EDM RESOURCES INC.

(Formerly ScoZinc Mining Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of EDM Resources Inc. (formerly ScoZinc Mining Ltd.) (the “Company") were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mark Haywood"	*"Kevin Farrell"*
Chief Executive Officer	**Chief Financial Officer**

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
EDM Resources Inc. (formerly ScoZinc Mining Ltd.)

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $1,926,075 during the year ended December 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on May 10, 2022.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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.

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 International Financial Reporting Standards, 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 relating 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 scepticism 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.

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

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

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 21, 2023

EDM Resources Inc.
(Formerly ScoZinc Mining Ltd.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(PRESENTED IN CANADIAN DOLLARS)

As at		December 31, 2022		December 31 2021
ASSETS				
Current				
Cash	$	332,935	$	1,134,917
Amounts receivable and prepaid expenses (Note 6)		452,444		125,132
		785,379		1,260,049
Non-current				
Cash held for reclamation (Note 4)		3,169,417		3,133,752
Property, plant and equipment (Note 5)		7,950,608		7,861,807
Exploration and evaluation assets (Note 7)		11,877,939		7,500,714
		22,997,964		18,496,273
	$	23,783,343	$	19,756,322
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	456,350	$	104,668
Amounts payable to related parties (Note 14)		174,050		63,636
		630,400		168,304
Non-current				
Decommissioning liability (Note 9)		12,899,628		8,695,070
Loan payable (Note 15)		60,000		60,000
		13,590,028		8,923,374
SHAREHOLDERS' EQUITY				
Share capital (Note 11)		87,825,047		86,313,034
Warrants (Note 12(b))		-		813,265
Contributed surplus (Notes 12(a), 12(c))		1,517,576		929,882
Deficit		(79,149,308)		(77,223,233)
		10,193,315		10,832,948
	$	23,783,343	$	19,756,322

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 20)

Approved on Behalf of the Board:

"Mark Haywood" — **Director**

"Mark Billings" — **Director**

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

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(PRESENTED IN CANADIAN DOLLARS)

For the Years Ended December 31	2022	2021
EXPENSES		
Salaries and benefits (Note 14)	**$ 542,754**	$ 457,183
Office and general	**182,837**	141,695
Legal and accounting fees	**203,145**	151,922
Investor relations	**26,487**	15,592
Amortization (Note 5)	**20,827**	2,592
Consulting (Note 14)	**313,448**	367,891
Stock-based payments (Note 12(a) and (c))	**301,347**	164,344
Remediation expense (Note 4)	**-**	209,915
Regulatory fees	**27,497**	99,132
	(1,618,341)	(1,610,266)
OTHER GAINS AND LOSSES		
Interest income	**35,665**	35,265
Financing costs (Note 19)	**(232,972)**	-
Gain on settlement of liabilities	**-**	4,761
Gain on amendment of agreement (Note 1)	**-**	250,000
Accretion of decommissioning liability (Note 9)	**(110,427)**	(32,225)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (1,926,075)**	$ (1,352,465)
Basic and diluted loss per share (Note 13)	**$ (0.10)**	$ (0.09)
Weighted average number of common shares outstanding – basic and diluted	**19,294,113**	15,257,309

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

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(PRESENTED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	14,084,794	$83,791,810	$1,031,722	$ 841,538	$(75,870,768)	$ 9,794,302
Issued on private placement, net of costs	1,969,697	1,272,750	-	-	-	1,272,750
Exercise of warrants	1,310,333	922,474	(218,457)	-	-	704,017
Stock-based compensation	-	-	-	164,344	-	164,344
Issued on exercise of restricted share units	188,456	76,000	-	(76,000)	-	-
Shares issued on debt settlement	378,788	250,000	-	-	-	250,000
Loss for the year	-	-	-	-	(1,352,465)	(1,352,465)
Balance, December 31, 2021	**17,932,068**	**86,313,034**	**813,265**	**929,882**	**(77,223,233)**	**10,832,948**
Exercise of warrants	1,970,191	1,437,013	(451,918)	-	-	985,095
Expiry of warrants	-	-	(361,347)	361,347	-	-
Stock-based compensation	-	-	-	301,347	-	301,347
Issued on exercise of restricted share units	124,484	75,000	-	(75,000)	-	-
Loss for the year	-	-	-	-	(1,926,075)	(1,926,075)
Balance, December 31, 2022	**20,026,743**	**$87,825,047**	**$ -**	**$1,517,576**	**$(79,149,308)**	**$10,193,315**

