SUN SUMMIT MINERALS

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Sun Summit Minerals Corp.

Opinion

We have audited the consolidated financial statements of Sun Summit Minerals Corp. (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2022 and 2021, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 30, 2023

SUN SUMMIT MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	November 30, 2022	November 30, 2021
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	2,123,647	2,159,042
Marketable securities	636	875
Receivables	102,511	177,345
Exploration advances (Note 5)	152,827	354,775
Prepaid expenses	11,140	18,906
	2,390,761	2,710,943
Non-current assets		
Equipment	36,430	36,373
Investment in associate (Note 4)	146,696	-
Investment in warrants (Note 4)	158,502	-
Mineral properties (Note 5)	652,797	500,297
Reclamation deposit (Note 5)	112,000	27,500
	3,497,186	**3,275,113**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	39,615	153,093
Flow-through premium (Note 7)	511,451	485,560
	551,066	638,653
Shareholders' equity		
Share capital (Note 8)	29,430,557	24,668,820
Equity reserves (Note 8)	5,012,896	4,665,293
Deficit	(31,497,333)	(26,697,653)
	2,946,120	2,636,460
	3,497,186	**3,275,113**

Nature of operations and going concern (Note 1)

Commitments (Note 9)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON MARCH 30, 2023:

" CRAIG B. PRENTER " , Director

"BRIAN LOCK" , Director

SUN SUMMIT MINERALS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the year ended November 30, 2022	2021
	$	$
EXPENSES		
Accounting and audit fees (Note 6)	116,736	135,963
Advertising and promotion	221,185	191,010
Depreciation	8,539	6,999
Exploration and evaluation (Note 5)	4,480,186	5,583,985
Insurance	22,299	18,586
Investor relations	154,160	130,452
Legal and professional fees (Note 6)	298,420	124,323
Management fees (Note 6)	177,849	184,055
Office and administration expenses	112,146	86,330
Share-based payments (Note 6 and 8)	234,031	1,635,850
Wages and benefits (Note 6)	132,122	142,644
Transfer agent and filing fees	45,999	47,256
Travel	30,158	5,677
Total Expenses	(6,033,831)	(8,293,130)
OTHER ITEMS		
Foreign exchange loss	(2,227)	(2,343)
Gain on sale of subsidiary (Note 4)	330,296	-
Interest income	47,269	12,346
Share of loss from equity investment (Note 4)	(103,304)	-
Recovery of flow-through premium (Note 7)	878,488	780,985
Unrealized gain on investment in warrants (Note 4)	83,869	-
Unrealized loss on marketable securities	(239)	(601)
Total Other Items	1,234,151	790,387
NET AND COMPREHENSIVE LOSS FOR THE YEAR	**(4,799,680)**	**(7,502,743)**
Basic and diluted loss per common share	(0.07)	(0.13)
Weighted average number of common shares outstanding – basic and diluted	73,276,483	57,498,976

SUN SUMMIT MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended November 30, 2022	2021
	$	$
OPERATING ACTIVITIES		
Net loss for the year	(4,799,680)	(7,502,743)
Items not affecting cash:		
Depreciation	8,539	6,999
Foreign exchange	-	156
Gain on sale of subsidiary	(330,296)	-
Share of loss from equity investment	103,304	-
Recovery of flow-through premium	(878,488)	(780,985)
Share-based payments	234,031	1,635,850
Unrealized gain on investment in warrants	(83,869)	-
Unrealized loss on marketable securities	239	601
Changes in non-cash working capital items:		
Receivables	74,834	(87,527)
Prepaid expenses	7,766	35,518
Accounts payable and accrued liabilities	(107,815)	9,369
Net cash used in operating activities	(5,771,435)	(6,682,763)
INVESTING ACTIVITIES		
Purchase of equipment	(8,596)	(36,839)
Exploration advances	201,948	(352,806)
Mineral property additions	(25,000)	(47,119)
Reclamation deposits	(84,500)	-
Net cash provided by (used in) investing activities	83,852	(436,764)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net	5,636,888	4,623,016
Proceeds from exercise of warrants and stock options	15,300	1,609,683
Net cash provided by financing activities	5,652,188	6,232,699
CHANGE IN CASH AND CASH EQUIVALENTS	(35,395)	(886,827)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,159,042	3,045,869
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**2,123,647**	**2,159,042**

