SURGE
BATTERY METALS

Surge Battery Metals Inc.

Consolidated Financial Statements
For the years ended 31 December 2022 and 2021

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Surge Battery Metals Inc.

Opinion

We have audited the consolidated financial statements of Surge Battery Metals Inc. (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, cash flows and changes in 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 December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 1.1 in the financial statements, which indicates that the Company had incurred accumulated losses of $24,494,988 since inception. As stated in Note 1.1, these events or conditions, along with other matters as set forth in Note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Other Information

Management is responsible for the other information. The other information comprises 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.

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

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

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

April 28, 2023

Surge Battery Metals Inc.
Consolidated Statements of Financial Position
As at 31 December 2022 and 31 December 2021
(Expressed in Canadian dollars)

	Notes	31 December 2022	31 December 2021
		$	$
ASSETS			
Current assets			
Cash	5	**1,020,621**	3,969,954
Amount receivable	6	**42,059**	12,090
Prepaid expense		**86,353**	331,703
Total current assets		**1,149,033**	4,313,747
Exploration and evaluation properties	7	**3,478,195**	1,753,109
Total assets		**4,627,228**	6,066,856
EQUITY AND LIABILITIES			
Current liabilities			
Accrued liabilities		**46,025**	20,000
Trade payables		**135,352**	50,271
Flow through premium liability	10	**4,957**	179,861
Due to related party	9	**13,349**	13,349
		199,683	263,481
Equity			
Share capital	10	**24,879,867**	24,058,922
Share to be issued	10	**34,000**	-
Contributed surplus	10	**4,008,666**	3,266,627
Deficit		**(24,494,988)**	(21,522,174)
Total equity		**4,427,545**	5,803,375
Total equity and liabilities		**4,627,228**	6,066,856

Nature of operations and going concern (Note 1), **Commitments and contingencies** (Note 16) and **Subsequent events** (Note 19)

APPROVED BY THE BOARD:

"Greg Reimer" *"Bob Culbert"*

Greg Reimer Bob Culbert

The accompanying notes are an integral part of these consolidated financial statements.

Surge Battery Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended 31 December 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022	2021
		$	$
Administration expenses			
Accounting		**49,609**	30,748
Consulting and management	9	**492,001**	442,485
Exploration expense		**-**	44,044
Insurance		**26,823**	3,081
Legal fees	9	**28,475**	24,442
Marketing and communications		**1,631,774**	858,865
Office expenses		**10,763**	52,031
Rent		**22,500**	16,500
Share-based payments	9,10	**282,879**	1,298,077
Service charges		**2,322**	2,177
Telephone		**4,067**	1,179
Transfer agent and regulatory fees		**89,408**	42,606
Travel, lodging and food		**42,926**	1,016
Loss before other items		**(2,683,547)**	(2,817,251)
Other income (expense)			
Other expenses		**(12,525)**	-
Reversal of flow through premium liability	10	**174,904**	-
Foreign exchange gain (loss)		**(16,948)**	(278)
Impairment of exploration and evaluation properties	7	**(435,775)**	-
Gain from disposal of marketable securities	8	**-**	598,088
Gain on write-off of accounts payable	17	**1,077**	66,110
Net loss and comprehensive loss for the year		**(2,972,814)**	(2,153,331)
Loss per share			
Basic and diluted	11	**(0.02)**	(0.03)

The accompanying notes are an integral part of these consolidated financial statements.

Surge Battery Metals Inc.
Consolidated Statements of Cash Flows
For the years ended 31 December 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022	2021
		$	$
OPERATING ACTIVITIES			
Loss for the year		**(2,972,814)**	(2,153,331)
Adjustment for:			
Shares issued for services received	10	**40,500**	-
Share-based payments	10	**282,879**	1,298,077
Impairment of exploration and evaluation properties	7	**435,775**	-
Gain on sale of marketable securities	8	**-**	(598,088)
Gain on write-off of accounts payable	17	**(1,077)**	(66,110)
Reversal of flow through premium liability	10	**(174,904)**	-
Changes in on-cash operating working capital:			
Amount receivable		**(29,969)**	3,562
Prepaid expenses		**245,350**	(331,703)
Trade payable, accrued liabilities and due to related parties		**112,183**	(196,688)
Cash used in operating activities		**(2,062,077)**	(2,044,281)
INVESTING ACTIVITIES			
Exploration and evaluation properties expenditures	7	**(1,571,701)**	(383,694)
Proceeds from sale of marketable securities	8	**-**	798,088
Cash (used) from in investing activities		**(1,571,701)**	414,394
FINANCING ACTIVITIES			
Proceeds from shares issued		-	5,593,215
Exercise of warrants	10	**534,447**	-
Exercise of options	10	**150,000**	-
Cash from financing activities		**684,447**	5,593,215
(Decrease) Increase in cash		**(2,949,333)**	3,963,328
Cash, beginning of period		**3,969,954**	6,626
Cash, end of period		**1,020,621**	3,969,954

Supplemental cash flow information (Note 13)

Surge Battery Metals Inc.

