PROSPECTOR METALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prospector Metals Corp.

Opinion

We have audited the accompanying consolidated financial statements of Prospector Metals Corp. (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, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated 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 ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates 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 consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $7,757,034 as of December 31, 2022. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting date.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites and from legal counsel, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Peter Maloff.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 26, 2023

PROSPECTOR METALS CORP.
Consolidated Statements of Financial Position
As at
(Expressed Canadian Dollars)

	Note(s)		December 31, 2022		December 31, 2021
ASSETS					
Current assets:					
Cash		$	**887,341**	$	3,558,391
Amounts receivables	6		**303,988**		544,534
Investments	5		**1,758,867**		3,020,781
Prepaid expenses			**351,234**		433,116
Total current assets			**3,301,430**		7,556,822
Non-current assets:					
Bond			**37,500**		37,500
Equipment			**68,038**		-
Exploration and evaluation assets	4		**7,757,034**		6,389,045
Total assets		$	**11,164,002**	$	13,983,367
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities		$	**624,402**	$	495,321
Flow-through share premium	7,10		**69,033**		522,991
Total current liabilities			**693,435**		1,018,312
SHAREHOLDERS' EQUITY					
Share capital	7		**47,447,312**		42,966,960
Reserves	7		**8,464,428**		7,871,449
Deficit			**(45,441,173)**		(37,873,354)
Total shareholders' equity			**10,470,567**		12,965,055
Total liabilities and shareholders' equity		$	**11,164,002**	$	13,983,367

Nature of operations (Note 1)
Subsequent events (Note 15)

Approved by the Board of Directors and authorized for issue on April 26, 2023.

"Craig Roberts" Director

"Rob Carpenter" Director

PROSPECTOR METALS CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31,
(Expressed Canadian Dollars)

	Note(s)		2022	2021
Expenses				
Amortization		$	**21,823**	-
Consulting			**978,111**	822,874
Exploration and project evaluation	4		**4,335,167**	6,084,430
Investor relations			**377,713**	405,931
Listing and filing fees			**86,159**	84,574
Office and administrative			**377,040**	190,323
Professional fees			**243,930**	248,766
Rent	8		**32,890**	19,662
Share-based compensation	7,8		**404,679**	1,298,448
Travel			**87,537**	12,952
Loss before the undernoted			**(6,945,049)**	(9,167,960)
Other income (expenses)				
Change in fair value of investments	5		**(659,390)**	(379,217)
Realized loss on sale of investments			**-**	(39,483)
Foreign exchange (loss)/gain			**(3,698)**	(4,056)
Interest income			**34,933**	24,284
Other income from settlement of flow-through share premium	11		**753,566**	842,777
Write-off of amounts receivable	6		**(238,059)**	-
Impairment of exploration and evaluation assets	4		**(527,500)**	(47,001)
Other income	11		**17,378**	3,254,240
Net loss and comprehensive loss for the year		$	**(7,567,819)**	(5,516,416)
Basic and diluted loss per common share		$	**(0.14)**	(0.14)
Weighted average number of common shares outstanding			**53,975,460**	40,666,771

PROSPECTOR METALS CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the Years ended December 31, 2022 and 2021
(Expressed Canadian Dollars)

	Share Capital (Note 7)				
	Number of shares	Amount	Reserves	Deficit	Total shareholders' equity
Balance, December 31, 2021	**48,046,746**	**$42,966,960**	**$7,871,449**	**$ (37,873,354)**	**$ 12,965,055**
Private placement, net of issuance costs	5,387,898	3,144,471	188,300	-	3,332,771
Shares issued for mineral property	4,249,982	1,635,489	-	-	1,635,489
Share-based compensation	-	-	404,679	-	404,679
Flow-through share premium	-	(299,608)	-	-	(299,608)
Net loss for the year	-	-	-	(7,567,819)	(7,567,819)
Balance, December 31, 2022	**57,684,626**	**$47,447,312**	**$8,464,428**	**$(45,441,173)**	**$ 10,470,567**

Balance, December 31, 2020	**31,630,672**	**$31,885,197**	**$6,541,413**	**$ (32,356,938)**	**$ 6,069,672**
Shares issued for property acquisition	6,316,667	4,194,000	-	-	4,194,000
Shares issued for private placement	9,369,934	7,710,213	-	-	7,710,213
Shares issued for options exercise	33,333	22,250	-	-	22,250
Shares issued for warrants exercise	612,807	448,029	-	-	448,029
Flow-through share premium	-	(1,080,832)	-	-	(1,080,832)
Share-based compensation	-	-	1,298,448	-	1,298,448
Share issuance costs	83,333	(231,553)	51,244	-	(180,309)
Reclass of reserves on exercise of options/warrants	-	19,656	(19,656)	-	-
Net loss for the year	-	-	-	(5,516,416)	(5,516,416)
Balance, December 31, 2021	**48,046,746**	**$42,966,960**	**$7,871,449**	**$ (37,873,354)**	**$ 12,965,055**

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

PROSPECTOR METALS CORP.
Consolidated Statements of Cash Flows
For the years ended December 31,
(Expressed Canadian Dollars)

	Note(s)	2022	2021
Cash flows from operating activities:			
Net loss for the year		$ **(7,567,819)**	$ (5,516,416)
Items not affecting cash:			
Amortization		**21,823**	-
Change in fair value of investments	5	**659,390**	379,217
Realized loss on sale of investments		**-**	39,483
Other income from settlement of flow-through share premium	11	**(753,566)**	(842,777)
Impairment of exploration and evaluation assets		**527,500**	47,001
Write off of amounts receivable		**238,059**	
Share-based compensation	7	**404,679**	1,298,448
Other income		**-**	(2,725,795)
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		**129,081**	375,521
Amounts receivable		**2,487**	(131,527)
Prepaid expenses		**81,882**	(352,041)
Net cash used in operating activities		**(6,256,484)**	(7,428,886)
Cash flows from investing activities:			
Acquisition of mineral properties		**(260,000)**	(423,300)
Acquisition of property, plant and equipment		**(89,861)**	-
Proceeds on sale of investments	5	**602,524**	558,517
Net cash provided by (used in) investing activities		**252,663**	135,217
Cash flows from financing activities:			
Proceeds from private placement	7	**3,461,771**	7,710,212
Share issuance costs	7	**(129,000)**	(180,308)
Exercise of warrants	7	**-**	448,029
Exercise of options	7	**-**	22,250
Net cash provided by financing activities		**3,332,771**	8,000,183
Net change in cash		**(2,671,050)**	706,514
Cash, beginning of the year		**3,558,391**	2,851,877
Cash, end of the year		$ **887,341**	$ 3,558,391

	2022	2021
Cash and cash equivalents consisted of		
Cash deposited with a Canadian Senior Bank	$ 517,506	$ 3,449,300
Term deposits and guaranteed investment certificates issued	369,835	109,091
	$ 887,341	$ 3,558,391

Supplemental Cash Flow Information (Note 9)

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

1. NATURE OF OPERATIONS

Prospector Metals Corp. (the "Company" or "Prospector") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2009, it began trading on the TSX Venture Exchange ("TSX-V") as a Tier 2 company under the symbol ECC. Its registered office is located at 1430 – 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's principal business activities are the identification, exploration and development of economically viable mineral properties.