Supplemental disclosures with respect to cash flows (Note 12)

SUN SUMMIT MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital Common Shares		Equity Reserves	Deficit	Total Shareholders' Equity
	#	$	$	$	$
Balance at November 30, 2020	51,217,824	19,179,130	3,216,801	(19,194,910)	3,201,021
Shares issued for cash	6,953,878	5,000,000	-	-	5,000,000
Flow-through premium	-	(1,175,367)	-	-	(1,175,367)
Share issuance costs	-	(498,861)	121,877	-	(376,984)
Shares issued for mineral properties	500,000	245,000	-	-	245,000
Exercise of warrants	5,555,689	1,390,679	(58,296)	-	1,332,383
Exercise of options	1,143,332	528,239	(250,939)	-	277,300
Share-based payments	-	-	1,635,850	-	1,635,850
Net and comprehensive loss	-	-	-	(7,502,743)	(7,502,743)
Balance at November 30, 2021	**65,370,723**	**24,668,820**	**4,665,293**	**(26,697,653)**	**2,636,460**
Balance at November 30, 2021	65,370,723	24,668,820	4,665,293	(26,697,653)	2,636,460
Shares issued for cash	11,324,490	6,000,400	-	-	6,000,400
Flow-through premium	-	(904,379)	-	-	(904,379)
Share issuance costs	-	(477,084)	113,572	-	(363,512)
Shares issued for mineral properties	750,000	127,500	-	-	127,500
Exercise of warrants	45,000	15,300	-	-	15,300
Share-based payments	-	-	234,031	-	234,031
Net and comprehensive loss	-	-	-	(4,799,680)	(4,799,680)
Balance at November 30, 2022	**77,490,213**	**29,430,557**	**5,012,896**	**(31,497,333)**	**2,946,120**

See notes 5, 6, 7 and 8.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sun Summit Minerals Corp. (the Company") was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia and its shares trade on the TSX Venture Exchange (the "Exchange") under the symbol SMN. The Company's mailing address is 1700 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The registered and records office address is Suite 800 – 889 West Pender Street, Vancouver, BC V6C 3B2.

The Company is engaged in the acquisition and exploration of precious metal properties in British Columbia, Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain resources that are economically recoverable. The realization of amounts shown for mineral properties and related deferred costs is dependent upon the discovery and exploitation of economically recoverable resources, the ability of the Company to obtain necessary financing to complete development, and attaining future profitable production or proceeds from the disposition of such properties. During the year ended November 30, 2022, the Company sold its wholly-owned subsidiary, San Marco Resources Mexico, S.A. de C.V. ("SMN Mexico"). See Note 4 for further details.

These consolidated financial statements have been prepared by management 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 for the foreseeable future. At November 30, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of $31,497,333 since its inception. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern and such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The policies presented in Note 3 were consistently applied to all periods presented.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company, their activities, and their geographic locations as at November 30, 2022 were as follows:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
841432 B.C. Limited	Canada	100%	Holding Company

The transactions among the entities in the group pertain to the transfer of funds and payment of third party costs. All inter-group transactions and balances have been eliminated upon consolidation.

Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments, estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are, but are not limited to, the following:

Critical accounting judgments

(i) Impairment of mineral properties: The net carrying value of each mineral property and its related concessions is reviewed regularly for conditions that are indicators of impairment. This review requires judgment as the Company does not have proven and probable reserves that enable future cash flows to be compared to the carrying values. Factors considered in assessment of asset impairment include, but are not limited to, accessibility, title, environmental or political factors that could affect the properties' values, whether there has been any accumulation of costs significantly in excess of the amounts originally expected for the properties' acquisition, development, or cost of holding, whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future, and whether the Company has necessary funds to be able to maintain or continue acquiring interests in mineral properties.