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

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(PRESENTED IN CANADIAN DOLLARS)

For the Years Ended December 31	2022	2021
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the year:	**$ (1,926,075)**	$ (1,352,465)
Amortization	**20,827**	2,592
Share-based payments	**301,347**	164,344
Accrued interest income	**(35,664)**	(35,265)
Accrued financing costs	**232,972**	-
Accretion of decommissioning liability	**110,427**	32,225
Reclamation costs	**-**	100,000
	(1,296,166)	(1,088,569)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	**(327,312)**	(64,642)
Accounts payable and accrued liabilities	**113,910**	(154,720)
Amounts payable to related parties	**110,414**	(28,816)
	(1,399,154)	(1,336,747)
INVESTING ACTIVITIES		
Exploration and evaluation assets	**(278,294)**	(18,457)
Acquisition of property, plant and equipment	**(109,628)**	-
	(387,922)	(18,457)
FINANCING ACTIVITIES		
Share capital issued for cash	**985,094**	1,976,767
Proceeds from loans payable	**-**	20,000
Proceeds from promissory note payable	**-**	250,000
	985,094	2,246,767
CHANGE IN CASH	**(801,982)**	891,563
CASH, BEGINNING OF YEAR	**1,134,917**	243,354
CASH, END OF YEAR	**$ 332,935**	$ 1,134,917

SUPPLEMENTARY CASH FLOW INFORMATION:		
Change in estimated decommissioning liability	**$ 4,094,131**	$ 1,657,339
Transfer of contributed surplus on vesting of RSUs	**$ 75,000**	$ 76,000
Transfer of warrants on exercise and expiry	**$ 813,265**	$ 218,457
Fair value of shares issued on settlement of debt	**$ -**	$ 250,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

EDM Resources Inc. (formerly ScoZinc Mining Ltd.) (the “Company” or “EDM”), and its wholly owned subsidiary Scotia Mine Limited (collectively the “Group”), is engaged in base metals mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization and development. The Company is a public company, which is listed on the TSX Venture Exchange (Ticker: EDM), incorporated on March 9, 2004 and domiciled in Canada. The address of its registered office is Purdy's Wharf, 1959 Upper Water Street, Suite 1301, Nova Scotia, B3J 3N2.

On January 12, 2022, the Company changed its name to EDM Resources Inc. On March 25, 2022, the Company changed the name of its wholly owned subsidiary to Scotia Mine Limited.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation through the fiscal year and into the foreseeable future and will be able to realize assets and discharge its liabilities and commitments in the normal course of operations at the amounts stated in the consolidated financial statements.

The Company has not generated revenue from operations. The Company has incurred a loss of $1,926,075 for the year ended December 31, 2022 (2021 – $1,352,465) and as of that date has an accumulated deficit of $79,149,308 (2021 – $77,223,233). As at December 31, 2022, cash amounted to $ 332,935 (2021 – $1,134,917) and the Company had working capital of $ 154,979 (2021 – working capital of $1,091,745). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

At December 31, 2022, management has forecasted the Company will have sufficient cashflow to meet all planned exploration, development, general expenses and property payments for the next twelve months. The Company plans to raise additional capital to further develop and explore its project, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company’s assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

Fancamp Transaction

On April 12, 2021, the Company held an extraordinary general meeting of the Company's Securityholders (the “EGM”), at which the Company's security holders passed a special resolution approving a plan of arrangement under Section 288 of the BC Business Corporations Act (the “Arrangement”) which would have resulted in the Company becoming a wholly owned subsidiary of Fancamp Exploration Ltd. (“Fancamp”) by amalgamating with an existing wholly owned subsidiary of Fancamp (the “Transaction”). Subsequent to two closing extensions granted by the Company on July 13, 2021, and September 2, 2021 in exchange for consideration of $125,000 paid for each extension, ($250,000 in aggregate), on September 16, 2021 the Arrangement was terminated and a new agreement ("New Agreement") was entered into.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