The Company completed a change of name from Ethos Gold Corp. to Prospector Metals Corp on April 6, 2022. Thus, it is now trading on the TSX Venture Exchange under the ticker symbol PPP. The Company also consolidated its common shares based on one post-consolidation common share for each three pre-consolidated common shares. All common shares and per share amounts have been retroactively restated to reflect the consolidation.

As at December 31, 2022, the Company had current assets of $3,301,430 to settle current liabilities of $693,435 leaving the company with a working capital of $2,607,995.

Going Concern and Continuance of Operations

These consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company is expected to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION, AND CONSOLIDATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards 1, Presentation of Financial Statements ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were approved by the Board of Directors on April 26, 2023.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for assets classified as fair value through profit or loss which has been measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

Basis of Consolidation
These consolidated financial statements include the accounts of the Company, its 100% owned Canadian subsidiary 1088151 B.C. Ltd., and its 100% owned Mexican subsidiary Compañía Minera Roca Dorada, SA de CV ("Roca Dorada"). Subsidiaries are entities controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

The functional currency of Prospector and its subsidiaries is the Canadian dollar. Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at the financial statement date. Exchange gains or losses arising from these translations are recognized in profit or loss for the reporting period.

b) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than Prospector's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on marketable securities.

c) Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value. Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred.

Any option payments received by Prospector from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received and allocated against exploration expenses. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of Prospector to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

d) Restoration, rehabilitation and environmental costs

Prospector recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows.

e) Income taxes

Tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Equipment

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company amortizes the cost of equipment over their estimated useful lives at the following annual rates:

Equipment	4 years	Straight line basis

g) Impairment

Non-financial assets

At each reporting date the carrying amounts of Prospector's long-lived assets, which are comprised of equipment and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated 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, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

h) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss (“FVTPL”) – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income (“FVTOCI”) – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Pursuant to IFRS 9, Prospector classifies its financial instruments as follows:

Cash	Amortized cost
Investments	FVTPL
Accounts receivables	Amortized cost
Accounts payable, and Accrued liabilities	Amortized cost
Bond	Amortized cost

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in other comprehensive income. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i) Share-based compensation

The grant date fair value of share-based compensation awards granted to employees and consultants, including directors and officers, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Share-based compensation to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

j) Loss per common share

Basic loss per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The computation of diluted loss per common share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

k) Use of estimates and judgments

The following are the critical judgments and estimates that Prospector has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax assets and liabilities

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, Prospector would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Prospector's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Environmental rehabilitation obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows.

l) New accounting standards issued but not yet in effect:

There are no new accounting pronouncements that would have a significant effect on the consolidated financial statements.

m) Share capital

Common shares

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. Prospector uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

n) 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 for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. 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 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.

o) Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act and a refundable tax credit for resources under the Quebec Income Tax Act. Those credits are calculated on qualified exploration expenditures incurred in the province of Quebec. Those credits are accounted for using the cost reduction method. Accordingly, they are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has complied with all the conditions related to those credits and that those credits will be received. The Company is entitled to the British Columbia Mineral Exploration Tax Credit ("BCMETC") relating to qualifying exploration expenses incurred in the province of British Columbia. Accordingly, BCMETC's are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has complied with all the conditions related to those credits and that those credits will be received.

(Expressed in Canadian Dollars)

4) EXPLORATION AND EVALUATION ASSETS

Acquisition costs

	British Columbia $	Ontario $	Quebec $	Newfoundland $	United States $	**Total** **$**
Balance, Dec 31, 2020	415,501	727,100	640,350	150,000	-	**1,932,951**
Acquisition costs:						
Cash payments	75,000	28,300	150,000	170,000	-	**423,300**
Share issuances	393,000	1,345,000	408,000	2,048,000	-	**4,194,000**
Write down	(47,001)	-	-	-		**(47,001)**
Recovery	-	-	(114,205)	-	-	**(114,205)**
Balance, Dec 31, 2021	836,500	2,100,400	1,084,145	2,368,000	-	**6,389,045**
Acquisition costs:						
Cash payments	-	50,000	20,000	190,000	-	**260,000**
Share issuances	29,000	1,499,156	-	107,333	-	**1,635,489**
Impairment	(527,500)					**(527,500)**
Balance, Dec 31, 2022	338,000	3,649,556	1,104,145	2,665,333	-	**7,757,034**

Exploration expenditures

During the year ended December 31, 2022, the Company incurred the following exploration expenses:

	British Columbia $	Newfoundland $	Ontario $	Quebec $	**Total** $
Administration	13,101	33,126	49,393	19,244	**114,864**
Assays	1,725	180,722	95,153	26,749	**304,349**
Camp costs	16,688	246,193	194,850	494,875	**952,606**
Community relations	-	600	-	200	**800**
Drilling	-	440,738	-	-	**440,738**
Field equipment	-	20,600	20,573	-	**41,173**
Geological	123,459	756,284	574,226	550,746	**2,004,715**
Geophysics	-	42,227	90,895	142,680	**275,802**
Property maintenance	500	3,000	30,573	51,076	**85,149**
Travel	991	28,796	13,026	72,157	**114,971**
Balance, December 31, 2022	156,464	1,752,286	1,068,689	1,357,727	**4,335,166**

(Expressed in Canadian Dollars)

During the year ended December 31, 2021, the Company incurred the following exploration expenses:

	British Columbia $	Ontario $	Quebec $	Newfoundland $	United States $	**Total** **$**
Administration	68,467	10,530	11,907	6,662	-	**97,566**
Assays	96,634	59,126	36,679	53,300	105,220	**350,959**
Camp costs	128,549	165,233	178,337	224,448	1,639	**698,206**
Community Relations	8,400	26,480	-	2,100	-	**36,980**
Drilling	941,960	101,193	89,435	-	-	**1,132,588**
Field equipment	25,697	83,961	17,952	217,608	-	**345,218**
Geological	468,300	558,631	283,933	970,134	83,566	**2,364,564**
Geophysics	73,692	310,674	128,870	207,810	-	**721,045**
Property Maintenance	2,871	6,150	3,336	-	-	**12,357**
Travel	53,868	44,476	39,830	171,903	14,869	**324,946**
Balance, December 31, 2021	1,868,437	1,366,454	790,278	1,853,965	205,925	**6,084,430**

(Expressed in Canadian Dollars)

a) *Pine Pass Project, British Columbia*

The Company entered into an option agreement to acquire a 100% interest in the vanadium project known as the Pine Pass Project in northeastern British Columbia. On June 29, 2019, the area in which the Pine Pass Project is located became subject to a moratorium on resource development (the "Moratorium") imposed by the Province of British Columbia in connection with caribou protection strategies.