Consolidated Statements of Changes in Equity
For the years ended 31 December 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Number of common shares	Capital shares	Shares to be issued	Contributed Surplus	Deficit	Total
			$	$	$	$	$
Balances, 31 December 2020		**9,841,564**	**17,574,829**	**-**	**1,718,331**	**(19,368,843)**	**(75,683)**
Shares issued for cash	10	45,138,890	3,145,139	-	-	-	3,145,139
Shares issued for exercise of options	10	850,000	51,000	-	-	-	51,000
Shares issued for exercise of warrants	10	28,804,166	2,304,400	-	-	-	2,304,400
Shares issued for mineral properties	7,10	5,921,200	1,320,958	-	-	-	1,320,958
Share-based payments	10	-	-	-	1,298,077	-	1,298,077
Share issue costs	10	3,950,000	(337,404)	-	250,219	-	(87,185)
Net loss for the period		-	-	-	-	(2,153,331)	(2,153,331)
Balances, 31 December 2021		**94,505,820**	**24,058,922**	**-**	**3,266,627**	**(21,522,174)**	**5,803,375**
Shares issued for:							
Exercise of options	10	3,000,000	150,000	-	-	-	150,000
Exercise of warrants	10	4,311,112	500,445	34,000	-	-	534,445
Shares issued for mineral properties	7,10	1,000,000	130,000	-	-	-	130,000
Warrants issued for mineral properties	7,10	-	-	-	459,160	-	459,160
Shares issued for services	10	150,000	40,500	-	-	-	40,500
Share-based payments	10	-	-	-	282,879	-	282,879
Net loss for the year		-	-	-	-	(2,972,814)	(2,972,814)
Balances, 31 December 2022		**102,966,932**	**24,879,867**	**34,000**	**4,008,666**	**(24,494,988)**	**4,427,545**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Surge Battery Metals Inc. (formerly Surge Exploration Inc.), ("Surge" or the "Company") was incorporated under the Company Act (British Columbia) on 19 June 1987 and continued to the jurisdiction of the Canada Business Corporation Act on 13 August 1997. The Company trades on the TSX Venture Exchange (the "Exchange") under symbol NILI. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties.

The Company's principal place of business is located at 3028 Quadra Court, Coquitlam, British Columbia, V3B 5X6 and the registered and records office is located at Suite 501, 3292 Production Way, Burnaby, British Columbia, V5A 4R4.

On 15 March 2021, the Company changed its name to "Surge Battery Metals Inc.". The Company's shares started trading under the new name and new trading symbol "NILI" (formerly "SUR").

1.1 Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At 31 December 2022, the Company had cash of $1,020,621 (2021: $3,969,954) and incurred accumulated losses of $24,494,988 (2021: $21,522,174) since inception. Management cannot provide assurance that the Company will ultimately achieve profitable operations or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the carrying amounts for exploration and evaluation property interests and related deferred exploration and development costs are entirely dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and achievement of future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded assets amounts, classification of certain liabilities and changes to the statement of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

2 BASIS OF PREPARATION

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Name	Country of Incorporation	% Equity interest at 31 December 2022	31 December 2021
Surge Battery Metals USA Inc.	Nevada, USA	100%	-
Surge Exploration Chile SpA	Chile	100%	100%
Minera Arroyo Cobra	Mexico	98%*	98%*

*Two former officers of the Company own 1% each of Minera Arroyo Cobra

As of 31 December 2022 and 2021, the Company's Mexican and Chilean subsidiaries were inactive.

Subsidiaries are those entities controlled by the Company. 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 financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is obtained to the date control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

2.2 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value (Note 13).

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, except where otherwise indicated and all values are rounded to the nearest dollar.

2.3 Statement of compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency transactions

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

3.2 Exploration and evaluation properties

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

i) The Company’s work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset’s fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Impairment of long-lived assets

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.4 Financial instruments

At initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial assets are recognized initially at fair value, unless they are trade receivables that do not contain a significant financing component in accordance with IFRS 15, which shall be measured at their transaction price. The subsequent measurement of financial assets depends on their classification based on both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as follows:

Financial Assets at Amortized Cost

The financial asset is subsequently measured at amortized cost if the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets at FVTOCI

The financial asset is subsequently measured at FVTOCI if the financial asset is held within a business model whose objectives are achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding or if an irrevocable election was made for certain equity instruments at initial recognition. After initial recognition, the financial assets are measured at fair value with gains or losses recognized within other comprehensive income. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Transaction costs are included in the initial carrying amount of the asset.

Financial Assets at FVTPL

A financial asset shall be measured at FVTPL if it is not measured at amortized cost or at FVTOCI. If the financial asset that would otherwise be measured at FVTPL is not acquired or incurred principally for the purpose of selling or repurchasing it in the near term, not part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative, the Company may make an irrevocable election at initial recognition to present subsequent fair value changes of the equity instrument in OCI. Transaction costs associated with financial assets at FVTPL are expensed as incurred. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash is included in this category of financial assets.