(ii) Income taxes: Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The recognition of deferred tax assets requires management to assess the likelihood that the Company will generate taxable income in future periods to utilize the deferred tax assets. Due to a history of losses, deferred tax assets have not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

(iii) Going concern: The preparation of these financial statements requires management to make judgements regarding the going concern of the Company as previously discussed in Note 1.

(iv) Functional currencies: The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The Company conducted an analysis of the factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates* ("IAS 21") and determined the functional currencies of the Company and its subsidiaries to be the Canadian dollar.

Critical accounting estimates

(i) Equity-settled transactions: The cost of equity-settled transactions, such as stock options or warrants, is determined by calculating the fair value at the date when the equity award is granted or issued using the Black-Scholes Option Pricing Model. The inputs to the Black-Scholes Option Pricing Model require significant estimation. Expected volatility is estimated based on historical stock price observations of the Company's common shares. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of option exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions, especially the volatility and the expected life determination, could have a material impact on the statement of comprehensive loss.

(ii) Investment in warrants: The fair value of the Company's investment in warrants is determined by calculating the fair value at each period-end using the Black-Scholes Option Pricing Model. The inputs to the Black-Scholes Option Pricing Model require significant estimation. Expected volatility is estimated based on historical stock price observations of the investee's common shares, or if not available, the expected volatility of comparable entities. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of warrant exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions could have a material impact on the statements of financial position and comprehensive loss.

(iii) Gain on sale of subsidiary: Upon inception, the gain on sale of subsidiary was calculated by considering the fair value of the common shares received in the investee and investment in warrants, which are subject to estimates such as the fair value of warrants (see (ii) above) or the fair value of the common share of the investees. Changes in these assumptions could have a material impact on the statements of financial position and comprehensive loss.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as a flow-through premium liability. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Financial instruments

The Company recognizes and measures its financial instruments in accordance with IFRS 9, Financial Instruments ("IFRS 9").

<u>Classification and measurement</u>

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial Instrument	Classification
Cash	Fair value through profit or loss
Marketable securities	Fair value through profit or loss
Receivables	Amortized cost
Investment in warrants	Fair value through profit or loss
Reclamation deposit	Amortized cost
Accounts payable	Amortized cost

<u>Financial assets</u>

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or fair value through profit and loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of comprehensive loss.

- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of comprehensive loss.

- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive loss.

- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of comprehensive loss.

<u>Financial liabilities</u>

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

<u>Derecognition</u>

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, are cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Exploration and evaluation expenditures

Costs directly related to the acquisition of mineral properties are capitalized. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable and that the project is technically feasible.

In the case of the amount capitalized as acquisition costs of mineral properties, if no economically viable ore body is discovered, such costs are expensed in the period that the property is determined to be uneconomical or abandoned.

Impairment of non-financial assets

At the end of each reporting period, the Company’s non-financial assets, other than deferred tax assets, are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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, but to an amount that does 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)

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following annual rates:

Computer equipment	20%
Computer software	100%
Furniture and equipment	20%
Vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Share-based payments

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 8. The fair value of stock options granted to employees is recognized as share-based payments over the vesting period and credited to equity reserves. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as share-based payments from the date of grant to the reporting date and credited to equity reserves. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to equity reserves are recorded as share capital. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method. The value, if any, is allocated to equity reserve. Warrants issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, 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. 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.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of the stock options and warrants is considered to be anti-dilutive. As at November 30, 2022, the Company has 20,270,096 (2021 – 20,533,316) potentially dilutive shares outstanding.

Investment in Associate

Investment in associate comprises of interest in an associate in which the Company has significant influence through holding of 20 percent or more of the voting power of the associate. The investment is accounted for using the equity method and is initially recognized at cost. Subsequent to initial recognition, the Company records its share of profit or loss, until the date on which significant influence ceases.