Due to the uncertainty of the Moratorium, the Company wrote down the carry value of the Pine Pass project totaling $47,001 to $Nil at December 31, 2021.

b) *Perk-Rocky Project, British Columbia*

On May 10, 2019, the Company entered into an option agreement to acquire a 100% interest in the Perk-Rocky project located near Williams Lake, British Columbia. The Company can earn a 100% interest in the Perk-Rocky Project by incurring exploration expenses totaling $350,000 (incurred) on or prior to the first anniversary of the agreement and by making $690,000 in cash payments and issuing 966,667 common shares of the Company as follows:

	Cash		Common Shares	
Within five days of the execution date	$10,000	Paid	-	
Within five days of TSX-V approval	$30,000	Paid	100,000	Issued
May 10, 2020	$75,000	Paid	150,000	Issued
August 16, 2021	$75,000*	Paid	150,000*	Issued
October 31, 2022	$500,000*		566,667*	

During the to the year ended December 31, 2021, the Company amended the Perk-Rocky option agreement whereby the second anniversary payments of $175,000 in cash and 233,333 common shares due on or before August 16, 2021 are now $75,000 (paid) and 150,000 shares (issued) respectively and the third anniversary payments of $400,000 cash and 483,333 shares due on or before October 31, 2022 are now $500,000 and 566,667 shares respectively.

On August 26, 2021, the Company issued 150,000 common shares relating to the Perk-Rocky mineral property option agreement with a fair value of $225,000.

During the year ended, December 31, 2022, the Company terminated the option agreement on the Perk-Rocky-project, and wrote down the carrying value of the Perk Rocky project totaling $527,500 to $Nil at December 31, 2022.

c) Gaffney, BC

On September 11, 2020, the Company entered into an earn-in agreement whereby the Company can earn a 100% interest in the Gaffney gold property located in central British Columbia by making the following cash and share payments:

(Expressed in Canadian Dollars)

	Cash		Common Shares	
Within five days of the execution date	$15,000	Paid	-	
Within five days of TSX-V approval	-		200,000	Issued
On or before October 1, 2021	-		200,000	Issued
On or before October 1, 2022	-		200,000	Issued
On or before October 1, 2023	-		200,000	

During the year ended December 31, 2022, 200,000 shares were issued with a fair value of $29,000 in relation to the Gaffney Property earn-in agreement (2021 - 200,000 shares with a fair value of $168,000).

The vendor retains a 1% NSR royalty, of which the first 0.5% can be purchased for $500,000, and a second tranche of 0.5% may be purchased for $1,000,000. There are no work commitments.

d) Fuchsite Lake, Ontario

On August 5, 2020, the Company staked the Fuchsite Lake claim block ("Fuchsite Lake Gold Project") in the province of Ontario. Staking costs of $9,100 are included in mineral property acquisition costs.

On September 3, 2020, the Company entered into a definitive property option agreement with Cross River Ventures Corp. ("Cross River") whereby Cross River has been granted the right to acquire up to a 60% interest in the project by advancing to the Company total cash payments of $300,000 and 2,000,000 Cross River common shares. In addition, Cross River must incur $1,950,000 in exploration expenditures on the project. The schedule of cash payments, share issuances and exploration expenditures are as follows:

	Cash		Common Shares		Work Commitment
Upon signing	-		500,000	Received	-
December 31, 2020	-		-		-
On or before December 3, 2021 *	$75,000	Received	500,000	Received	-
December 31, 2021	-		-		-
On or before September 3, 2022	$75,000		500,000		-
December 31, 2022	-		-		$1,200,000
On or before September 3, 2023	$75,000		500,000		-
December 31, 2023	-		-		$750,000
On or before September 3, 2024	$75,000		-		-

Upon Cross River earning their 60% interest, the Company will retain a 2% NSR royalty on the project. Cross River can acquire 1% of the NSR royalty by paying the Company a one-time cash payment of $1,000,000.

***** On September 1, 2021, an amendment was made to the property option agreement. The cash payment of $75,000 and 500,000 Cross River common shares, previously due on September 3, 2021, is now due on or before December 3, 2021. During the year ended December 31, 2021, the Company received 500,000 Cross River shares valued at $70,000 at issuance date and 546,249 Cross River shares in lieu of the of the $75,000 cash payment.

(Expressed in Canadian Dollars)

e) Savant Lake, Ontario

On September 1, 2020, the Company entered into an earn-in agreement with New Dimension Resources Ltd. ("New Dimension") whereby the Company can earn a 70% interest in the Savant Lake gold property located in northwest Thunder Bay, Ontario.

The Company can earn a 70% interest in the Savant Lake property by paying the optionor a total of $200,000 in cash, issuing 2,666,667 common shares of the Company, and completing $2,000,000 in exploration work, as follows:

	Cash		Common Shares		Work Commitment
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX-V approval	-		666,667	Issued	-
On or before September 20, 2021	$50,000		666,667		$500,000
On or before September 20, 2022	$50,000		666,667		$1,000,000
On or before September 20, 2023	$50,000		666,667		$500,000

If a mineral resource in excess of one million ounces of gold is defined on the property, the Company will make additional payments to New Dimension of $50,000 in cash and issue 666,667 common shares of the Company.

During the year ended December 31, 2021, an amendment has been made to the Savant Lake Property earn-in agreement. Changes are as follows:

	Cash		Common Shares		Work Commitment
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX-V approval	-		666,667	Issued	-
On or before September 20, 2021	-		333,333	Issued	-
On or before November 15, 2022	$50,000	Paid	666,666	Issued	$500,000
On or before November 15, 2023	$50,000		666,667		$1,000,000
On of before November 15, 2024	$50,000		333,333		$500,000

During the year ended December 31, 2022, the Company issued 666,666 common shares in accordance with the Savant Lake property earn-in agreement with a fair value of $90,000 and also paid $50,000 in cash (2021 - 333,333 common shares with a fair value of $270,000).

f) Campbell Lake Gold Project, Ontario

On October 6, 2020, the Company entered into an earn-in agreement whereby the Company can earn a 100% interest in the Campbell Lake gold project located in Ontario.