The Company does not hold or have any exposure to derivative instruments.

3.5 Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or FVTOCI, a lease receivable, a contract asset or a loan commitment. If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance shall be measured at an amount equal to the lifetime expected credit losses, otherwise, it shall be measured at an amount equal to the 12-month expected credit losses.

3.6 Financial liabilities

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost unless they are financial liabilities at FVTPL (including derivatives that are liabilities). Financial liabilities are recognized initially at fair value. Transaction costs directly attributable to the issue of a financial liability are included in the initial carrying value of financial liabilities if they are not measured at FVTPL. The subsequent measurement of financial liabilities depends on their classification, as follows:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities measured at amortized cost

Financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade and other payables are included in this category of financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are carried at fair value with gains or losses recognized in net income (loss). Where the financial liability is designed as at FVTPL, only the amount of change in the fair value of the financial liability that is attributable to the changes in the credit risk of that liability shall be presented in OCI and the remaining amount of changes in fair value presented in profit or loss. Transaction costs on financial liabilities at FVTPL are expensed as incurred.

3.7 De-recognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Where a transfer does not result in a derecognition due to continuing involvement, the Company shall continue to recognize the transferred asset and recognize a financial liability of the consideration received.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

3.8 Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset with a corresponding entry to the provision.

3.9 Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.10 Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

3.11 Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

3.13 Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non- vesting conditions and market vesting conditions are factored into the fair value of the options granted.

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

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leases

On January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company does not have any leases that would be applicable to this standard and the implementation of these amendments did not have an impact on the consolidated financial statements.

3.15 Standards, amendments and interpretations issued but not yet effective

At the date of authorization of these Consolidated Financial Statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been early adopted by the Company. New standards, amendments and interpretations are not expected to have a significant impact on the Company’s consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year when new information becomes available.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

Impairment of financial assets

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Decommissioning and restoration costs

Management is not aware of any material restoration, rehabilitation and environmental provisions as at 31 December 2022 and 2021. 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 and these estimates are updated annually. Fair value is determined 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 exploration and evaluation property. Such estimates are subject to change based on laws, regulators and negotiations with regulatory authorities.

Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy states in note 3.13. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, one component is measured first and the residual amount is allocated to the remaining component. The Company measures the value of the common shares first. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as reserves.

Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

5 CASH

The Company's cash is denominated in the following currencies:

As at	**31 December 2022**	31 December 2021
	$	$
Denominated in Canadian dollars	**942,363**	3,864,848
Denominated in U.S. dollars	**78,258**	105,106
Total cash	**1,020,621**	3,969,954

As at 31 December 2022, the Company has $25,490 (2021 $925,000) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 7, 10 and 16).

6 AMOUNT RECEIVABLE

As at 31 December 2022, the Company qualifies for the Goods and Sales Tax (GST) input tax credits in the amount of $42,059 (2021: $12,090), which may change pursuant to an audit by the taxation authorities.

(Expressed in Canadian dollars)

7 EXPLORATION AND EVALUATION PROPERTIES

Exploration and evaluation properties include the following amounts for the period ended 31 December 2022:

	Quatse Lake	**Nickel Project**	**Northern Nevada**	**San Emidio**	**Total**
	$	**$**	**$**	**$**	**$**
ACQUISITION COSTS					
Balance, 1 January 2022	**163,457**	**1,075,000**	**78,879**	**157,028**	**1,474,364**
Additions	-	-	11,809	614,624	626,433
Impairment	(163,457)	-	-	(157,028)	(320,485)
Balance, 31 December 2022	**-**	**1,075,000**	**90,688**	**614,624**	**1,780,312**
EXPLORATION AND EVALUATION COSTS					
Balance, 1 January 2022	**100,290**	**-**	**178,455**	**-**	**278,745**
Assaying	-	154,800	12,819	-	167,619
Drilling	-	84,976	125,449	-	210,425
Engineering and consulting	-	66,640	37,719	48,693	153,052
Field expenses	15,000	593,093	186,646	72,821	867,560
Maintenance, claims fees	-	-	81,363	54,409	135,772
Impairment	(115,290)	-	-	-	(115,290)
Balance, 31 December 2022	**-**	**899,509**	**622,451**	**175,923**	**1,697,883**
Total costs	**-**	**1,974,509**	**713,139**	**790,547**	**3,478,195**

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2021:

	Quatse Lake	Nickel Project	Northern Nevada	San Emidio	Total
	$	$	$	$	$
ACQUISITION COSTS					
Balance, 1 January 2021	48,457	-	-	-	48,457
Additions	115,000	1,075,000	78,879	157,028	1,425,907
Balance, 31 December 2021	163,457	1,075,000	78,879	157,028	1,474,364
EXPLORATION AND EVALUATION COSTS					
Assaying	-	-	1,011	-	1,011
Field expenses	100,290	-	145,872	-	246,162
Staking	-	-	31,572	-	31,572
Balance, 31 December 2021	100,290	-	178,455	-	278,745
Total costs	263,747	1,075,000	257,334	157,028	1,753,109

7 EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Quatse Lake

On 17 October 2019 the Company entered into a property option agreement to acquire a 100-per-cent interest in three mineral claims known as the Caledonia, Cascade and Bluebell, subject to a 2-per-cent net smelter return (NSR). The claims are located in the Nanaimo mining district of northern Vancouver Island. Finder's fee of 80,000 shares (with a fair value of $2,800) were issued.

