039	132,000
2040	173,000
2041	401,000
2042	408,000
	2,491,000

As at December 31, 2022, the Company's U.S. subsidiary has U.S.-based non-capital tax losses of approximately US$55,000 (2021 - US$55,000) available to reduce future taxable income. These losses begin to expire in 2029.

As at December 31, 2022, the Company's Mexico subsidiary has Mexican-based non-capital tax losses of approximately MXN$810,000 (2021 - MXN$142,000) available to reduce future taxable income. These losses begin to expire in 2029.

In addition, the Company has accumulated Canadian Exploration Expenses, Canadian Development Expenses and Foreign Exploration and Development Expenses for income tax purposes of $1,703,000 (2021 - $1,705,000). The expenditures pools can be carried forward indefinitely to be applied against income of future years.

15. SUBSEQUENT EVENT

Second Anniversary Payment – Option Agreement – Subsequent to December 31, 2022, the Company issued 500,000 common shares to satisfy the terms laid out in Item 1 c) of the Option Agreement. For full details of the Option Agreement, see Note 6.