BUCHANS RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND DECEMBER 31, 2021

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McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Buchans Resources Limited

Opinion

We have audited the consolidated financial statements of Buchans Resources Limited and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit since inception and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

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Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher

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than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner of the audit resulting in this independent auditor's report is Koko Yamamoto.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
May 1, 2023

BUCHANS RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

Expressed in Canadian Dollars	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	**8**	562,396	1,070,738
Trade and other receivables	**9**	61,446	43,957
Prepaid expenses		54,568	39,276
Marketable securities		5,500	25,500
Total current assets		683,910	1,179,471
Non-current assets			
Exploration and evaluation assets	**6**	9,514,710	13,184,110
Right-of-use asset, lease	**5**	283,506	20,478
Investment in finance leases	**5**	351,966	-
Investment in warrants	**7**	1,595	73,831
Note receivable	**7**	-	251,673
Investment in associates	**7**	846,704	851,704
Total non-current assets		10,998,481	14,381,796
Total assets		11,682,391	15,561,267
Equity and liabilities			
Current liabilities			
Trade and other payables	**10**	164,908	60,537
Current portion of lease obligation	**5**	293,412	-
Total current liabilities		458,320	60,537
Long term liabilities			
CEBA loans payable	**11**	120,000	120,000
Lease obligation	**5**	355,286	-
Total long term liabilities		475,286	120,000
Total liabilities		933,606	180,537
Shareholders' Equity			
Share capital	**12**	14,639,425	14,619,425
(Deficit)/retained earnings		(3,890,640)	761,305
Total equity		10,748,785	15,380,730
Total shareholders' equity and liabilities		11,682,391	15,561,267

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 1, 5, 6, 7 and 14)

The financial statements were approved by the Board of Directors on May 1, 2023, and signed on its behalf by:

Signed "John F. Kearney" , Director Signed "Patrick Downey" , Director

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF (LOSS) AND COMPREHENSIVE (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Expressed in Canadian Dollars	Notes	2022	2021
		$	$
General and administrative expenses:			
Professional fees		(67,648)	(36,671)
Shareholders and investors expense		(12,181)	(12,235)
Depreciation of right of use asset	5	(145,024)	(245,740)
Office (expense)/recovery		(188,389)	52,871
Loss before other items		(413,242)	(241,775)
Other items:			
Foreign exchange gain/(loss)		14,141	(20,980)
Canada Emergency Wage Subsidy revenue		-	38,219
Interest expense on lease	5	(43,502)	(18,171)
Interest income on finance leases	5	23,822	-
Interest income	7	13,348	8,115
Value of 2021 Xtierra warrants received	7	-	273,648
Change in fair value of 2020 Xtierra warrants	7	-	(103,847)
Change in fair value of 2021 Xtierra warrants	7	(72,236)	(199,817)
Share of loss of associate	7	(5,000)	(1,170,013)
Receipt of marketable securities		-	25,500
Change in fair value of marketable securities		(20,000)	-
Impairment of exploration and evaluation assets	6	(4,149,276)	-
Total other items		(4,238,703)	(1,167,346)
Net (loss) and comprehensive (loss) for the year		(4,651,945)	(1,409,121)
Loss per share			
Basic and diluted (loss) per share	4	(0.072)	(0.022)
Weighted average common shares outstanding - basic and diluted	4	64,648,564	63,027,255

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Expressed in Canadian Dollars	Share Capital	(Deficit) Retained Earnings	Total
	$	**$**	**$**
Balance as at December 31, 2020	14,122,282	2,170,426	16,292,708
Minco Exploration warrants exercise adjustment	(2,857)	-	(2,857)
Proceeds from private placements	500,000	-	500,000
Total comprehensive loss for the year	-	(1,409,121)	(1,409,121)
Balance as at December 31, 2021	14,619,425	761,305	15,380,730
Shares issued for acquisition of property rights	20,000	-	20,000
Total comprehensive loss for the year	-	(4,651,945)	(4,651,945)
Balance as at December 31, 2022	14,639,425	(3,890,640)	10,748,785