The terms of the option agreement are:

(a) By making cash payments to the Optionor as follows:
   (i) $10,000 upon Exchange approval (paid);
   (ii) $10,000 on the first anniversary of Exchange approval (paid);
   (iii) $15,000 on the second anniversary of Exchange approval (paid);
   (iv) $20,000 on the third anniversary of Exchange approval; and
   (v) $45,000 cash on the fourth anniversary of Exchange approval.

(b) Completing the issuance to the Optionor of 100,000 fully paid and non-assessable common shares in the capital of the Optionee (the **"**Consideration Shares**"**) as follows:
   (i) 20,000 Consideration Shares upon receipt of Exchange approval (issued with a fair value of $9,800) (Note 11);
   (ii) 20,000 Consideration Shares on or before the one (1) year anniversary of Exchange approval (200,000 issued with a fair value of $16,000) (Note 11);
   (iii) 20,000 Consideration Shares on or before the two (2) year anniversary of Exchange approval (200,000 issued with a fair value of $74,000) (Note 11);
   (iv) 20,000 Consideration Shares on or before the three (3) year anniversary of Exchange approval; and
   (v) 20,000 Consideration Shares on or before the four (4) year anniversary of Exchange approval.

(c) Incurring cumulative minimum expenditures of $200,000 in exploration expenditures on the property on or before the (4) year anniversary of Exchange Approval.

On 1 November 2019, the Company entered into a purchase and sale agreement with John Malcolm Bell (Vendor) to acquire four mineral claims comprising 1,786 hectares located near Quatse Lake, in the Nanaimo Mining Division of British Columbia. The Company made cash payment of $3,657 upon signing the agreement and issued the Vendor 100,000 fully paid and non-assessable common shares with a fair value of $22,200 upon acceptance of the agreement by Exchange during the 2019 fiscal year. During the year ended 31 December 2022, the option agreement was terminated and its carrying value of $278,747 was fully impaired.

7 EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Nickel Project

On July 7, 2021, the Company entered into an option agreement with Nickel Rock Resources Inc., whereby the Company can acquire an 80-per-cent interest in claims in the Mount Sidney Williams area, located in Northern British Columbia. The transaction is a related party transaction due to officers in common between Nickel Rock Resources Inc. and the Company (Note 9).

Under the terms of the agreement, the Company will earn an 80-per-cent interest in the property by issuing five million shares on closing (issued with a fair value of $1,075,000) (Note 10) and incurring $200,000 in exploration expenditures over a two-year period. A portion of the property is subject to a pre-existing 2.0-per-cent NSR held by an arm's-length third party.

Northern Nevada

On 28 June 2021, the Company acquired 38 mineral claims in Northern Nevada. The terms of the mineral claim acquisition are:

(a) Making a cash payment to the vendor in the amount of $15,129 ($12,000 (U.S.)) upon signing of the agreement (paid); and

(b) Issuing to the vendor 250,000 paid and non-assessable common shares in the capital of the Company upon acceptance of the agreement by the Exchange (issued with a fair value of $63,750) (Note 10).

During the year ended 31 December 2022, the Company staked an additional 116 claims.

San Emidio

On 16 September 2021, and approved by the Exchange on 23 September 2021 (the “Effective Date”), the Company entered into an option agreement with Lithium Corp. (“Lithium”), whereby the Company may earn an undivided 80-per-cent interest in the existing San Emidio Desert lithium project that consists of 35 mineral claims located northeast of Reno, Nevada, referred to as the San Emidio lithium property.

The terms of the acquisition are:

(a) Making a cash payment to the vendor in the amount of $64,820 ($50,000 (U.S.)) (paid) and issuing 200,000 common shares upon signing of the agreement (issued with a fair value of $68,000) (Note 10);
(b) $70,000 (U.S.) and $30,000 (U.S.) in common shares on or before the first anniversary of the Effective Date;

7 EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

(a) $70,000 (U.S.) and $30,000 (U.S.) in common shares on or before the second anniversary of the Effective Date;
(b) $70,000 (U.S.) and $50,000 (U.S.) in common shares on or before third anniversary of the Effective Date;
(c) $70,000 (U.S.) and $70,000 (U.S.) in common shares on or before the fourth anniversary of the Effective Date; and
(d) $70,000 (U.S.) and $90,000 (U.S.) in common shares on or before the fifth anniversary of the Effective Date.

On 20 September 2021, the Company issued 71,200 finder's shares valued at $24,208 in relation to the San Emidio property (Note 10).

During the year ended 31 December 2022, the option agreement with Lithium was terminated and its carrying value of $157,028 was fully impaired.