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. During the year ended November 30, 2022, the Company was not required to, and has not adopted any new standards, interpretations, amendments and improvements to existing standards which had a material impact on the Company's consolidated financial statements. The Company also does not expect the adoption of any currently announced new standards, interpretations, amendments and improvements to existing standards to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. INVESTMENT IN ASSOCIATE AND WARRANTS

During the year ended November 30, 2022, the Company completed its sale of 100% of the issued and outstanding shares of SMN Mexico to an unrelated third party, Green Earth Metals Inc. ("Green Earth"), a private entity incorporated under the laws of British Columbia. In consideration, the Company received 5,000,000 common shares and 2,000,000 share purchase warrants of Green Earth, each warrant entitling the Company to purchase one common share of Green Earth until February 14, 2027 at a price equal to the initial public offering price of Green Earth's shares.

The fair value of the shares received was calculated to be $250,000. The fair value of the warrants received was $74,633 which was calculated using the Black-Scholes Option Pricing Model and the following assumptions: measurement date price - $0.05; exercise price - $0.10; expected life - 5.0 years; expected volatility - 117%; annual dividends - 0%; and risk-free rate - 1.78%.

Accordingly, the Company recorded gain on sale of subsidiary of $330,296, representing the consideration received and the net liabilities of SMN Mexico of $5,663 assumed by Green Earth on the date of sale.

Upon receipt of the common shares of Green Earth, the Company owned approximately 32.4% of the issued and outstanding common shares of Green Earth, which was subsequently reduced to approximately 25.4%. As a result, the Company has significant influence over Green Earth, and records its interest in Green Earth using the equity method. For the year ended November 30, 2022, the Company has recorded a net loss on its interest in Green Earth of $103,304, representing the Company's portion of Green Earth's loss for the period. As at November 30, 2022, the carrying value of the Company's investment in Green Earth is $146,696.

The Company's investment in warrants of Green Earth is measured at fair value through profit or loss at each reporting period-end. At November 30, 2022, the fair value of the warrants held was $158,502 which was calculated using the Black-Scholes Option Pricing Model using the following assumptions: measurement date price - $0.10; exercise price - $0.10; expected life – 4.2 years; expected volatility - 119%; annual dividends - 0%; and risk-free rate – 3.18%. As a result, the Company has recorded an unrealized gain on investment in warrants of $83,869 for the year ended November 30, 2022 on the statement of comprehensive loss.

5. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	BUCK PROPERTY
	$
Balance, November 30, 2020	208,178
Additions:	
Cash payments	47,119
Common shares issued (Note 8)	245,000
Balance, November 30, 2021	500,297
Additions:	
Cash payments	25,000
Common shares issued (Note 8)	127,500
Balance, November 30, 2022	**652,797**

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (continued)

Exploration and evaluation costs incurred during the years ended November 30, 2022 and 2021 are as follows:

	BUCK PROPERTY	OTHER PROJECTS	TOTAL
	$	$	$
Drilling	1,217,932	-	1,217,932
Equipment rental	242,020	-	242,020
Field supplies and on-site expenses	154,590	-	154,590
Geochemical surveying	1,050,313	17,361	1,067,674
Geophysics, topographic, mapping	194,925	-	194,925
Miscellaneous	398,266	60	398,326
On-site personnel costs	711,155	-	711,155
Sampling, prospecting, study	176,660	2,550	179,210
Transportation and accommodation	314,354	-	314,354
Expenses for the year ended November 30, 2022	**4,460,215**	**19,971**	**4,480,186**
Drilling	2,510,970	-	2,510,970
Equipment rental	193,090	-	193,090
Field supplies and on-site expenses	221,510	-	221,510
Geochemical surveying	811,558	4,014	815,572
Geological consulting	26,100	1,315	27,415
Geophysics, topographic, mapping	43,322	-	43,322
Miscellaneous	348,567	13,180	361,747
Mineral rights	-	13,238	13,238
On-site personnel costs	883,004	29,725	912,729
Sampling, prospecting, study	191,497	3,395	194,892
Transportation and accommodation	383,692	18,944	402,636
Mineral exploration tax credits	(113,137)	-	(113,137)
Expenses for the year ended November 30, 2021	**5,500,173**	**83,812**	**5,583,985**