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Expressed in Canadian Dollars	Notes	2022	2021
		$	$
Cash flow from operating activities			
(Loss) for the year		(4,651,945)	(1,409,121)
Depreciation of right of use asset	5	145,024	245,740
Non-cash foreign exchange loss		(14,979)	3,789
Impairment of exploration and evaluation assets	6	4,149,276	-
Value of Xtierra warrants received		-	(273,648)
Change in fair value of 2020 Xtierra warrants	7	-	103,847
Change in fair value of 2021 Xtierra warrants	7	72,236	199,817
Share of loss of associate	7	5,000	1,170,013
Receipt of marketable securities		-	(25,500)
Change in fair value of marketable securities		20,000	-
Reduction in lease obligations		-	(145,477)
Interest expense on lease	5	43,502	18,171
Interest income on finance leases	5	(23,822)	-
Non-cash interest income	7	(13,348)	8,115
		(269,056)	(104,254)
Movements in working capital			
Increase/(decrease) in trade and other receivables		(17,489)	156,640
(Increase) in prepaid expenses		(15,292)	(835)
Increase/(decrease) in trade and other payables		104,370	(107,636)
Net cash flows from operating activities		(197,467)	(56,085)
Cash flows from investing activities			
Payment received in reduction of Xtierra note		280,000	100,000
Contributions to exploration expenditures received	6	474,900	544,500
Exploration expenditures applied to Buchans Projects	6	(474,900)	(544,464)
Investment in exploration and evaluation assets	6	(459,876)	(114,403)
Lease payments received	5	160,696	-
Net cash flows from investing activities		(19,180)	(14,367)
Cash flows from financing activities			
Payment of lease obligation	5	(291,695)	(179,030)
Private placement proceeds	12	-	500,000
CEBA loans	11	-	40,000
Net cash flows from financing activities		(291,695)	360,970
Net increase/(decrease) in cash and cash equivalents		(508,342)	290,518
Cash and cash equivalents at the beginning of the year		1,070,738	780,219
Cash and cash equivalent at the end of the year		562,396	1,070,738
Supplemental cash flow information:		$	$
Exchangeable warrants exercised into Buchans shares	11	-	143,829
Conversion of note receivable to Minco Exploration shares	7	-	650,000
Shares issued for acquisition of property rights	6	20,000	-
Acquisition of right of use asset	5	896,891	-

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Buchans Resources Limited (the "Company" or" Buchans") is incorporated under the laws of the province of Ontario, Canada.

The Company is in the business of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation assets contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation properties, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation properties.

Although the Company has taken steps to verify title to properties on which it is conducting exploration and in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company's properties may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

At 31 December 2022, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company relies on equity financing to generate additional financial resources to fund its working capital requirements and to fund its planned exploration programs. The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on acceptable terms. Accordingly, the financial statements have been prepared on a going concern basis. The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Company and finance for the development of the Company's projects becoming available. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the exploration and evaluation assets, to their realisable values, such adjustments could be material. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

These consolidated financial statements of the Company and its subsidiary have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements have been prepared based upon the historical cost basis, with the exception of certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of are included in the consolidated statement of income/(loss) from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

The Company had one wholly owned subsidiary, Buchans Minerals Corporation (Canada), during the years ended December 31, 2022 and 2021.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income/(loss) in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *financial instruments* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

(b) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost. The carrying amount of the investment is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's share of the investee's profit or loss is recognised in the Company's profit or loss. When the Company's shares of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Where a company entity transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company’s interest in the relevant associate.

(c) Exploration and evaluation assets

Exploration expenditure relates to the search for economic mineral deposits. Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential. The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as part of exploration and evaluation assets.

Exploration and evaluation costs are capitalised as an intangible asset until technical feasibility and commercial viability of a mineral deposit, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects. Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of loss. Option proceeds received for an interest in the Company’s mineral properties, are reflected as a reduction of capitalized costs. Any amounts received in excess of costs capitalized is reflected in income.

(d) Rehabilitation provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded at December 31, 2022 and 2021.

(e) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Interests in joint arrangements

A joint arrangement involves the use of assets and/or other resources of the Company and other venturers rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities and expenses it incurs. During the years ended December 31, 2022 and 2021, no joint arrangements existed for accounting purposes.

(g) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(h) Marketable securities

Investments in equity instruments over which the Company does not have significant influence or control, are carried at fair value, with changes in fair value recorded in operations.

(i) Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), or "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of income/(loss). Cash and cash equivalents, trade and other receivables and notes receivable are measured at amortized cost.

Subsequent measurement – FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures investment in warrants of its associate and marketable securities at FVPL.

Subsequent measurement – FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL, as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities measured at amortized cost include trade and other payables, lease obligations and CEBA loans payable. The Exchangeable Warrants were measured at FVPL. All financial liabilities are recognized initially at fair value and, in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Subsequent measurement – financial liabilities at FVPL
After initial recognition, financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statement of loss.