During the year ended 31 December 2022, the Company entered into a property option agreement with Paul Lechler, John Van de Sand, David White and Darren Howe, whereby the company may earn an undivided 80-per-cent interest in 16 mineral claims comprising 640 acres located within Nevada's San Emidio desert. These lithium exploration claims, referred to as the Galt claim group, adjoin the company's existing San Emidio desert lithium claims.

The proposed consideration for the undivided 80-per-cent interest in the Galt claim group is as follows:

(a) $25,464 ($20,000 (U.S.)) to be paid upon exchange approval; (Paid in 2022);
(b) One million vested restricted common shares of the Company to be issued upon exchange approval, which shares shall vest and be released as follows: 25 per cent released upon exchange approval and 25 per cent released each three-month period thereafter. The shares will be issued pro rata as to 25 per cent to each individual optionor; (issued in 2022 with a fair value of $130,000) (Note 10);
(c) Four million warrants, whereby each warrant will entitle the optionors to purchase one additional common share of the Company with an exercise price of 30 cents per share for a period of five years from exchange approval and vesting on the same schedule as the restricted shares; (issued in 2022 with a fair value of $459,160) (Note 10); and
(d) $10,000 (U.S.) each year on the anniversary of exchange approval of the transaction for five years.

Expenditure and work commitment:

Incur a minimum in Expenditures for exploration and development work on the property of $1 million (U.S.) as follows:

(Expressed in Canadian dollars)

7 EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

(a) $100,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the first anniversary of the effective date;
(b) A cumulative total of $250,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the second anniversary of the effective date;
(c) A cumulative total of $450,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the third anniversary of the effective date;
(d) A cumulative total of $700,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the fourth anniversary of the effective date; and
(e) A cumulative total of $1,000,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the fifth anniversary of the effective date.

8. MARKETABLE SECURITIES

During the year ended 31 December 2021, the Company sold all Fuse Cobalt Inc. shares for $798,088, and recorded a gain from sale of marketable securities of $598,088.

9. RELATED PARTY TRANSACTIONS

For the year ended 31 December 2022 and 2021, the Company had transactions with Nickel Rock Resources Inc. (formerly Nevada Energy Metals Inc.), a company with certain directors, officers, and former officers in common with the Company (Notes 7 and 19).

9.1 Key management personnel compensation

The remuneration of directors and other members of key management for the years ended 31 December 2022 and 2021 as follows:

	2022	2021
	$	$
Short-term benefits – consulting, management, legal fees	**205,192**	157,442
Share-based payments	**39,304**	309,358
Total related party expenses	**244,496**	466,800

(Expressed in Canadian dollars)

9 RELATED PARTY TRANSACTIONS (CONTINUED)

9.2 Related party transactions are summarized as follows:

Related party transactions for the years ended 31 December 2022 and 2021 summarized as follows:

	2022	2021
	$	$
Consulting fees to Company controlled by former CFO	**57,500**	50,000
Consulting fees to the President and CEO	**52,500**	-
Consulting fees to the CFO	**3,750**	-
Consulting fees to the former Corporate Secretary	**67,000**	83,000
Legal fees to a Director	**24,442**	24,442
Total related party expenses	**205,192**	157,442

9.3 Due to related party:

The liabilities of the Company include the following amounts due to a related party:

As at	**31 December 2022**	31 December 2021
	$	$
Nickel Rock Resources Inc.	**13,349**	13,349
Total amount due to related party	**13,349**	13,349

These amount is unsecured, interest-free and payable on demand.

10 SHARE CAPITAL

10.1 Authorized share capital

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 31 December 2022, the Company had 102,966,932 common shares issued and outstanding (2021: 94,505,820).

10 SHARE CAPITAL (CONTINUED)

10.2 Share issuance

a) Private Placements

- On 15 December 2021, the Company issued 5,138,890 flow-through (FT) units at $0.18 per FT unit for gross proceeds of $925,000. Each FT unit comprises one flow-through common share and one-half of one non-flow-through share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at $0.22 per share for two years following the date of closing. The flow-through premium recognized as a liability is $179,861. During the year ended 31 December 2022, the Company incurred in the majority of the eligible expenditures and the flow through liability of $174,904 was reversed. The Company issued 411,110 finders' warrants with a fair value of $36,544 and paid cash share issuance costs of $87,185. The finders' warrants are exercisable at $0.18 per share for two years and were valued using the Black Scholes Option Pricing Model with the following assumptions: expected life of 2 years, volatility of 132%, risk-free interest rate of 0.49%, and dividend yield of 0%.
- On 4 February 2021, the Company issued 40,000,000 units at $0.06 per unit for cash proceeds of $2,400,000. Each Unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at $0.08 per share during the five years following the date of closing. The Company also paid finder fees in the amount of 3,950,000 common shares with a fair value of $237,000 and 1,975,000 warrants with a fair value of $213,675. The finders' warrants are exercisable at $0.08 per share for five years and were valued using the Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 160%, risk-free interest rate of 0.49%, and dividend yield of 0%.