Fancamp Transaction (Continued)

Under the terms of the new agreement (the "New Agreement"), Fancamp subscribed to 1,969,697 common shares of EDM at $0.66 per share by way of a non-brokered private placement for a total purchase price of $1,300,000 ("Private Placement"), with the Fancamp Termination Fee of $300,000 being credited towards Fancamp's subscription. Regarding Fancamp's secured promissory note to EDM aggregating a principal amount of $250,000 (the "Loan"), EDM issued Fancamp 378,788 fully paid and non-assessable common shares of EDM at a fair value of $0.66 per share in full and final satisfaction of the Loan and any other amounts that may be owing by EDM to Fancamp in respect of the Loan (the "Debt Settlement"). On October 5, 2021, the Private Placement closed and the Debt Settlement was completed.

Covid-19 Impact

Due to the impact of the COVID-19 outbreak and inflation, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global metal prices;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

At the date of the approval of these consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company, including comparatives, have been prepared in accordance 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 authorized for issuance by the Board of Directors of the Company on April 20, 2023.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian Dollars, which is the functional and presentation currency of the Company and its subsidiary.

2. BASIS OF PRESENTATION (Continued)

Use of Estimates, Judgments and Assumptions

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported expenses incurred during the year. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following:

- going concern assessment (Note 1)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following:

Carrying Value and Recoverability of Non-Financial Assets

The carrying amount of the Company'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. Exploration and evaluation assets - the determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors.

The recoverability of property, plant and equipment in the consolidated statements of financial position. The Scotia Mine is considered as one Cash Generating Unit ("CGU") and is tested for impairment when potential indicators of impairment are present. Where an indicator of impairment exists for its non-current assets, the Company performs an analysis to estimate the recoverable amount. The estimated useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

Share-based Payments

Share-based payments 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. The value of the share-based payments expense for the years ended December 31, 2022 and 2021 are disclosed in Note 12.

Exploration and Evaluation Assets

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors.

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.

2. BASIS OF PRESENTATION (Continued)

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. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Provisions and contingencies

The recognition and measurement of provisions and contingencies including an application brought by the Province of Nova Scotia over environmental contamination (see Note 4); and key assumptions about the likelihood and magnitude of an outflow of resources.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following and have been applied consistently to all periods presented.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its active subsidiary. All significant intercompany transactions are eliminated on consolidation.

a. Business Combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of comprehensive income (loss). Acquisition-related costs are expensed during the period in which they are incurred. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

b. Subsidiary

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Foreign Currency Transactions

Transactions in foreign currency are translated to the respective functional currencies of Company entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rate in effect at the date of the statements of financial position. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

(i) Non-Derivative Financial Assets

The Company initially recognizes loans and receivables on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets on initial recognition. Measurement and classification of its financial assets is dependent on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. At December 31, 2022 and 2021, the Company had no financial instruments classified as FVTPL.

Financial Assets at 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. At December 31, 2022 and 2021, the Company had no financial instruments classified as FVTOCI.

Financial Assets at Amortized Cost

Financial assets at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. They are classified as current assets or non-current assets based on their maturity date. Financial assets at amortized cost are comprised of cash, amounts receivable, and cash held for reclamation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

(ii) Non-Derivative Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

The Company's amortized cost financial liabilities comprise amounts payable to related parties, loan payable and accounts payable and accrued liabilities.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued on their market value of the shares as of the date of issuance.

The Company has adopted 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 private placements is determined to be the more easily measurable component and they were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Flow-Through Shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the Company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium," are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets

The cost of acquiring mineral properties and related exploration and evaluation expenditures are capitalized until the properties are placed into production, sold or abandoned. These capitalized costs are transferred to property, plant and equipment and amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse or abandoned. Costs incurred prior to obtaining the right to explore are expensed as incurred.