The Company can earn a 100% interest in the Campbell Lake gold project by making the following cash and share payments:

(Expressed in Canadian Dollars)

	Cash		Common Shares	
Within five days of the execution date	$10,000	Paid	-	
Within five days of TSX-V approval	-		200,000	Issued
Within five days of an airborne geophysics survey date	-		200,000	Issued
On or before October 6, 2021	-		200,000*	Issued
On or before October 6, 2022	-		600,000*	Issued

There are no work commitments.

* On April 27, 2021, the Company accelerated the Campbell Lake Gold Project acquisition by issuing 800,000 common shares relating to the acquisition of Campbell Lake mineral property with a fair value of $480,000.

g) Fairchild Lake Project, Ontario

On February 3, 2021, the Company entered into an earn-in agreement under which Prospector may earn a 100% interest in the Fairchild Lake claim block located in Ontario by making the following cash and share payments:

	Cash		Common Shares	
Within five days of the execution date	$5,000	Paid	-	
Within five days of TSX-V approval	-		166,667	Issued
On or before November 1, 2021	-		166,666	Issued
On or before August 1, 2022	-		166,666	Issued

During the year ended December 31, 2022, the Company issued 166,666 common shares related to the earn in agreement on the Fairchild Lake Project with a fair value of 26,667 (2021 - 333,334 common shares with a fair value of $215,000).

h) Whitton Lake (formerly known as Heaven Lake) Project, Ontario

On March 7, 2021, the Company entered into an earn-in agreement under which the Company may acquire a 100% interest in the 4,400-hectare Whitton Lake claim block by making the following cash and share payments:

	Cash		Shares	
Within five days of the execution date	$23,300	Paid	-	
Within five days of TSX-V approval	-		666,667	Issued
Within 12 months of signing the earn-in agreement	-		666,667	Issued
Within 24 months of signing the earn-in agreement	-		666,667	Issued

There are no work commitments. There is a 2% NSR. The Company can acquire 1% of the NSR by paying $1,000,000.

During the year ended December 31, 2022, the Company issued 1,333,318 common shares with a fair value of $919,988 to acquire 100% of the Whitton Lake claim block.

(Expressed in Canadian Dollars)

i) Bassano, Quebec

On September 1, 2020, the Company entered into an earn-in agreement whereby the Company can earn a 100% interest in the Bassano project located in the province of Quebec.

The Company can earn a 100% in the Bassano project by paying the optionor a total of $200,000 in cash, 1,166,667 shares, and completing $500,000 in exploration work, as follows:

	Cash		Common Shares		Work Commitment
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX-V approval	-		33,333	Issued	-
November 15, 2021	$50,000	Paid	66,667	Issued	$125,000
November 15, 2022	$20,000*	Paid	-		$125,000
May 15, 2023	$30,000*		133,333		$125,000
November 15, 2023	$50,000*		-		$125,000

The optionor will retain a 2% NSR royalty of which the Company may purchase 1% for $1,000,000.

During the to the year ended December 31, 2022, the Company amended the Bassano earn-in agreement whereby the:

a. The second anniversary payment of $50,000 and 133,333 common shares were amended to be $20,000 in cash only;
b. The third anniversary payment of $50,000 and 266,667 common shares were amended to be $30,000 in cash, and 133,333 common shares on or before May 15, 2023;
c. The fourth anniversary payment of $nil in cash and 666,667 common shares, were amended to be $50,000 in cash.

During the year ended December 31, 2022, the Company paid $20,000 in cash related to the Bassano property (2021 - $50,000 and issued 66,667 common shares valued at $48,000).

j) Ligneris Property, Quebec

On June 26, 2019, the Company entered into an earn-in agreement with Société d'exploration minière Vior Inc. (“Vior”) whereby the Company can earn a 70% interest in the Ligneris property, located in Quebec. The Company can earn a 51% interest in the Ligneris Property by issuing Vior 333,333 common shares of the Company and incurring $3,000,000 in exploration expenditures over the first four years of the agreements as follows:

	Work Commitment	Common Shares	
Within ten days of TSX-V approval	-	66,667	Issued
On or before June 26, 2020	$750,000*	75,000	Issued
On or before June 26, 2021	$750,000	83,333	
On of before June 26, 2022	$750,000	108,333	
On of before June 26, 2023	$750,000	-	

*Before the first anniversary the Company had satisfied its first-year work commitment.

Upon the Company earning its' initial 51% interest in the Ligneris Property, the Company will have 60 days to elect to earn an additional 19% interest in the Ligneris Property by incurring an additional $4,000,000 in exploration expenditures over the next three years, commencing from the date of the Company's election.

During the year ended December 31, 2021, the Company concluded a termination and release agreement with Vior whereby Prospector has accepted to renounce all of its rights under the Earn-in Agreement dated June 26, 2019 on the Ligneris project in exchange for 1 million units of Vior, with each unit consisting of one common share and one common share purchase warrant. During the year ended December 31, 2021, the Company received 1,000,000 shares of Vior (VIO.V). The fair value of these shares was $220,000, which was recorded as a recovery against the Ligneris Property ($114,205) and the remaining ($105,795) was recorded as other income in the Statement of Loss and Comprehensive Loss.

k) Schefferville, Quebec

On August 5, 2020, the Company staked two claim blocks in the province of Quebec. Staking costs of $80,145 are included in mineral property acquisition costs.

On October 15, 2020, Prospector purchased a 100% interest in 206 mineral claims that are contiguous to Prospector's staked Sable block, part of the Schefferville Gold Project.

Prospector has purchased the claims for $50,000 cash (paid) and 500,000 common shares of Prospector (issued). Additionally, there is a 2.0% NSR in favor of the vendors of which Prospector may purchase 1.0% for $1,000,000.

<u>Schefferville Ashuanipi Property</u>

On February 15, 2021, the Company entered into an earn-in agreement under which the Company may acquire a 100% interest in the Schefferville Ashuanipi Property by making $100,000 in cash payments (paid) and issuing 666,667 common shares on closing (issued). Prospector has committed to spending $500,000 over three years on the claims with any shortfall resulting in a cash payment to the vendor in an amount equal to a prorated cash payment of $100,000. If the commitment is satisfied, no such payment is required. The vendors will retain a 2.0% NSR royalty on the Property, of which 1.0% may be repurchased by the Company for $1,000,000.

l) Toogood Project

In fiscal 2020, Prospector entered into two earn-in agreements under which Prospector may earn a 100% interest in the Toogood claim group and the McGrath claim group located on New World Island, Newfoundland. These projects are situated to the north-east of the Company's Deep Cove and Virgin Arm properties, The Deep Cove, Virgin Arm, McGrath and Toogood claims are collectively referred to as the Toogood Project.

<u>Toogood Claim Group Earn-in Agreement:</u>

Prospector can earn a 100% interest in the Toogood claim group by making the following cash and share payments:

- Cash payment of $25,000 on signing (paid)
- 833,333 shares on TSXV approval of the entrance into the earn-in agreement (issued)
- 833,333 shares 12 months following signing (issued)

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased by Prospector for $1,000,000. There are no work commitments.