b) Exploration and Evaluation Property Acquisition

- On 25 March 2022, the Company issued 1,000,000 restricted common shares with a fair value of $130,000 which shall vest and be released as follows: 25 per cent released upon exchange approval and 25 per cent released each three-month period thereafter. The shares will be issued pro rata as to 25 per cent to each individual optionor (Note 7).
- On 18 November 2021, the Company issued 5,000,000 common shares valued at $1,075,000 in relation to the Nickel Project (Note 7).
- On 25 October 2021, the Company issued 200,000 common shares valued at $74,000 in relation to the Quatse Lake property (Notes 7).
- On 20 September 2021, the Company issued 200,000 common shares valued at $68,000 and 71,200 finder's shares valued at $24,208 in relation to the San Emidio property (Note 7).
- On 16 July 2021, the Company issued 250,000 common shares valued at $63,750 in relation to the Northern Nevada property (Note 7).
- On 1 January 2021, the Company issued 200,000 common shares valued at $16,000 in relation to the Quatse Lake property (Note 7).

10 SHARE CAPITAL (CONTINUED)

c) Service agreement

- On 25 March 2022, the Company issued 150,000 common shares with a fair value of $40,500 in relation to service agreement entered by the Company.

d) Issuance and Exercise of Options

- During the year ended 31 December 2022, the Company issued 3,000,000 common shares related to the exercise of 3,000,000 options at exercise price of $0.05 for proceeds of $150,000. The weighted average share price on the dates of exercise was $0.06.
- During the year ended 31 December 2021, the Company issued 850,000 common shares related to the exercise of 850,000 options at exercise price of $0.06 for proceeds of $51,000. The weighted average share price on the dates of exercise was $0.22.

e) Issuance and Exercise of Warrants

- During the year ended 31 December 2022, the Company issued 4,311,000 common shares for warrants exercised for a cash proceeds of $500,445. The Company received $34,002 for warrants exercised during the year ended 31 December 2022 which the related common shares were issued after the year ended 31 December 2022. The weighted average share price on the dates of exercise was $0.06.
- On 25 March 2022, the Company issued 4,000,000 purchase warrants with a fair value $459,160 in connection to property option agreement entered into by the Company with Paul Lechler, John Van de Sand, David White and Darren Howe for San Emidio property (Note 7). The warrants have at an exercise price of $0.30 per share for a period of five years from the Exchange approval of the property option agreement and shall vest and be released as follows: 25 per cent released upon exchange approval and 25 per cent released each three-month period thereafter.
- During the year ended 31 December 2021, the Company issued 28,804,166 common shares related to the exercise of 28,804,166 warrants at exercise price of $0.08 for proceeds of $2,304,400. The weighted average share price on the dates of exercise was $0.22.

10.3 Stock option

The Company’s incentive stock option plan allows for the grant of options to employees, consultants, officers and directors providing the number of shares that may be purchased under the option plan and all previously granted options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company’s shares (subject to a minimum of $0.05) and the maximum term of the options is ten years.

10 SHARE CAPITAL (CONTINUED)

During the year ended 31 December 2021, the Company granted the following stock options:

- 850,000 stock options on 8 January 2021 exercisable at $0.06 for 5 years (vested immediately);
- 4,000,000 stock options on 9 February 2021 exercisable at $0.105 for 5 years (vested immediately);
- 390,000 stock options on 13 April 2021 exercisable at $0.19 for 5 years (vested immediately);
- 2,500,000 stock options on 13 August 2021 exercisable at $0.165 for 5 years (vested immediately); and
- 500,000 stock options on 10 September 2021 exercisable at $0.21 for 5 years (vested immediately).

During the year ended 31 December 2021, the fair value of share-based payment expense recognized is $1,298,077. The fair value was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions: expected life of 5 years, volatility of 160,39%, risk-free interest rate of 0.49%, and dividend yield of 0%

During the year ended 31 December 2022, the Company granted the following stock options:

- 4,500,000 stock options on 17 August 2022 exercisable at $0.05 for 5 years (vested immediately).
- 220,000 stock options on 7 September 2022 exercisable at $0.06 for 5 years (vested immediately).

The 4,500,000 stock options are exercisable at $0.05 per share for five years and were valued at $206,505 using the Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 152.20%, risk-free interest rate of 3.05%, and dividend yield of 0%

The 220,000 stock options are exercisable at $0.06 per share for five years and were valued at $16,359 using the Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 152.20%, risk-free interest rate of 3.30%, and dividend yield of 0%

During the year ended 31 December 2022, the Company cancelled the 2,500,000 stock options issued on 13 August 2021 and amended terms of the of the remaining stock options issued during the year ended 31 December 2021 (new exercise price is $0.06 and the maturity date is September 7. 2027). The Company recognized during the year ended 31 December 2022 additional share-based payment of $60,015 for the modification.