Cost includes any cash consideration and advance royalties paid and the fair market value of shares issued on the acquisition of property interests. Costs also include, but are not exclusive to, acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching and sampling as well as depreciation related to exploration field equipment and employee compensation costs attributed to exploration activities. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of a mineral property interest may exceed its recoverable amount. An impairment review is undertaken when indicators of impairment arise but normally when one of the following conditions applies:

- the right to explore in the specific area has expired or will expire in the near future;
- substantive expenditure on further exploration and evaluation activities in the specific areas are neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, prior to the balance being reclassified as a development asset in property, plant and equipment. The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the availability of project financing, the existence of markets and/or long-term contracts for the product, and the ability of obtaining the relevant operating permits.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per 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 adjusted for own shares held. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The Company also operates a RSUs Plan, where RSUs are granted to directors, employees and consultants from time to time. RSUs are measured at the fair value of the date of grant, based on the closing price of the Company's common shares on the date of grant. The fair value of stock-based compensation on RSUs is recognized as an expense with a corresponding increase in the reserve for RSUs over the vesting period.

Income Taxes

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, and any adjustment to tax payable in respect of previous years.

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 not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the 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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

(i) Recognition and Measurement

On initial recognition, property, plant and equipment are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing maintenance of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a unit-of-production basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land typically has an unlimited useful life and is not depreciated.

Assets under construction are depreciated when they are capable of being put into production in their intended use. Expenditures related to PPE under construction are capitalized as work in progress until the asset is available for use. The cost of work in progress includes its purchase price and any costs directly attributable to bringing it into working condition for its intended use. On completion, the cost of construction is transferred to the appropriate category of PPE, and depreciation will commence when the asset is available for its intended use.

The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Buildings	Life of mine
Plant and equipment	Life of mine
Motor vehicles	5 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

Decommissioning Liability

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of mineral property interests. A liability is recognized in the period in which it is incurred and when a reliable estimate of the fair value of the liability can be made. The costs are amortized to profit or loss over the life of the related asset. The initial fair value of the liability is adjusted each period for the unwinding of the discount cost.

Impairment

(i) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset or cash-generating unit is the greater of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist. The maximum amount of the reversal is the lower of the amount necessary to bring the carrying amount of the asset to its recoverable amount; and the amount necessary to restore the assets of the cash generating unit to their carrying amount prior to impairment. For the year ended December 31, 2022 there is no impairment charge $nil (2021 – $nil) recorded in the Company's non-financial assets. (Note 7)

(ii) Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial assets has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the twelve-month expected credit loss. For trade receivables, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Given the nature and balances of the Company's financial assets at amortized cost, the Company has no material credit loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Finance Income and Finance Costs

Finance income comprises interest on cash, cash equivalents and deposits. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

Accounting Pronouncements Adopted During the Year

There are no upcoming accounting pronouncements which are expected to have an effect on the financial statements of the Company. No new policies were adopted during the year ended December 31, 2022.

4. CASH HELD FOR RECLAMATION

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the Scotia Mine facility to an agreed status at the end of the mining operations at the site; as a result, the Company is required to make reclamation deposits in respect of this obligation. As at December 31, 2022 a $2,973,712 (2021 – $2,940,195) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for $195,705 (2021 – $193,557), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. ("NSBI") holds a reclamation bond in the amount of $nil (2021 – $nil), in relation to the land which the Company leased from the organization in Sheet Harbour. The Company terminated its lease during the year ended December 31, 2020, and during the year ended December 31, 2022, $nil (2021 - $109,915) in site remediation costs were incurred in addition to the amount of the bond for a total of $nil (2021 - 209,915). NSBI has withheld the bond, pending determination of additional remediation costs which may be assessed to the Company, if any. The Company has disputed withholding the bond and the parties have commenced formal litigation procedures to resolve the matter. It is the Company's position that it has met if not exceeded its obligation.