(Expressed in Canadian Dollars)

During February 2021, a finder's fee of 33,333 common shares were issued in respect of the Toogood claim group transaction.

During the year ended December 31, 2021, Prospector issued 1,700,000 common shares related to the Toogood property valued at $1,042,000.

McGrath Claim Group Earn-in Agreement:
Prospector can earn a 100% interest in the McGrath claim group by making the following share payments:

- 266,667 shares on TSXV approval of the entrance into the earn-in agreement
- 266,667 shares 12 months following signing

During the year ended December 31, 2021, Prospector issued 530,334 common shares related to the McGrath claim group valued at $376,000.

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased for $1,000,000. There are no work commitments.

Deep Cove Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the Deep Cove claim group by making the following cash and share payments:

	Cash		Common Shares		Work Commitment *
Within five days of the execution date	$65,000	Paid	-		-
Within five days of TSX-V approval	-		200,000	Issued	-
On or before October 29, 2021	$45,000	Paid	200,000	Issued	$100,000
On or before October 29, 2022	$50,000	Paid	266,667	Issued	$100,000
On or before October 29, 2023	$120,000		400,000		$100,000

* Prospector shall incur exploration costs of $100,000 per year on the Deep Cover claim block.

During the year ended December 31, 2022, the Company paid $50,000 and issued 266,667 common shares with a fair value of $36,667 as part of the earn in agreement on the Deep Cove property (2021 – paid $45,000 and issued 400,000 common shares valued at $246,000).

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased for $1,000,000.

Virgin Arm Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the Virgin claim group by making the following cash and share payments:

	Cash		Common Shares	
Within five days of the execution date	$60,000	Paid	-	
Within five days of TSX-V approval	-		133,333	Issued
On or before October 29, 2021	$75,000	Paid	200,000	Issued
On or before October 29, 2022	$90,000	Paid	266,666	Issued
On or before October 29, 2023	$150,000		400,000	

(Expressed in Canadian Dollars)

The vendor retains a 3% NSR royalty, of which the first 1.5% can be purchased for $1,500,000. There are no work commitments.

During the year ended December 31, 2022, Prospector paid $90,000 and issued 266,667 common shares related to the Virgin Arm property valued at $36,667 (2021 - paid $75,000 and issued 333,333 common shares valued at $212,000).

Fairbanks Earn-in Agreement:

	Cash		Common Shares	
Within five days of the execution date	$50,000	Paid	-	
Within five days of TSX-V approval	-		133,333	Issued
On or before June 15, 2022	$50,000	Paid	100,000	Issued
On or before June 15, 2023	$50,000		133,333	
On or before June 15, 2023	$50,000		200,000	

During the year ended December 31, 2022, the Company paid $50,000 and issued 100,000 common shares relating to the acquisition of Fairbanks mineral property with a fair value of $34,000 (2021 - issued 133,333 common shares with a fair value of $172,000).

m) Iron Point Property, Nevada, USA

On May 16, 2019, the Company entered into an earn-in agreement with Victory Metals Ltd. (“Victory”) whereby the Company can earn a 50% undivided interest in the gold and silver rights at Victory’s Iron Point vanadium project, located in Nevada. The Company can earn its 50% undivided interest by spending $5,000,000 over three years, including a minimum of $1,000,000 (incurred) in the first year. Following the earn-in, a 50-50 joint venture will be formed between the Company and Victory, exclusive to the gold and silver rights on the Iron Point property. On May 22, 2020, the Company and Victory amended the earn in agreement whereby the Company must expend $5,000,000 over five years (previously three years), including $1,000,000 (incurred) in the first year. Commencing on the first anniversary of the agreement, the Company must spend at least US$250,000 each year in exploration expenditures.

During the year ended December 31, 2021, the Company concluded a termination and release agreement (the "Agreement") with Nevada King Gold Corp. ("Nevada King") whereby Prospector has accepted to renounce all of its rights under the earn-in agreement dated May 16, 2019 on the Iron Point project in Humboldt County, Nevada in exchange for 6.5 million shares of Nevada King. As consideration for the renunciation of the Iron Point Project, Nevada King has agreed to issue to Prospector, 6,500,000 shares of Nevada King. During the year ended December 31, 2021, the Company recorded an amount of $2,470,000 in other income representing the fair value of the Nevada King shares at issuance date.

n) Leopard Lake, Ontario

On May 25, 2022, the Company acquired a 100% interest in the Leopard Lake claim block for 1,250,000 common shares of the Company, with a fair value of $462,500. There are no work commitments or royalties on the project.

(Expressed in Canadian Dollars)

5) INVESTMENTS

	Fair value Jan 1, 2022	Additions Dec 31, 2022	Disposals Dec 31, 2022	Fair value adjustment Dec 31, 2022	Fair value Dec 31, 2022
Common shares	$ 3,020,781	$ -	$ (602,524)	$ (659,390)	$ 1,758,867

	Fair value Jan 1, 2021	Additions December 31, 2021	Disposals December 31, 2021	Fair value adjustment December 31, 2021	Fair value December 31, 2021
Common shares	$1,158,000	$ 2,840,000	$ (598,002)	$ (379,217)	$ 3,020,781

6) AMOUNTS RECEIVABLE

	December 31, 2022		December 31, 2021	
GST receivable	$	157,660	$	306,475
QST receivable		146,328		238,059
	$	**303,988**	$	544,534

During the year ended December 31, 2022, the Company wrote off $238,059 in QST receivable as the Company has been unsuccessful in recovering the amount from Revenue Quebec.

7) SHARE CAPITAL

During the year ended December 31, 2022, the Company consolidated it shares on the basis of one post-consolidation common share for each three pre-consolidation common shares. All shares and per share amounts have been retroactively restated.

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – issued and outstanding

Common shares - At December 31, 2022 the Company had 57,684,626 (December 31, 2021 – 48,046,746) common shares issued and outstanding.

Preferred shares – At December 31, 2022 and 2021 no preferred shares were issued and outstanding.

<u>Year ended December 31, 2022</u>

<u>*Shares issued for property acquisition* (Note 4)</u>

On March 1, 2022, the Company issued, 1,333,318 common shares relating to the acquisition of the Whitton Lake mineral property with a fair value of $919,988.

On June 15, 2022, the Company issued 100,000 common shares relating to the acquisition of the Fairbanks mineral property with a fair value of $34,000.

On July 15, 2022, the Company issued 1,250,000 common shares relating to the acquisition of the Leopard Lake and Beardmore mineral property with a fair value of $462,500.