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (continued)

Buck Property

As of July 16, 2019, the Company entered into an option agreement (the "Buck Agreement") to acquire a 100% interest in a mineral property in north-central British Columbia (the "Buck Property"). To exercise the option and obtain a 100% interest in the Buck Property, the Company must incur $112,000 in exploration expenditures by December 31, 2019 (incurred), and make cash payments totalling $300,000 and issue 4,000,000 common shares of the Company on or before the fifth anniversary of Exchange approval of the Buck Agreement, on October 9, 2019, as follows:

	Cash	Common shares
	$	#
On October 9, 2019 (paid and issued)	25,000	250,000
On or before October 9, 2020 (paid and issued)	25,000	400,000
On or before October 9, 2021 (paid and issued) (Note 8)	25,000	500,000
On or before October 9, 2022 (paid and issued) (Note 8)	25,000	750,000
On or before October 9, 2023	50,000	1,000,000
On or before October 9, 2024	150,000	1,100,000
Total	**300,000**	**4,000,000**

On the exercise of the option, the optionors will be granted a 2.5% net smelter return ("NSR") royalty on any commercial production from the Buck Property, which can be reduced to a 1.5% NSR royalty with the payment of $2,500,000 to the Optionors prior to the first anniversary of the commencement of commercial production. An additional 4,000,000 common shares are also to be issued to the optionors upon the earlier of the completion of a bankable feasibility study or the eighth anniversary of the Exchange's approval of the Buck Agreement on October 9, 2019.

During the year ended November 30, 2022, the Company made cash payments totalling $Nil (2021 - $22,119) to file additional claims adjacent to the existing claims comprising the Buck Property. As at November, 2022, the Company had made cash payments of $100,000 to the optionors and issued 1,900,000 common shares to the optionors pursuant to the Buck Agreement.

As at November 30, 2022, the Company had advanced $152,827 (November 30, 2021: $352,806) to service providers in connection with ongoing exploration and evaluation expenditures.

As at November 30, 2022, the Company has posted reclamation deposits of $112,000 (2021 - $27,500) with the Ministry of Energy, Mines, and Low Carbon Innovation of British Columbia.

Other Projects

Exploration expenditures incurred on other projects during the current year include the maintenance of the Cuatro de Mayo project in Mexico and an assessment of the exploration potential of the Company's Stubb Property located in north-central British Columbia.

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The remuneration of the directors, the Company's president and the chief executive officer for the years ended November 30, 2022 and 2021 were as follows:

	2022	2021
	$	$
Management fees (i)	90,900	175,500
Wages and benefits	125,000	109,168
Share based payments	126,195	1,340,782
Total	**342,095**	**1,625,450**

(i) Management fees includes $90,900 (2021 - $149,400) in management fees and $Nil (2021 - $26,100) in exploration and evaluation costs in fees paid to officers of the Company.

Transactions with other related parties

Certain of the Company's officers render services to the Company through entities in which they are a director or partner.

The Company incurred the following fees and expenses during the years ended November 30, 2022 and 2021 with these related parties as follows:

	2022	2021
	$	$
Accounting fees	83,850	85,750
Legal fees	82,416	148,893
Legal fees related to share issuance costs	46,245	42,750
Total	**212,511**	**277,393**

At November 30, 2022, there was $10,539 (2021 - $7,862) included in accounts payable that was owing to related parties for accounting and legal fees.

7. FLOW-THROUGH PREMIUM

i. During the year ended November 30, 2022, the Company issued flow-through units and recognized a non-cash deferred flow-through premium of $904,379 as the difference between the fair value of the amounts recognized as equity and the amounts paid by investors. During the year ended November 30, 2022, the Company recognized $392,928 as recovery of the deferred flow-through premium liability related to this flow-through financing as other income based on the amount of eligible expenditures incurred. As at November 30, 2022, the remaining unrealized flow-through premium related to this flow-through financing was $511,451 (November 30, 2021 - $Nil).