Fair value measurements
The Company measures fair value in accordance with IFRS 13 *Fair Value Measurement*, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

All financial instruments recognized at fair value in the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
Level 3 — valuation techniques with significant unobservable market inputs.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

(j) Functional and presentation currencies
The Company's presentation currency is the Canadian dollar ("$"). The functional currency of the Company and its subsidiary is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Flow-through financing

The Company finances a portion of its project exploration and development through the issuance of flow-through shares.

Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's common shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

(l) Government assistance

Government assistance, such as the Canada Emergency Wage Subsidy, is recognized when there is reasonable assurance that the Company will comply with conditions attached to them and the government assistance will be received. The Company uses the income approach in which government assistance is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the assistance is intended to compensate. Government assistance receivable as compensation for expenses or losses already incurred, for the purpose of giving immediate financial support to the Company, with no future related costs, shall be recognized in profit or loss in the period in which it becomes available.

(m) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to share capital.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

(n) Loss before other items

(Loss) before other items comprises general administrative costs incurred by the Company, which are not specific to exploration and evaluation projects. Loss before other items is stated before change in fair value of investments.

(o) Critical accounting judgements and key sources of estimation uncertainty

Preparation of consolidated financial statements
The preparation of consolidated financial statements requires management to make judgments related to the allocation of assets, liabilities and expenses. The actual results may differ from the results presented had the entity existed in its planned form for the periods presented.

Critical accounting judgements
In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below.

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Critical accounting judgements and key sources of estimation uncertainty (continued)

Exploration and evaluation assets
The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration assets. Costs which can be demonstrated as project related are included within exploration assets. Exploration assets relate to prospecting, exploration and related expenditure in Canada. The Company's exploration activities are subject to a number of significant and potential risks including:

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting delays
- infrastructure availability
- price volatility of publicly traded securities
- fluctuating metal prices

The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic reserves, including the ability to raise financing to develop future projects. Should this prove unsuccessful, the value included in the statement of financial position would be written off to operations.

Mineral resource estimates
Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Impairment of exploration and evaluation assets
The assessment of exploration and evaluation assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined, future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

Estimation of rehabilitation provisions and asset retirement obligations and the timing of expenditure
The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Discount rate used in leases
The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Critical accounting judgements and key sources of estimation uncertainty (continued)

Income, sales, withholding and other taxes
The Company is subject to income, sales, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, sales, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Determination of significant influence
An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. Management reviews the relevant factors and made considerations in determining whether significant influence exists in associates. Significant judgment is involved in the determination of significant influence. In particular, the Company has assessed that during the years ended December 31, 2022 and 2021, it exerted significant influence over Minco Exploration Plc despite owning less than 20% of the outstanding shares. See Note 8.

Note receivable
The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. Management believes that the amount is recoverable given the security in place, however, there is no assurance the amount will be fully recovered.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For amounts receivable, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Impairment of investment in associates
Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Contingencies
See Note 14.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. During the years ended December 31, 2022 and 2021, the Company did not have any convertible securities outstanding.

(q) Income taxes

Current tax and deferred tax are recognized in net loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected taxes payable or receivable on the taxable income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Leases

Lessee
IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

Finance lease – lessor
The Company recognizes assets held under finance leases, or under contracts granting the right to utilize an asset, in its consolidated statements of financial position at commencement date, as a receivable at the amount equal to the net investment in the lease or contract. The net investment in the lease or contract is calculated as the present value of lease payments, using the interest rate implicit in the lease. For subleases, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate under the primary lease. The Company recognizes finance income over the lease term using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in Accounting Policies

The following new accounting policies or amendments were adopted during 2022 with no material impact.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract ‐ i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract ‐ e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract.

(t) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

Expressed in Canadian dollars, unless noted

4. LOSS PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all potential dilutive ordinary shares that were outstanding during the period. The computation for basic and diluted loss per share is as follows:

	December 31, 2022	December 31, 2021
	$	$
Numerator		
Net (loss)	(4,651,945)	(1,409,121)
Total (loss) for the year	(4,651,945)	(1,409,121)
Denominator	**No. of Shares**	No. of Shares
Weighted average number of shares - basic and diluted	64,648,564	63,027,255
(Loss) per share		
Basic and diluted (loss) per share	(0.072)	(0.022)

5. RIGHT OF USE ASSET, LEASE OBLIGATION AND INVESTMENT IN FINANCE LEASES

On February 1, 2022, the Company extended the lease for its office premises, being approximately half of one floor in mid-size office building in downtown Toronto, for three years, expiring January 31, 2025. In accordance with IFRS 16, the Company recognized a right of use asset (“ROU”) and an offsetting liability. During the year ended December 31, 2022, the Company recognized a non-cash depreciation expense in the amount of $145,024 (2021 - $245,740).