On October 28, 2022, the Company issued 266,667 common shares relating to the Deep Cove mineral property agreement with a fair value of $36,667.

On October 28, 2022, the Company issued 200,000 common shares relating to the Gaffney mineral property agreement with a fair value of $29,000.

On October 28, 2022, the Company issued 266,666 common shares relating to the Virgin Arm mineral property agreement with a fair value of $36,667.

On November 1, 2022, the Company issued 166,666 common shares relating to the Fairchild mineral property agreement with a fair value of $26,667.

On November 15, 2022, the Company issued 666,666 common shares relating to the Savant mineral property agreement with a fair value of $90,000.

Shares issued for private placements

On April 8, 2022, the Company closed private placements for gross proceeds of $3,461,771. In connection with the closing of the private placements, the Company issued 3,623,500 units at a price of $0.60 per unit. Each unit consists of one common share and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company at an exercise price of $0.90 for a period of two years from the date of issue. In addition to the issuance of the units, the private placements consisted of the issuance of 1,187,567 National flow-through shares priced at $0.72 per share, 213,497 Ontario flow-through shares priced at $0.75 per share, and 363,334 Quebec flow-through shares priced at $0.75 per share. In connection with the private placements closed, a premium was received for the flow-through shares resulting in an initial flow-through share premium liability of $299,608. In connection with these private placements, the Company issued an aggregate of 194,680 finders warrants valued at $43,360 at issuance date and paid $129,000 for finders' fees. The finders' warrants were estimated using the Black-Scholes option pricing model with the following assumptions: share price on grant date of $0.56, expected dividend yield of 0%; expected annualized volatility of 84%; a risk-free interest rate of 2.43%, and an expected average life of 2 years.

Year ended December 31, 2021:

Shares issued for property acquisition (Note 4)

On February 11, 2021, the Company issued 866,667 common shares relating to the acquisition of the Toogood mineral property with a fair value of $442,000.

On February 11, 2021, the Company issued 200,000 common shares relating to the acquisition of the Deep Cove claim group with a fair value of $102,000.

On February 11, 2021, the Company issued 133,333 common shares relating to the acquisition of the Virgin Arm mineral property with a fair value of $68,000.

On March 8, 2021, the Company issued 266,667 common shares relating to the acquisition of the McGrath claim group with a fair value of $168,000.

On March 24, 2021, the Company issued 666,667 common shares relating to the acquisition of the Ashuanipi Property with a fair value of $360,000.

On March 26, 2021, the Company issued 166,667 common shares relating to the acquisition of the Fairchild Lake mineral property with a fair value of $95,000.

On April 12, 2021, the Company issued 666,667 common shares relating to the acquisition of the Whitton Lake mineral property with a fair value of $380,000.

On April 27, 2021, the Company issued 800,000 common shares relating to the acquisition of Campbell Lake mineral property with a fair value of $480,000.

On August 6, 2021, the Company issued 133,333 common shares relating to the acquisition of Fairbanks mineral property with a fair value of $172,000.

On August 16, 2021, the Company issued 150,000 common shares relating to the acquisition of Perk-Rocky mineral property with a fair value of $225,000.

On September 20, 2021, the Company issued 333,333 common shares relating to the acquisition of Savant Lake mineral property with a fair value of $270,000.

On October 12, 2021, the Company issued 200,000 common shares relating to the acquisition of Gaffney Gold mineral property with a fair value of $168,000.

On October 29, 2021, the Company issued 1,466,667 common shares relating to the acquisition of the following mineral properties:

- Deep Cove – 200,000 common shares with a fair value of $144,000.
- Virgin Arm – 200,000 common shares with a fair value of $144,000.
- TooGood – 833,333 common shares with a fair value of $600,000.
- Bassano – 66,667 common shares with a fair value of $48,000.
- Fairchild – 166,667 common shares with a fair value of $120,000.

On December 10, 2021, the Company issued 266,667 common shares relating to the acquisition of McGrath mineral property with a fair value of $208,000.

Private placements

On April 1, 2021, the Company closed the first tranche of its Private Placements consisted of the following:

- a British Columbia flow-through private placement of 932,056 flow-through units priced at $0.72 per unit for gross proceeds of $671,080. Each unit comprised one flow-through share, and one half of one non-flow-through common share purchase warrant.

- an Ontario flow-through private placement of 238,899 flow-through units priced at $0.72 per unit for gross proceeds of $172,000. Each unit comprised one flow-through share, and one half of one non-flow-through common share purchase warrant.

- a national flow-through private placement of 1,720,455 flow-through units priced at $0.66 per unit for gross proceeds of $1,135,500. Each unit comprises one flow-through share, and one half of one non-flow-through common share purchase warrant.

- a national charity flow-through private placement of 1,092,600 flow-through units priced at $0.75 per unit for gross proceeds of $819,450. Each unit comprised one flow-through share, and one half of one non-flow-through common share purchase warrant.

Each whole such warrant is exercisable into one common share of the Company at an exercise price of $1.20 for a period of two years following closing. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX-V on a volume weighted average price ("VWAP") basis of $1.80 or more for a period of ten consecutive trading days.

In connection with the private placement, the Company issued 115,782 finder's warrants valued at $26,208. The finders' warrants were estimated using the Black-Scholes option pricing model with the following assumptions: share price on grant date of $0.20, expected dividend yield of 0%; expected annualized volatility of 92%; a risk-free interest rate of 0.22%, and an expected average life of 2 years.

On April 27, 2021, Prospector closed a private placement consisted of the following:

- a British Columbia flow-through private placement of 256,500 flow-through units priced at $0.72 per unit for gross proceeds of $184,680. Each unit comprised one flow-through share, and one half of one non-flow-through common share purchase warrant. Each whole such warrant exercisable into one common share of the Company at an exercise price of $1.20 for a period of two years following closing. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX-V on a VWAP basis of $1.80 or more for a period of ten consecutive trading days.

On June 8, 2021, Prospector closed a private placement consisted of the following:

- a flow-through private placement of 1,851,852 flow-through units priced at $0.72 per unit for gross proceeds of $1,333,334. Each unit consisted of one flow-through share, and one half of one non-flow-through common share purchase warrant (each whole warrant, a "warrant"). Each warrant is exercisable into one common share of the Company at an exercise price of $0.90 for a period of two years.

On August 6, 2021, the Company closed a non-brokered private placement which consisted of the following:

- a private placement of 2,360,213 units priced at $0.96 per unit of gross proceeds $2,265,804. Each unit consisted of one common share of the Company and one half of one common share purchase warrant of the Company. Each warrant is exercisable into one common share at an exercise price of $1.35 for a period of two years from closing of the private placement.