7. FLOW-THROUGH PREMIUM (continued)

ii. During the year ended November 30, 2021, the Company issued flow-through units and recognized a non-cash deferred flow-through premium of $1,175,367 as the difference between the fair value of the amounts recognized as equity and the amounts paid by investors. During the year ended November 30, 2022, the Company recognized $485,560 (2021 - $689,807) as recovery of the deferred flow-through premium lability as other income based on the amount of eligible expenditures incurred. As at November 30, 2022, the remaining unrealized flow-through premium related to this flow-through financing was $Nil (November 30, 2021 - $485,560).

iii. During the year ended November 30, 2020, the Company issued flow-through units and recognized a non-cash deferred flow-through premium of $129,960 as the difference between the fair value of the amounts recognized as equity and the amounts paid by investors. During the year ended November 30, 2022, the Company recognized $Nil (2021 - $91,178) expenditures incurred. As at November 30, 2022 and 2021, the remaining unrealized flow-through premium related to this flow-through financing was $ Nil.

8. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

<u>During the year ended November 30, 2022:</u>

i. The Company completed a non-brokered private placement whereby it issued 9,809,379 flow-through units (each a "FT Unit") and 1,515,111 non-flow-through units (each a "NFT Unit") for gross proceeds of $6,000,400. Each FT Unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each NFT Unit consisted of one non-flow-through common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to purchase one additional non-flow-through common share of the Company until March 25, 2024 at a price of $0.70.

In connection with the private placement, the Company paid cash finder's fees of $319,338 and issued 612,254 finder warrants, with each finder warrant exercisable to purchase one additional non-flow-through common share of the Company until March 25, 2024 at a price of $0.70 with a fair value of $113,572 using the Black-Scholes Option Pricing Model (Note 8d). The Company incurred other legal and professional fees of $44,174 in connection with the private placement.

ii. The Company issued 45,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $15,300.

iii. The Company issued 750,000 common shares valued at $127,500 pursuant to the Buck Agreement described in Note 5.

8. SHARE CAPITAL AND EQUITY RESERVES (continued)

b) Issued (continued)

During the year ended November 30, 2021:

i. The Company issued 500,000 common shares valued at $245,000 pursuant to the Buck Agreement described in Note 5.

ii. The Company issued 6,953,878 flow-through units for gross proceeds of $5,000,000. Each unit consisted of one flow-through common share and one-half share purchase warrant, with each whole warrant entitling the purchase of one (non flow-through) common share for two years at a price of $0.90.

In connection with the private placement, the Company paid cash finders' fees of $269,364 and issued a total of 371,036 finders' warrants, with each warrant exercisable to purchase one common share for two years at a price of $0.66 or $0.81 with a fair value of $121,877 using the Black-Scholes Option Pricing Model (Note 8d). The Company also incurred other share issuance costs of $107,620 in connection with the private placement.

iii. The Company issued 5,555,689 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $1,332,383. In connection with the exercise of share purchase warrants, the Company reallocated $58,296 from equity reserves to share capital.

iv. The Company issued 1,143,332 common shares pursuant to the exercise of stock options for gross proceeds of $277,300. In connection with the exercise of stock options, the Company reallocated $250,939 from equity reserves to shareholders' equity.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND EQUITY RESERVES (continued)

c) Stock options

The Company's stock option transactions are as follows:

	Number of Shares issuable under Options	Weighted Average Exercise Price
		$
Shares issuable under Options outstanding at November 30, 2020	3,733,333	0.35
Granted	3,425,000	0.51
Exercised	(1,143,332)	0.24
Forfeited	(45,000)	0.38
Shares issuable under Options outstanding at November 30, 2021	**5,970,000**	**0.46**
Granted	1,600,000	0.26
Expired	(666,667)	0.55
Forfeited	(325,000)	0.38
Shares issuable under Options outstanding at November 30, 2022	**6,578,333**	**0.41**
Shares issuable under Options exercisable at November 30, 2022	**6,328,333**	**0.42**

As at November 30, 2022, stock options to purchase common shares were outstanding as follows:

Number of Shares issuable under Options Outstanding	Exercise Price	Expiry Date
	$	
75,000(1)	0.43	January 13, 2023
133,333(1)	0.56	January 31, 2023
50,000(1)	0.56	February 1, 2023
200,000(1)	0.56	February 14, 2023
400,000	0.56	June 25, 2023
25,000	0.57	November 10, 2023
620,000	0.18	February 6, 2025
300,000	0.30	June 1, 2025
150,000	0.30	June 15, 2025
150,000	0.31	August 4, 2025
1,175,000	0.43	January 13, 2026
1,900,000	0.57	November 10, 2026
1,150,000	0.25	July 11, 2027
50,000	0.25	September 4, 2024
200,000	0.16	November 3, 2027
6,578,333		

(1) Expired subsequent to November 30, 2022.

As at November 30, 2022, the stock options outstanding have a weighted average outstanding life of 3.16 years.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND EQUITY RESERVES (continued)

c) Stock options (continued)

The Company has a 10% rolling stock option plan whereby the Company may from time to time, in accordance with the Exchange requirements, grant to directors, officers, employees and consultants options to purchase common shares of the Company. The options can be granted for a maximum of 5 years, the vesting provisions are determined by the Board of Directors and, the exercise price of each option is required to be no less than the market price of the Company's stock as calculated immediately preceding the day of the grant and shall not be less than $0.10 per share.

During the year ended November 30, 2022, the Company granted stock options to various directors, officers and consultants of the Company to purchase 1,600,000 (2021 – 3,425,000) common shares. 1,150,000 of these options vested immediately while the remaining 450,000 options vest 25% every 3 months from date of grant. Each stock option is exercisable at prices ranging from $0.16 to $0.39 (2021 - $0.38 to $0.57) per common share for a period ranging from two years to five years.

During the year ended November 30, 2022, the Company recorded share-based payments of $234,031 (2021 - $1,635,850) in connection with the stock options granted, vested and extended during the year. The fair value of the stock options granted was estimated as at the date of the grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

	2022	2021
Risk free interest rate	3.16%	1.02%
Expected life of options	4.90 years	4.80 years
Expected dividend yield	0%	0%
Expected stock price volatility	114%	119%
Exercise price	$0.24	$0.51
Stock price	$0.18	$0.56
Weighted average fair value per option	**$0.14**	**$0.45**

d) Warrants

The Company's warrant transactions are as follows:

	Number of Shares issuable under Warrants	Weighted Average Exercise Price
		$
Shares issuable under Warrants outstanding at November 30, 2020	16,473,899	0.28
Issued	3,847,974	
Exercised	(5,555,689)	
Expired	(121,616)	
Shares issuable under Warrants outstanding at November 30, 2021	**14,644,566**	**0.46**
Issued	6,274,499	
Exercised	(45,000)	
Expired	(7,182,302)	
Shares issuable under Warrants outstanding at November 30, 2022	**13,691,763**	**0.64**

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND EQUITY RESERVES (continued)

d) Warrants (continued)

As at November 30, 2022, share purchase warrants were outstanding to purchase common shares as follows:

Number of Shares issuable under Warrants	Exercise Price	Expiry Date
	$	
569,251[1]	0.20	February 19, 2023
3,000,039	0.30	May 29, 2023
3,476,938	0.90	July 29, 2023
207,838	0.66	July 29, 2023
163,198	0.81	July 29, 2023
6,274,499	0.70	March 25, 2024
13,691,763		

[1] Expired subsequent to November 30, 2022.

As at November 30, 2022, the warrants outstanding have a weighted average outstanding life of 0.91 years.