(PRESENTED IN CANADIAN DOLLARS)

5. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equipment	Motor vehicles	Office equipment	Assets under construction	Total
Cost						
Balance, December 31, 2020	$ 1 ,578,840	$ 4 ,490,825	$ 103,519	$ 152,596	$ 3,747,066	$10,072,847
Disposal	-	(35)	-	-	-	(35)
Additions	-	-	4,500	-	-	4,500
Balance, December 31, 2021	**$ 1 ,578,840**	**$ 4,490,791**	**$ 108,019**	**$ 152,596**	**$ 3,747,066**	**$10,077,312**
Disposal	-	-	-	-	-	-
Additions	-	-	53,101	2,379	54,149	109,628
Balance, December 31, 2022	**$ 1 ,578,840**	**$ 4,490,791**	**$ 161,120**	**$ 154,975**	**$ 3,801,215**	**$ 10,186,941**
Accumulated Amortization						
Balance, December 31, 2020	**$ 1,013,604**	**$ 966,262**	**$ 86,459**	**$ 146,623**	**$ -**	**$ 2,212,948**
Disposal	-	(738)	-	-	-	(738)
Amortization	-	-	3,296	-	-	3,296
Balance, December 31, 2021	**$ 1,013,604**	**$ 966,524**	**$ 89,755**	**$ 146,623**	**$ -**	**$ 2,215,506**
Disposal	-	-	-	-	-	-
Amortization	704	-	19,401	723	-	20,827
Balance, December 31, 2022	**$ 1,014,308**	**$ 966,524**	**$ 109,156**	**$ 147,346**	**$ -**	**$ 2,236,333**
Net Book Value, December 31, 2021	**$ 565,236**	**$ 3,525,267**	**$ 18,264**	**$ 5,973**	**$ 3,747,066**	**$ 7,861,806**
Net Book Value, December 31, 2022	**$ 564,532**	**$ 3,525,267**	**$ 51,964**	**$ 7,629**	**$ 3,801,215**	**$ 7,950,608**

(PRESENTED IN CANADIAN DOLLARS)

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2022	2021
Refundable GST/HST	$ **182,221**	$ 86,476
Prepaid expenses	**270,223**	38,656
	$ **452,444**	$ 125,132

7. EXPLORATION AND EVALUATION ASSETS

EDM's Projects, Nova Scotia

As part of the acquisition of ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Scotia Mine and several other mineral resource prospects in Halifax, Nova Scotia. The properties are comprised of exploration licences that provides for zinc and lead exploration and development.

The following is a continuity of the Company's Projects:

Balance, December 31, 2020	$ **5,824,918**
Additions	18,457
Balance, December 31, 2021	**7,500,714**
Additions	278,294
Change in Decommissioning Liability estimate (Note 10)	4,098,931
Balance, December 31, 2022	**$ 11,877,939**

(PRESENTED IN CANADIAN DOLLARS)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade payables	$ **283,506**	$ 58,918
Accrued expenses	**172,844**	45,750
	$ **456,350**	$ 104,668

9. PROMISSORY NOTE PAYABLE

On May 4, 2021, Fancamp advanced the Company an aggregate of $250,000, with a one-year term bearing interest 5 percent per annum. On October 5, 2021, the Company issued 378,788 common shares, ascribed a fair value of $250,000, in full settlement of amounts owing. The accrued interest to the date of settlement of $4,761 has been charged to the profit or loss as a gain on settlement of debt.

10. DECOMMISSIONING LIABILITY

The Company has estimated the present value of future rehabilitation costs required to remediate the Scotia Mine facility based on its current state.

Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Current significant closure and rehabilitation activities include dismantling and removing facilities, equipment removal and remediation of the mine site.

The total amount of estimated undiscounted cash flow required to settle the Company's estimated obligation as at December 31, 2022 was $13,692,006 (2021 – $6,903,002). The calculation of present value of estimated future cash flows assumed a discount rate of 3.27% (2021 – 1.27%) and an inflation rate of 2.4% (2021 – 4.8%) which resulted in a net present value of $12,899,628. Rehabilitation costs are estimated to be settled at various dates between 2029 and 2032.