  In connection with the private placement, the Company issued 41,666 finder's warrants valued at $25,037. The finders' warrants were estimated using the Black-Scholes option pricing model with the following assumptions: share price on grant date of $0.43, expected dividend yield of 0%; expected annualized volatility of 90%; a risk-free interest rate of 0.48%, and an expected average life of 2 years.

On November 23, 2021, Prospector closed a non-brokered private placement which consisted of the following:

- 917,370 flow-through units priced at $1.23 per unit for gross proceeds of $1,128,365. Each unit consist of one flow-through share, and one half of one non-flow-through common share purchase warrant. Each Warrant is exercisable into one common share of the Company at an exercise price of $1.44 for a period of two years.

In connection with the private placements closed during the year ended December 31, 2021,the Company issued 83,333 shares for finders' fees valued at $80,000 as at issuance date.

In connection with the private placements closed during the year ended December 31, 2021, a premium was received for the flow-through shares resulting in an initial flow-through share premium liability of $1,080,832 (Note 11).

Warrants exercised:

During the year ended December 31, 2021, the Company issued 612,807 common shares relating to the exercise of warrants for gross proceeds of $448,029.

Options exercised:

On August 19, 2021, the Company issued 16,667 common shares relating to the exercise of options for gross proceeds of $11,000.

On October 12, 2021, the Company issued 16,667 shares upon the exercise of options for gross proceeds of $11,250.

(c) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant. The Company has a new share option plan ("The Plan") for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant.

Fiscal 2022

On April 21, 2022, the Company granted a total of 1,000,000 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.62 per common share.

(Expressed in Canadian Dollars)

On December 1, 2022, the Company granted a total of 50,000 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.60 per common share.

Fiscal 2021

On May 20, 2021, Prospector granted of a total of 1,236,666 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.675 per common share. On August 3, 2021, Prospector granted of a total of 166,666 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $1.26 per common share.

On October 8, 2021, the Company granted an aggregate of 683,333 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.78 per common share.

A summary of the status of the Company’s outstanding and exercisable share purchase options is presented below:

	December 31, 2022		**December 31, 2021**	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,420,000	$0.68	3,038,333	$0.60
Granted	1,050,000	$0.62	2,103,333	$0.76
Expired/Cancelled	(133,363)	$0.60	(688,333)	$0.69
Exercised	-	-	(33,333)	$0.66
Outstanding at end of year	5,336,637	$0.68	4,420,000	$0.68

As at December 31, 2022, the following share purchase options were outstanding and exercisable:

(Expressed in Canadian Dollars)

Expiry date	Outstanding and Exercisable Options	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)
Jun 26, 2023	583,330	$0.51	0.48
Dec 4, 2023	116,666	$0.69	0.93
May 31, 2024	199,998	$0.60	1.42
Nov 5, 2025	1,299,992	$0.66	2.85
May 20, 2026	1,236,658	$0.68	3.39
Aug 3, 2026	166,666	$1.26	3.59
October 8, 2026	683,327	$0.78	3.77
April 21, 2026	1,000,000	$0.62	3.31
December 1, 2027	50,000	$0.60	2.86
	5,336,637	$0.68	2.85

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the year ended December 31, 2022 and 2021 to directors, officers and employees. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options issued to employees. The Company determines the fair value of share purchase options issued to non-employees using the value of services provided by the non-employees.

	December 31, 2022	December 31, 2021
Weighted average share price	$ 0.56	$ 0.74
Weighted average exercise price	$ 0.62	$ 0.76
Risk-free interest rate	2.67%	1.20%
Expected volatility (1)	108.38%	107.28%
Expected years of option life (2)	5	5
Expected dividends	Nil	Nil

(1) The volatility was calculated using the Company's historical information and industry benchmarks.
(2) The effects of early exercise were not incorporated into the model as the options are expected to be held for the contractual life.

(Expressed in Canadian Dollars)

(c) Share purchase warrants

As at December 31, 2022 the Company had outstanding and exercisable share purchase warrants entitling the holders to acquire common shares as follows:

	December 31, 2022		**December 31, 2021**	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Balance, beginning of year	8,941,707	$0.99	7,331,195	$0.81
Granted	2,006,428	$0.88	4,842,415	$1.20
Exercised	-	-	(612,807)	$0.73
Expired	(233,010)	$1.06	(2,619,095)	$0.94
Balance, end of year	10,715,125	$0.97	8,941,707	$0.99

As at December 31, 2022, the Company had outstanding and exercisable share purchase warrants entitling the holders to acquire common shares as follows:

Expiry date	Outstanding and Exercisable warrants	Weighted average exercise price	Weighted average remaining life (in years)
September 3, 2023*	1,359,607	$0.60	0.67
September 3, 2023*	333,332	$0.66	0.67
September 3, 2023*	499,998	$0.72	0.67
September 3, 2023*	1,506,691	$0.84	0.67
April 1, 2023	1,991,991	$1.20	0.25
April 1, 2023	42,424	$0.66	0.25
April 1, 2023	9,722	$0.72	0.25
April 1, 2023	63,636	$1.20	0.25
April 27, 2023	128,248	$1.20	0.32
August 24, 2023	166,666	$0.45	0.65
June 8, 2023	925,925	$0.90	0.44
August 6, 2023	1,180,105	$1.35	0.60
August 6, 2023	41,666	$1.35	0.60
November 23, 2023	458,684	$1.44	0.90
April 8, 2024	77,180	$0.90	1.27
April 8, 2024	117,500	$0.60	1.27
April 8, 2024	1,811,750	$0.90	1.27
Balance, December 31, 2022	10,715,125	$0.97	0.68

8) RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

(Expressed in Canadian Dollars)

Related party transactions not otherwise disclosed in these financial statements are:

		December 31, 2022		December 31, 2021
Consulting fees	$	750,924	$	451,025
Share-based compensation		242,500		657,315
	$	993,424	$	1,108,340

*Prospector Metals Corp. and Nevada King Gold Corp. has a common director namely, Craig Roberts. He is the Co-Chairman of Prospector Metals Corp. and director of Nevada King Gold Corp.

Due to/from related parties

As at December 31, 2022, amount due to related parties is $215,980 (2021 – $nil).

Other related party transactions

During the year ended December 31, 2022, $13,500 (2021 - $18,000) was paid for rent for a director of the Company.

9) SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Interest received	$34,933	$ 24,284
Interest paid	-	-

During the year ended December 31, 2022, the Company entered into the following non-cash transactions:

- The Company recognized $1,635,489 in mineral interest acquisition costs related to 4,249,983 common shares issued for mineral properties (Note 4).
- The Company closed various private placements during the year ended December 31, 2022 (Note 7). In connection with these private placements, the Company issued an aggregate of 194,680 finders warrants valued at $43,360 at issuance date and paid $129,000 for finders' fees. In addition, a premium was received for the flow-through shares resulting in a liability of $299,608 (Note 10).