During the year ended November 30, 2022, the Company issued finders' warrants to purchase 612,254 (2021 – 371,036) common shares in connection with a private placement completed during the year. The Company recorded share issuance costs of $113,572 (2021 - $121,877) in connection with the finders' warrants. The fair value of the finders' warrants was estimated as at the date of the grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

	2022	2021
Risk free interest rate	2.32%	0.42%
Expected life of warrants	2.00 years	2.00 years
Expected dividend yield	0%	0%
Expected stock price volatility	106%	131%
Exercise price	$0.70	$0.73
Stock price	$0.42	$0.55
Weighted average fair value per warrants	**$0.19**	**$0.33**

9. COMMITMENTS

During the year ended November 30, 2022, the Company issued flow-through common shares for gross proceeds of $5,318,600 of which the Company has spent $2,311,748 and is expected to incur the remaining expenditures over the flow-through period. Expenditures related to the use of flow-through share proceeds are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. The Company is required to incur these expenditures before December 31, 2022 and 2023 under the general rule and the look-back rule, respectively.

10. CAPITAL MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration plans to ensure the on-going growth of the business.

The Company considers the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at November 30, 2022, the carrying values of the reclamation deposit and accounts payable approximate their fair values due to the short-term nature of these instruments. Cash, marketable securities, and investment in warrants are measured at fair value.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage and is dependent on obtaining regular funding in order to continue its exploration programs. Despite success with previous financings, there is no guarantee of obtaining future funding. The Company's cash is invested in business accounts with qualified institutions in Canada and are available on demand for the Company's programs. The Company is not invested in any asset backed commercial paper or auction rate securities. Liquidity risk has been assessed as high.

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash and reclamation deposit with high-credit quality financial institutions. Receivables are mainly due from government agencies in Canada. Credit risk has been assessed as low.

11. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

(iii) Foreign currency risk

The Company's operations are located in Canada. Certain administrative costs incurred are paid in US dollars.

The operating results and the financial position of the Company are reported in Canadian dollars. A nominal amount of the Company's cash and marketable securities are held in different currencies and therefore the fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. At November 30, 2022, the Company is not exposed to any significant currency risk.

(iv) Interest risk

The Company invests its excess cash, and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

(v) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors its marketable securities, stock market movements and commodity prices to determine appropriate actions.

The Company does not typically invest in equity securities and the maximum exposure to the price risk is represented by the changing fair value of such investments. Assuming all variables remain constant, a 10% increase/decrease in the quoted market price of the Company's investments would not result in a significant increase/decrease in the Company's income.

(vi) Fair value hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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

The fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy. The fair value of the Company's investment in warrants is measured on level 2 inputs of the fair value hierarchy.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities	**2022**	**2021**
	$	$
Shares issued for mineral property option payments	127,500	245,000
Fair market value of warrants exercised	-	58,296
Fair market value of options exercised	-	250,939

13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian and Mexican federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2022	**2021**
	$	$
Loss before income taxes	(4,799,680)	(7,502,743)
Combined income tax rates	27.00%	27.03%
Expected income tax recovery based on the above rates	(1,296,000)	(2,028,000)
Permanent differences and other	2,312,000	1,917,000
Tax effect of deferred tax assets for which no tax benefit has been recorded	(1,016,000)	111,000
Total income tax recovery	**-**	**-**
Current income tax	-	-
Deferred income tax	-	-
	-	-

The composition of the Company's deferred income tax assets is as follows:

	2022	**2021**
	$	$
Non-capital losses	2,345,000	3,980,000
Capital losses	1,051,000	3,000
Equipment	27,000	25,000
Exploration and evaluation assets	249,000	721,000
Investments	49,000	44,000
Share issue costs	180,000	144,000
Total deferred income tax assets not recognized	3,901,000	**4,917,000**

(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

The significant components of the Company's unused temporary differences and unused tax losses are as follows:

	2022	Expiry Date	2021	Expiry Date
	$		$	
Non-capital losses	8,684,000	2022-2042	13,985,000	2021-2041
Capital losses	3,894,000		10,000	
Equipment	99,000		93,000	
Exploration and evaluation assets	921,000		2,493,000	
Marketable securities	182,000		163,000	
Share issuance costs	669,000		532,000	
Unused temporary differences	14,449,000		**17,276,000**	

The Company has non-capital losses of $8,684,000 in Canada, which can be used to offset taxable income in future years.