(Expressed in Canadian dollars)

10 SHARE CAPITAL (CONTINUED)

The following is a summary of the changes in the Company's stock option activities for the years *ended 31 December 2022 and 2021:*

	31 December 2022		31 December 2021	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning	**7,343,000**	**0.15**	383,000	0.67
Granted	**4,720,000**	**0.05**	8,240,000	0.13
Exercised	**(3,000,000)**	**0.05**	(850,000)	0.06
Cancelled/Expired	**(2,500,000)**	**0.06**	(430,000)	0.42
Outstanding, ending	**6,563,000**	**0.06**	7,343,000	0.15

The following table summarizes information regarding stock options outstanding and exercisable as 31 December 2022:

	Number of options outstanding	**Number of options exercisable**	**Weighted-average remaining contractual life (years)**	**Weighted - average exercise price**
Options				$
07 September 2027	**33,000**	**33,000**	4.69	0.06
07 September 2027	**120,000**	**120,000**	4.69	0.06
07 September 2027	**3,800,000**	**3,800,000**	4.69	0.06
07 September 2027	**390,000**	**200,000**	4.69	0.06
07 September 2027	**500,000**	**500,000**	4.69	0.06
17 August 2027	**1,500,000**	**1,500,000**	4.63	0.05
07 September 2027	**220,000**	**220,000**	4.69	0.06
Total	**6,563,000**	**6,563,000**	**4.68**	**0.06**

(Expressed in Canadian dollars)

10 SHARE CAPITAL (CONTINUED)

10.4 Share purchase warrants

The company issued 4,000,000 vesting purchase warrants upon exchange approval of mineral property option agreement dated March 23, 2022, between Paul Lechler, John Van De Sand, David White, Darren Howe and Surge Battery Metals Inc (Notes 7 and 13). The purchase warrants are exercisable at $0.30 per share for five years and were valued at $459,160 using the Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 154.98%, risk-free interest rate of 2.49%, and dividend yield of 0%.

The following is a summary of the changes in the Company's share purchase warrants for the years ended 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
		$		$
Outstanding, beginning	**16,151,388**	**0.10**	800,000	0.50
Granted	**4,000,000**	**0.30**	44,955,554	0.09
Exercised	**(4,311,112)**	**0.08**	(28,804,166)	0.08
Cancelled/Expired	**-**		(800,000)	0.50
Outstanding, ending	**15,840,276**	**0.15**	16,151,388	0.10

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 31 December 2022:

Exercise price	**Number of warrants outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**
Share purchase warrants			$
15 December 2023	**1,869,442**	0.96	0.02
03 February 2026	**9,970,834**	3.10	0.05
25 March 2027	**4,000,000**	4.23	0.08
Total	**15,840,276**	**3.13**	**0.15**

10.5 Contributed surplus

Contributed surplus records items recognized as share-based payments.

(Expressed in Canadian dollars)

11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2022	2021
Net loss for the year	**$ (2,972,814)**	$ (2,153,331)
Weighted average number of shares – basic and diluted	**96,134,481**	67,063,677
Loss per share, basic and diluted	**$ (0.02)**	$ (0.03)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants were anti-dilutive for the years ended 31 December 2022 and 2021.

12 SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended 31 December 2022, the Company had the following non-cash investing and financing activities:

- The Company granted 4,720,000 stock options to the consultants and directors or officers (Note 10);
- The Company amended the exercise price and expiry dates of the remaining 4,843,000 stock options (Note 10);
- The Company issued 4,000,000 warrants for mineral properties (Notes 7 and 10);
- The Company issued 1,000,000 common shares for mineral properties valued at $130,000 (Note 7 and 10); and
- The company issued shares with respect to of service agreement dated 3 November 2021 valued at $40,500 (Note 10).

During the years ended 31 December 2021, the Company had the following non-cash investing and financing activities:

- The Company made certain option payments by issuance of common shares with respect to exploration and evaluation properties valued at $1,320,958 (Notes 7 and 10);
- The Company paid finder's fees of $237,000 by issuing common shares (Note 10); and
- The Company recognized a flow through premium of $179,861 for flow through shares issued on 15 December 2021 (Note 10).

(Expressed in Canadian dollars)

13 FINANCIAL INSTRUMENTS

13.1 Categories of financial instruments

	31 December 2022	31 December 2021
	$	$
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash	**1,020,621**	3,969,954
Total financial assets	**1,020,621**	3,969,954
Liabilities, at amortized cost		
Trade payables	**135,352**	50,271
Due to related parties	**13,349**	13,349
Total financial liabilities	**148,701**	63,620

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Consolidated Financial Statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

13.2 General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

13.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rate risk.

13 FINANCIAL INSTRUMENTS (CONTINUED)

13.4 Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. This risk is considered minimal.

13.5 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. This risk is considered minimal.

13.6 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 31 December 2022, the Company had a cash balance of $1,020,621 (2021: $3,969,954) and receivables of $42,059 (2021: $12,090) to settle current liabilities due in twelve months or less of $199,683 (2021: $263,481) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Liquidity risk is assessed as high.

13.7 Currency risk

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations. Currency risk is assessed as moderate.