During the year ended December 31, 2021, the Company entered into the following non-cash transactions:

- The Company recognized $4,194,000 in mineral interest acquisition costs related to 6,316,667 common shares issued for mineral properties (Note 4).
- The Company closed various private placements during the year ended December 31, 2021 (Note 6). In connection with these private placements, the Company issued an aggregate of 157,449 finders warrants valued at $51,244 at issuance date and issued 83,333 shares of the Company for finders' fees valued at $80,000 at issuance date. In addition, a premium was received for the flow-through shares resulting in a liability of $1,080,832 (Note 11).

(Expressed in Canadian Dollars)

10) SEGMENT INFORMATION

(a) The Company operates in one industry segment (note 1).

(b) At December 31, 2022 and December 31, 2021, the Company's exploration and evaluation assets were located as follows:

	December 31, 2022	December 31, 2021
Mineral interests		
British Columbia, Canada	$ 338,000	$ 836,500
Ontario, Canada	3,649,556	2,100,400
Quebec, Canada	1,104,145	1,084,145
Newfoundland, Canada	2,665,333	2,368,000
	$ 7,757,034	$ 6,389,045

The Company's equipment, other assets and liabilities and net expenses are attributable to its corporate office and exploration and project evaluation activities in Canada and United States.

11) FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuance.

Balance at December 31, 2020	**$ 284,936**
Liability incurred on flow-through shares	1,080,832
Settlement of flow-through share liability on incurring expenditures	(842,777)
Balance at December 31, 2021	**$ 522,991**
Liability incurred on flow-through shares	299,609
Settlement of flow-through share liability on incurring expenditures	(753,566)
Balance at December 31, 2022	**69,033**

On April 1, 2021, the Company completed a non-brokered private placement of 932,056 flow-through shares at a price of $0.72 per share for gross proceeds of $671,080. A premium of $0.15 per unit was received for the flow-through shares resulting in an initial liability of $139,808.

On April 1, 2021, the Company completed a non-brokered private placement of 238,889 flow-through shares at a price of $0.72 per share for gross proceeds of $172,000. A premium of $0.15 per unit was received for the flow-through shares resulting in an initial liability of $35,833.

On April 1, 2021, the Company completed a non-brokered private placement of 1,720,455 flow-through shares at a price of $0.66 per share for gross proceeds of $1,135,500. A premium of $0.09 per unit was received for the flow-through shares resulting in an initial liability of $154,841.

On April 1, 2021, the Company completed a non-brokered private placement of 1,092,600 flow-through shares at a price of $0.75 per share for gross proceeds of $819,450. A premium of $0.18 per unit was received for the flow-through shares resulting in an initial liability of $196,668.

On April 27, 2021, the Company completed a non-brokered private placement of 256,500 flow-through shares at a price of $0.72 per share for gross proceeds of $184,680. A premium of $0.16 per unit was received for the flow-through shares resulting in an initial liability of $30,780.

On April 8, 2022, the Company closed a private placement for of issuance of 1,187,567 National flow-through shares priced at $0.72 per share, 213,497 Ontario flow-through shares priced at $0.75 per share, and 363,334 Quebec flow-through shares priced at $0.75 per share for gross proceeds of $1,287,671. In connection with the private placements closed, a premium was received for the flow-through shares resulting in an initial liability of $299,609.

The flow-through liability is amortized to Other Income in the Statement of Loss and Comprehensive Loss, based on the percentage of the eligible expenditures incurred during the period. As at December 31, 2022, the Company has an obligation to spend $251,244 by December 31, 2023, by which time the outstanding flow-through share premium liability of $69,033 will be settled when these flow-through expenditures are made.

12) MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company's capital.

13) FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Fair value

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.

Investments are carried at fair value using a Level 1 fair value measurement. The recorded values of amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturities which is the amount presented on the statement of financial position.

The Company is exposed to market risk, credit risk, liquidity risk and interest rate risk from its financial instruments which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short-term investments are on deposit at a major financial institution. Amounts receivable consist primarily of goods and services tax refunds due from the Government of Canada and are neither past due nor impaired. As such, the Company considers its exposure to credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable, and accrued liabilities which are all due on demand. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

Price risk

The Company has exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

14) INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2021 – 27%) to the income for the year and is reconciled as follows:

	Year Ended Dec 31, 2022	**Year Ended Dec 31, 2021**
Loss before income taxes	(7,567,821)	(5,546,416)
Statutory Canadian federal and provincial tax rates	27%	27%
Expected tax (recovery)	(2,043,000)	(1,489,000)
Change in statutory, foreign tax, foreign exchange rates and other	(39,000)	35,000
Permanent differences	(2,000)	37,000
Impact of flow-through shares	852,000	898,000
Share issue cost	(35,000)	(69,000)
Adjustment to prior years provision versus statutory tax returns	328,000	(97,000)
Change in unrecognized deductible temporary differences	939,000	685,000
Deferred income tax expense (recovery)	-	-

The tax effects on the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

(Expressed in Canadian Dollars)

		2022		2021
Non-capital losses	$	4,050,000	$	3,076,000
Property and Equipment		46,000		31,000
Share issuance costs		81,000		72,000
Allowable Capital losses		20,000		-
Marketable securities		85,000		16,000
Exploration and evaluation assets		2,863,000		3,011,000
		7,145,000		6,206,000
Unrecognized deferred tax assets		(7,145,000)		(6,206,000)
Net deferred tax liability	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have been included on the statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	10,016,000	No expiry date	10,575,000	No expiry date
Investment tax credit	170,000	2031 to 2033	170,000	2031 to 2033
Marketable securities	631,000	No expiry date	117,000	No expiry date
Property and Equipment	170,000	No expiry date	113,000	No expiry date
Share issuance costs	300,000	2043 to 2046	266,000	2042 to 2045
Allowable Capital losses	72,000	No expiry date	-	
Non-capital losses	14,996,000	2027 to 2042	11,391,000	2027 to 2041

Tax attributes are subject to review and potential adjustment by tax authorities.

15) SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2022, the following events took place:

i) On March 27, 2023, the Company closed a non-brokered private placements consisting of Ontario charity flow-through units (the "Charity FT Units") offered at a price of $0.28 per Charity FT Unit and Ontario flow-through units (the "ON FT Units") offered at a price of $0.21 per ON FT Unit for gross proceeds to the company of $1,140,130 (the "Offering"). In connection with the closing of the Offering, the Company issued an aggregate total of 4,644,513 flow-through units with each flow-through unit being comprised of one flow-through share (the "FT Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company at an exercise price of $0.30 for a period of two years from the date of issue.

ii) On March 27, 2023, the Company granted 1,946,000 stock options to certain directors, officers, and consultants of the Company exercisable for 5 years with an exercise price of $0.21.