	December 31, 2022	December 31, 2021
	$	$
Cost		
Balance, beginning of year	737,220	737,220
Additions	896,891	-
Derecognized - investment in finance leases	(488,839)	-
Balance, end of year	1,145,272	737,220
Accumulated Depreciation		
Balance, beginning of year	716,742	471,002
Additions	145,024	245,740
Balance, end of year	861,766	716,742
Net book value	283,506	20,478

As noted above, during the year ended December 31, 2022, the Company recorded a ROU asset in the amount of $896,891 and a corresponding lease liability in the amount of $896,891. The Company recognized a non-cash interest expense in the amount of $43,502 during the year ended December 31, 2022 (2021- $18,171).

	December 31, 2022	December 31, 2021
	$	$
Balance, beginning of year	-	310,761
Additions	896,891	-
Lease payments	(291,695)	(328,932)
Interest expense	43,502	18,171
Balance, end of year	648,698	-
Current portion of lease liability	293,412	285,583
Long-term portion of lease lialbility	355,286	25,178
	648,698	-

The following table presents the contractual obligation for undiscounted cash flow for lease obligation as at December 31, 2022.

	$
Payments due within one year	325,408
Payments due to January 1, 2024 to January 30, 2025	368,306
	693,714

Expressed in Canadian dollars, unless noted

5. RIGHT OF USE ASSET, LEASE OBLIGATION AND INVESTMENT IN FINANCE LEASES (CONTINUED)

When measuring the lease obligation, the Company discounted the remaining lease payments using the estimated incremental borrowing rate of 6.2% per annum.

Net investment in finance leases/contracts
On February 1, 2022, the Company entered into office sharing agreements with related corporations that share part of the office premises for terms of three years. In accordance with IFRS 16, at commencement of the contracts, the Company recognized a net investment in finance leases of $488,839 and derecognized ROU assets by the same amount. The reconciliation of the Company's net investment in the contracts in as follows. During the year ended December 31, 2022, $227,629 was recovered from related corporations.

	December 31, 2022	December 31, 2021
	$	$
Balance, beginning of year	-	-
Additions	488,839	-
Finance income	23,822	-
Lease payments received	(160,696)	-
Balance, end of year	351,965	-

Although considered leases (contracts granting the right to utilize an asset) under IFRS 16, these are simple office and cost sharing arrangements with other companies related by common or overlapping management and/or directors. Buchans is not in the business of leasing, is not a lessor in law, has no leasing activities, and has no rights in underlying assets. None of the sharing companies have any rights as "lessees". None of these arrangements had any effect on the financial performance and cash flows of Buchans. Buchans had finance income of $23,822 on the net investment in the contracts during the year ended December 31, 2022.

6. EXPLORATION AND EVALUATION ASSETS

The following table shows the Company's exploration and evaluation assets:

	December 31 2022	Impairment	Additions	December 31 2021	Additions	December 31 2020
	$	$	$	$	$	$
Buchans/Lundberg	9,514,706	-	359,997	9,154,709	44,498	9,110,211
Bobby's Pond	1	(1,776,508)	29,324	1,747,185	29,894	1,717,291
Tulks North	1	(1,473,579)	56,447	1,417,133	29,652	1,387,481
Lake Douglas/Long Range	1	(654,765)	15,538	639,228	614	638,614
South Voisey Bay/Tasiuyak	1	(244,424)	18,570	225,855	9,709	216,146
	9,514,710	(4,149,276)	479,876	13,184,110	114,367	13,069,743

All exploration and evaluation assets are carried at cost less any applicable impairment provision. As required under IFRS 6, and the Company's Accounting Policies, impairment provisions in the aggregate amount of $4,149,276 were recognized for financial statement purposes against certain properties at December 31, 2022 (2021 – $Nil) as the Company's focus is on advancing exploration of the Buchans/Lundberg property interests.

The realisation of the exploration and evaluation assets is dependent on the successful discovery and development of mineral economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statement of financial position would be impaired. By its nature there is inherent uncertainty as in the asset value.

The Company holds interests in four undeveloped base metal deposits in central Newfoundland, Canada, including the Buchans property (which covers the former producing Buchans Mine and contains the large, lower grade Lundberg deposit), as well as the Tulks North property (which contains the Daniels Pond deposit and the Tulks Hill deposit), the Bobby's Pond property (which contains the Bobby's Pond deposit).