13 FINANCIAL INSTRUMENTS (CONTINUED)

13.8 Determination of fair value

The carrying amounts for cash, trade payable and due to related parties approximate fair value due to their short-term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company’s cash is measured at fair value level 1 inputs

14 CAPITAL DISCLOSURES

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. Advance the Company's corporate strategies to create long-term value for its stakeholders;
2. Sustain the Company's operations and growth throughout metals and materials cycles; and
3. Ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely monitors its cash balance. The balance of cash as at 31 December 2022 was $1,020,621 (2021: $3,969,954). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company’s approach to capital management during the year ended 31 December 2022.

15. SEGMENTED INFORMATION

The Company’s only business activity is exploration and development of exploration and evaluation properties carried out in Canada and USA

(Expressed in Canadian dollars)

16. COMMITMENTS AND CONTINGENCIES

a) As at 31 December 2022, the Company has $25,490 (2021: $950,000) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 5, 7 and 10).

b) As at 31 December 2022, the Company owns exploration and evaluation properties (Note 7). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.

c) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures (Note 10).

d) The Company's exploration activities are subject to various Canadian and US laws and regulations. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and 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.

17. DEBT SETTLEMENT AND MUTUAL RELEASE AGREEMENT

During the year ended 31 December 2022, the Company recognized a gain of $1,077 related to the write off of accounts payable (2021: $66,110).

18. INCOME TAXES

The provision for income taxes in the statement of loss and comprehensive represents an effective rate different than would be computed by applying the combined Canadian statutory federal and provincial income tax rates to the loss before income taxes due to the following:

As at 31 December,	**2022** **$**	2021 $
Net loss for the year	**2,972,814**	2,153,331
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Expected income tax recovery	**802,660**	581,399
Permanent differences	**(146,870)**	(254,032)
Change in valuation allowance	**(655,790)**	(327,367)
Total income tax recovery	-	-

(Expressed in Canadian dollars)

18 INCOME TAXES (CONTINUED)

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

As at 31 December,	2022 $	2021 $
Deferred tax assets		
Non-capital loss carries forward	**2,883,995**	2,220,874
Mineral properties, tax value in excess of carrying value	**970,121**	970,121
Other assets	**-**	58
Share issue costs	**14,124**	21,397
	3,868,240	3,212,450
Less: Valuation allowance	**(3,868,240)**	(3,212,450)
Total deferred tax assets	**-**	-

At 31 December 2022, the Company had cumulative exploration and development expenses of $5,346,149, and a non-capital loss carry forward of $10,681,462 available for tax purposes in Canada which expires as follows:

	Total Operating loss $
2026	236,342
2027	395,687
2028	285,499
2029	278,356
2030	488,061
2031	629,881
2032	471,642
2033	360,178
2034	67,250
2035	442,165
2036	333,769
2037	306,237
2038	1,435,657
2039	907,209
2040	389,485
2041	1,198,043
2042	2,456,001
Total non-operating loses	**10,681,462**

19. SUBSEQUENT EVENTS

On 3 April 2023, the Company entered into an option agreement with Nickel Rock Resources Inc. ("Nickel") whereby the Company may acquire the remaining 20% interest in the HN4 and the N100 mineral claims, located in central British Columbia. The transaction is a "related party" transaction and is subject to Exchange approval. Nickel has director in common with the Company. The consideration payable for acquiring the remaining interests in the mining claims is 1,000,000 common shares of the Company (Notes 7 and 9).

On 27 March 2023, the Company closed its first tranche of its non-brokered private placement financing offering of 1,632,328 units at a price of $0.25 per unit for gross proceeds of $408,082. Each Unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.30 per share for a period of five years from closing, subject to Exchange approval. The Company also paid finder fees in the amount of $11,500 cash and 200,000 shares in connection with the private placement. The finder fees are subject to Exchange approval.

On 17 March 2023, the Company closed its first tranche of its non-brokered private placement financing offering of 2,000,000 units at a price of $0.25 per unit for gross proceeds of $500,000. Each Unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.30 per share for a period of five years from closing, subject to Exchange approval. The Company also paid Finder fees in the amount of 200,000 shares in connection with the private placement. The finder fees are subject to Exchange approval.

On 17 January 2023, the Company closed a non-brokered private placement financing offering of 2,412,360 units at a price of $0.25 per unit for gross proceeds of $603,090. Each Unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.30 per share for a period of five years from closing, subject to Exchange approval. The Company also paid finder fees in the amount of $32,000 cash and 141,545 shares in connection with the private placement. The finder fees are subject to Exchange approval.

On 10 January 2023, the Company acquired a 100% interest in 71 additional mineral claims resulting from a recently completed staking program.

On 3 January 2023, the Company issued 3,000,000 stock options to consultants and directors of the Company at exercise price of $0.3 maturing on January 3, 2028.

On 9 January 2023 190,000 options were exercised for a cash proceed of $ 6,000

On 9 January 2023 100,000 options were exercised for a cash proceed of $11,400

On 5 January 2023 188,889 warrants were exercised for a cash proceed of $ 34,000.

20. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2022 were approved and authorized for issue by the Board of Directors on 28 April 2023.