The Company holds two mining leases near the town of Buchans in central Newfoundland, each with a 25-year term from 2013 that require total annual lease payments of $154,500, 21 mineral licences and two fee simple grants. The leases and mineral licences cover the former producing Buchans Mine and the Company's undeveloped Lundberg deposit. The two mining leases, two fee simple grants and one of the mineral licences are subject to certain net smelter royalties of 2%, which royalties are subject to buy-back or buy-down agreements.

Expressed in Canadian dollars, unless noted

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In 2021, Buchans entered into a Collaboration Agreement with Boliden Mineral AB ("Boliden") under which Boliden was granted exclusivity on the project until December 31, 2021, to evaluate the Company's Buchans property for possible future investment and participation and negotiate an Earn-in and Option Agreement and a JV Agreement. In an Amendment to the Collaboration Agreement, an extension of the exclusivity was granted to Boliden from December 31, 2021 until March 31, 2022, and then to May 16, 2022, when the Collaboration Agreement automatically terminated.

The Company and Boliden agreed to a further negotiation period to August 31, 2022, to settle the forms of an Earn-in and Option Agreement and a JV Agreement. Agreement was reached on the terms of the earn-in and option agreement. Buchans and Boliden were, however, unable to reach agreement on terms for the subsequent joint venture agreement that would be formed when Boliden would have earned its interest. Accordingly, the Collaboration Agreement terminated in accordance with its terms and the exclusivity granted to Boliden ended. Boliden retains no interest in the property. Boliden was granted a right of first refusal for a period of six months ending March 1, 2023, if Buchans received a bona fide offer from a proposed buyer to purchase the project or any part thereof.

During 2022, Boliden contributed $474,900 towards the costs of maintaining the Buchans property and exploration and evaluation programs (2021 - $544,500).

The Bobby's Pond deposit, adjacent to Tulks North, is 100% owned by the Company. Bobby's Pond is held under a mining lease with a 25-year term from 2004, which requires an annual lease payment of $29,000. The Bobby's Pond property is also subject to a 1% net smelter royalty and a 2% net smelter royalty.

The Tulks North property is 100% owned by the Company and is located in the Victoria Lake Mining camp of west-central Newfoundland. The Tulks North property includes the Daniels Pond deposit which is subject to a 1.5% net smelter royalty as well as a 50% back-in option held by Glencore Canada Corporation should a single deposit of 15 million tonnes or greater be discovered and deemed economic upon the completion of a feasibility study.

The Company also holds a 100% interest in the Tulks Hill property, including the Tulks Hill VMS deposit, subject to underlying net smelter royalties ranging between 0.75% and 2%.

Buchans owns a 100% interest in the Tulks South property in central Newfoundland. On July 26, 2021, the Company signed a letter of intent ("LOI") with Quadro Resources Ltd ("Quadro") wherein Buchans granted Quadro an option to acquire a 51% interest in Buchans' Tulks South property by the expenditure of $500,000 over five years, followed by the right to acquire an additional 19% interest in the event that Buchans elects not to participate in work programs after Quadro has earned its initial 51% interest. Buchans retains certain rights that should a deposit be discovered having a gross in situ base metal value greater than the gross in situ precious metal value, that such deposit(s) will be developed as a base metal project(s) for which Buchans would become operator holding a 70% project interest while Quadro would retain a 30% interest.

Buchans owns a 100% interest in the Lake Douglas/South Tally properties in central Newfoundland. On August 4, 2021, the Company entered into an option and joint venture agreement with C2C Gold ("C2C") wherein Buchans granted C2C an option to acquire up to a 70% ownership interest in Buchans' Lake Douglas and South Tally properties by the expenditure of $1,500,000 over four years to earn 51%, an additional $1,000,000 to earn 70%, and the issue of 100,000 shares in C2C, which was received and recorded as revenue in the amount of $25,500 during the year ended December 31, 2021. Buchans retains certain rights such that if a base-metal dominant area is identified, a project area would be defined and Buchans would become operator of the base metal project in a 70% Buchans/30% C2C joint venture.

Buchans owns a 51% interest in the Long Range Project in central Newfoundland (Benton Resources Inc 49%).

In Labrador the Company holds several copper/nickel/cobalt properties, including claims at South Voisey's Bay and claims in the immediate Voisey's Bay area, and the Tasiuyak gold property.

7. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE

	December 31, 2022	December 31, 2021
	$	$
Shares in Minco Exploration Plc	851,704	851,704
Xtierra - 43,000,003 common shares	-	1,170,013
Xtierra note receivable	-	251,673
Xtierra - 5,000,000 warrants	1,595	73,831
Share of loss of Xtierra	-	(1,170,013)
Share of loss of Minco	(5,000)	-
Total investment in associates	848,299	1,177,208

7. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE (CONTINUED)

Minco Exploration Plc

At December 31, 2022, the Company held 11,227,879 shares of Minco Exploration, representing a 14.4% interest, as an investment in associate and not held for distribution. On December 30, 2021, the Company subscribed for 2,000,0000 additional shares of Minco Exploration by converting its receivable from Minco Exploration in the amount of $143,829 into 2,000,000 Minco Exploration shares. In accordance with the Company's accounting policies, as a result of losses reported by Minco Exploration, the carrying value of the Company's investment in Minco Exploration was reduced by $5,000 to $846,704 during the year ended December 31, 2022.

Xtierra Inc

At December 31, 2022, the Company held 43,000,003 shares and 5,000,000 share purchase warrants of Xtierra Inc. ("Xtierra"), a company listed on the TSX Venture Exchange, which represents an approximate 22.0% shareholding. The market value of the company's 43,000,003 shares in Xtierra, as at December 31, 2022 based on the market price of Xtierra shares on the TSX Venture Exchange, was $1,075,000 (December 31, 2021 - $1,720,000). On September 30, 2022, Xtierra changed its name to Royalties Inc. and delisted from the TSX Venture Exchange to be listed on the Canadian Stock Exchange (CSE).

As the Company accounts for its investment in Xtierra as an Associate, in accordance with IFRS and the Company's Accounting Policies, the Company records its proportionate share of the income or losses of Xtierra. Xtierra's Accounting Policy is to expense all its exploration and evaluation costs and administrative expenditures, and therefore Xtierra reported significant net losses in prior periods, of which the Company was required under IFRS to recognise its proportionate share. However, as the Company's proportionate share of prior losses recorded by Xtierra was greater than the carrying value of the Company's' investment in Xtierra, the Investment was previously reduced to Nil. Accordingly, in the year ended December 31, 2021 the Company was required under IFRS to recognize such losses not previously recognized, and again reduce the carrying value of the investment to nil, which resulted in the Company recording a non-cash loss on its investment in Associate of $1,170,013. The remaining unrecognized share of losses of Xtierra for the cumulative years ended December 31, 2022 totaled approximately $4,434,000.

On April 27, 2021, Buchans exercised Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of $650,000, through settlement in part of the notes receivable from Xtierra, plus the $520,013 market value of the warrants exercised at April 27, 2021, for a total consideration of $1,170,013. The Company also recorded a charge on the change in fair value of the 2020 warrants on the date of exercise of $103,847. On April 27, 2021, the Company received a payment of $100,000 from Xtierra as part payment of the notes receivable, reducing the notes receivable by Buchans to $237,882 (US$191,798).

By a Second Extension Amendment Agreement dated April 27, 2021, the 2018 Support Agreement between the Company and Xtierra, was further amended to provide that interest on the remaining balance of the notes receivable by Buchans in the amount of $237,882 (US$191,798) resumes to accrue at the rate of 5% per annum effective May 1, 2021, until paid, and the term of the Support Agreement was extended for a further period to April 30, 2023. On December 30, 2022, Xtierra paid $280,000 in full settlement of the notes receivable.

In connection with the Second Extension Amendment Agreement, Xtierra agreed to issue to Buchans, 5,000,000 share purchase warrants, each warrant entitling Buchans to purchase one common share of Xtierra at a price of $0.10 per share for a term of two years to April 30, 2023, subject to TSXV approval ("2021 Warrants"). The value of the 2021 Warrants received was estimated to be $273,648 at April 27, 2021 based on the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life two years, a risk free interest rate 1.71% and share price of $0.09. At December 31, 2021, the value of the 2021 Warrants was adjusted to their estimated fair value of $73,831 using the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life 1.82 year, risk free interest rate 1.85% and share price of $0.04. At December 31, 2022, the value of the 2021 Warrants was adjusted to their estimated fair value of $1,595 using the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life 0.32 year, risk free interest rate 1.85% and share price of $0.025. The decrease in value in the amount of $60,030 was included in change in fair value of 2021 Xtierra Warrants in the Statement of (Loss) for the year ended December 31, 2022. The 2021 Warrants expired unexercised on April 30, 2023.

8. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
	$	$
Cash	554,789	1,015,456
Cash (US dollars)	7,607	55,282
Immediately available without restriction	562,396	1,070,738

Cash comprises cash balances held at a major Canadian bank for purposes of meeting short-term cash commitments.

Expressed in Canadian dollars, unless noted

9. TRADE AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
	$	$
Receivables	22,510	34,000
Receivable from related parties (Note 13)	32,615	4,478
Sales taxes receivable	6,321	5,479
	61,446	43,957

On December 30, 2021, the Company converted its amount receivable from Minco Exploration in the amount of $143,829 into 2,000,000 Minco shares. See Note 8.

10. TRADE AND OTHER PAYABLES

	December 31, 2022	December 31, 2021
	$	$
Trade creditors and accruals	156,602	59,350
Amounts due to related parties (Note 13)	8,306	1,187
	164,908	60,537

11. LONG TERM DEBT

On May 26, 2020, the Government of Canada launched the Canada Emergency Business Account (CEBA), which was implemented by eligible financial institutions. The Company and its subsidiary, Buchans Minerals Corporation, each received loans of $40,000, for a total amount of $80,000.

The loans are interest-free until December 31, 2023 and can be extended for an additional 3-year term bearing an interest rate of 5% per annum. Repaying the balance of the loan on or before December 31, 2023 will result in a loan forgiveness of 25% or $10,000 for each company, for a total amount of $20,000.

In January 2021, the Company received additional CEBA loans in the amount of $40,000, under the same terms and conditions as the first loans.

12. CAPITAL STOCK

Authorized
Unlimited number of common shares

Issued	Shares	Amount
		$
Balance at December 31, 2020	62,138,460	14,122,282
Reduction in Exchangeable Warrants exercised	(9,074)	(2,857)
Shares issued	2,500,000	500,000
Balance at December 31, 2021	64,629,386	14,619,425
Shares issued	100,000	20,000
Balance at December 31, 2022	64,729,386	14,639,425

On October 17, 2022, the Company issued 100,000 shares at a value of $0.20 per share based on the price of the most recent financing, for a total of $20,000 as consideration for certain property rights acquired.

During the year ended December 31, 2021, Exchangeable Warrants with an estimated fair value of $703,264 at the time of exercise, were exchanged for 2,269,744 Buchans shares. During 2021, the Company became aware of an error in the number of Exchangeable Warrants exchanged into Buchans Shares resulting in a reduction of 9,074 shares at a value of $2,857.

On December 29, 2021, the Company completed a private placement financing of $500,000 through the issue of 2,500,000 flow-through shares at a price of $0.20 per flow through share. John F. Kearney, Chairman, purchased the 2,500,000 flow-through shares for gross proceeds of $500,000. The proceeds of $500,000 from the issuance of flow-through shares had to be spent on qualifying Canadian Exploration Expenditures by December 31, 2022.

13. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed. At December 31, 2022, the Company had only one subsidiary, Buchans Minerals Corporation.

The directors are considered key management personnel of the Company in accordance with IAS 24 'Related Party Disclosures'. No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2022 and 2021.

During the year ended December 31, 2022, the Company paid or accrued $7,350, net of HST, to SPC Consulting, a corporation controlled by Neil Steenberg, secretary of the Company, for consulting services (2021 - $2,058). Included in accounts payable and accrued liabilities at December 31, 2022 is $8,306 payable to SPC Consulting for consulting services (2021 - $1,187).

During the year ended December 31, 2022, the Company charged $100,250 to related parties for office services, including $57,000 to Canadian Manganese Co. Inc. and $43,250 from Labrador Iron Mines. These companies are related through John F. Kearney, Chairman of the Company, and certain other directors being directors of some or all companies mentioned. See also Note 5.

Included in receivable at December 31, 2022 is $32,615 (2021 - $4,478) receivable from related parties, including $Nil (2021 - $4,478) from Canadian Manganese Co. Inc. covering administration services, and $13,865 (2021 - $Nil) from Minco Exploration Plc covering administration services, and $18,750 (2021 - $Nil) receivable from Labrador Iron Mines.

On December 29, 2021, the Company completed a private placement financing of $500,000 through the issue of 2,500,000 flow-through shares at a price of $0.20 per flow through share to John F. Kearney, Chairman of the Company. See Note 12.

All amounts owing to or from related parties are non-interest bearing, unsecured and due on demand unless otherwise stated.

14. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

During the year ended December 31, 2021, Buchans issued flow-through shares for aggregate subscription proceeds of $500,000 with a commitment to incur the proceeds on eligible Canadian exploration expenditures prior to December 31, 2022. Buchans provided the subscriber with indemnification for any tax liability that may arise if the Company is found to have not incurred the eligible Canadian exploration expenditures as required in accordance with the flow-through subscription agreement. Certain interpretations are required to assess the eligibility of flow-through expenditures that, if changed, could result in the denial of renunciation.

The Company is party to certain employment contracts which contain aggregate minimum commitments of approximately $281,000 (2021 - $281,000) under certain circumstances, which contingent commitments have not been reflected in these financial statements as the triggering event has not occurred.

Expressed in Canadian dollars, unless noted

15. INCOME TAXES

a) **Provision for Income Taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rates of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022 **$**	2021 $
Loss before income taxes	(4,651,945)	(1,409,121)
Expected income tax recovery based on statutory rate	(1,233,000)	(380,000)
Adjustments to expected income tax benefit:		
Expenses not deductible for tax purposes	93,000	489,000
Flow-through renunciation	103,000	-
Change in unrecorded deferred tax assets	1,037,000	(109,000)
Income tax provision (recovery)	-	-

b) **Deferred Income Taxes**

Deferred taxes are a result of the temporary differences that arise between the income tax values and the carrying amount of assets and liabilities:

	2022 **$**	2021 $
Recognized deferred tax assets and liabilities		
Non-capital loss carry-forwards	-	739,000
Mineral property costs	-	(739,000)
Deferred income tax asset (liability)	-	-

Deferred tax assets have not been recognized in respect of following deductible temporary differences:

	2022 **$**	2021 $
Unrecognized deferred tax assets	7,691,000	4,738,000
Non-capital loss carry-forwards	3,057,000	3,057,000
Capital loss carry-forwards	2,456,000	2,349,000
Mineral property costs	1,045,000	-
Other temporary differences	10,000	10,000
	14,259,000	10,154,000

No deferred tax asset has been recognized on the temporary differences related to the Company's investments in its associates to the extent that the Company controls the timing of the reversal of the temporary differences, and it is probable that these differences will not reverse in the foreseeable future.

The tax losses expire from 2028 to 2042. The other temporary difference do not expire under current legislation.
Deferred tax assets have not been recognized in respect of these items because it is not probably that future taxable profit will be available against which the Company can use the benefits.

16. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures during the financial statements reporting period.

Fair value
The Company has designated its exchangeable warrants and short-term investments as fair value through profit or loss ("FVPL"), which are measured at fair value. Cash and cash equivalents, and receivables and other assets are measured at amortized cost. Trade and other payables, CEBA loans payable and lease obligations are classified for accounting purposes as financial liabilities measured at amortized cost.

As at December 31, 2022 and 2021, the carrying and fair value amounts of the Company's current financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value hierarchy
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). During the years ended December 31, 2022 and 2021, the Company's financial instruments that are carried at fair value, consisting of investment in warrants of Xtierra and Exchangeable Warrants, have been classified as Level 2 within the fair value hierarchy, and an investment in marketable securities has been classified as Level 1 within the fair value hierarchy. There have been no transfers in or out of Levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2022 and 2021.

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major banks with a credit rating of at least BBB-. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk
Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to or owed by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in banks.

Commodity price risk
The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly zinc lead and copper.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had cash of $562,396 (2021 - $1,070,738) to settle current liabilities of $458,320 (2021 - $60,537). Other than the CEBA loans repayable in 2025 and lease obligations payable until January 30, 2025, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk with respect to its marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favorable prices.

Capital risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Foreign currency risk
Although the Company is incorporated in Canada, the Company has operations in Ireland and UK, none of which presently generate cash from operations, and may hold cash investments in Canadian and US Dollars, Euros or Sterling. The functional currency of the Company's operations is the Canadian Dollar. However, expenditures are not considered to be a monetary asset, and have been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Company also has transactional currency exposures. Such exposures arise from expenses incurred by the Company in currencies other than the functional currency.

16. FINANCIAL INSTRUMENTS (CONTINUED)

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at December 31, 2022. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from a note receivable, payables and receivables and adjusts their translation at the period end for a 5% change in foreign currency rates. A 5% change in the US Dollar exchange rate would not result in a significant foreign exchange impact to the net loss based on monetary assets and liability balances existing at December 31, 2022.

17. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding, primarily to equity financing, to support the exploration and development of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes to the Company's approach to capital management during the years ended December 31, 2022 and 2021. Neither the Company nor its subsidiary are subject to externally imposed capital requirements.