A continuity of the Company's decommissioning liability is as follows:

Balance, December 31, 2020	**$ 7,005,506**
Accretion	32,225
Change in estimate	1,657,339
Balance, December 31, 2021	**$ 8,695,070**
Accretion	110,427
Change in estimate	4,094,131
Balance, December 31, 2022	**$ 12,899,628**

(PRESENTED IN CANADIAN DOLLARS)

11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares without par value
Unlimited number of Class A preferred shares with no par value
Unlimited number of Class B preferred shares with a par value of $10 per share

(b) ISSUED - COMMON SHARES

	Shares		Amount
Balance, December 31, 2020	14,084,794	$	83,791,810
Private placement, net of costs (i)	1,969,697		1,272,750
Exercise of warrants	1,310,333		922,474
Issued on settlement of debt (Note 9) (ii)	378,788		250,000
Issued on exercise of restricted share units (iii)	188,456		76,000
Balance, December 31, 2021	17,932,068		86,313,034
Exercise of warrants (iv)	1,970,191		1,437,013
Issued on exercise of restricted share units (v)	124,484		75,000
Balance, December 31, 2022	**20,026,743**	**$**	**87,825,047**

i) On October 5, 2021, the Company closed a private placement issuing 1,969,697 common shares at $0.66 per share by way of a non-brokered private placement for a total purchase price of $1,300,000. Cash costs of issue were $27,250.

ii) 378,788 shares issued for debt in connection with the Fancamp transaction. (Note 1)

iii) 188,456 shares issued on vesting of RSUs. (Note 12(c))

iv) During the year ended December 31, 2022, 1,970,191 warrants were exercised for gross proceeds to the Company of $985,096.

v) During the year ended December 31, 2022, 124,484 shares were issued on vesting of RSUs. (Note 12(c))

(PRESENTED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS

a) Stock Option Plan

A stock option plan (the "Plan") was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Each year, shareholders of the Company approve the Plan at the Annual General Meeting. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, grant directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares. The Plan provides for a floating maximum limit of 10% of the outstanding common shares of the common shares as permitted by the policies of the TSX-V. Options under the Plan have terms and vesting as determined by the Board. The expiry date shall not be more than 10 years from the date of grant.

Share option activity for the years ended December 31, 2022 and 2021 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price ($)
Balance - December 31, 2020	875,000	0.64
Granted	470,000	0.60
Expired/Cancelled	(58,000)	(0.56)
Balance - December 31, 2021	**1,287,000**	**0.61**
Expired/Cancelled	(202,000)	(0.61)
Balance - December 31, 2022	**1,085,000**	**0.61**

i) On October 29, 2021, the Company granted 470,000 options to purchase common shares of the Company to the Company's CEO, directors, consultants and employees of the Company. Each option is exercisable at a price of $0.60 for a ten-year term. A fair value of $297,181 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of $0.66 expected volatility 125% a risk-free rate of return 1.72%, forfeiture rate of 0%, and expected life of 10 years. These options are subject to vesting at a rate of 25% every six months.

(PRESENTED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS (Continued)

a. Stock Option Plan (Continued)

The following table summarizes information about stock options outstanding as at December 31, 2022:

Number of Options Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
170,000	04-Jul-24	0.45	2.01	170,000
90,000	12-Aug-24	0.45	2.12	90,000
50,000	20-Aug-24	0.75	2.14	50,000
50,000	20-Aug-24	0.60	2.14	50,000
20,000	03-Oct-24	0.60	2.26	20,000
9,000	03-Oct-24	0.45	2.26	9,000
9,000	03-Oct-24	0.60	2.26	9,000
7,000	03-Oct-24	0.75	2.26	7,000
210,000	18-Jun-30	0.45	7.97	170,000
470,000	29-Oct-31	0.60	9.33	255,000
1,085,000		**0.54**	**5.74**	**830,000**

During the year ended December 31, 2022, the Company recognized $212,698 (2021 – $84,702) related to vesting of stock options.

b. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2022 and 2021:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2020	7,732,864	$ 0.54
Exercised	(1,310,333)	$ (0.54)
Expired	(2,877,000)	$ (0.59)
Balance, December 31, 2021	3,545,531	$ 0.50
Exercised	(1,970,191)	$ (0.50)
Expired	(1,575,340)	$ (0.50)
Balance - December 31, 2022	**-**	**$ -**

12. SHARE BASED PAYMENTS (Continued)

c. Restricted Share Units

On October 25, 2019, the Company adopted a Restricted Stock Unit Incentive Plan (the “Plan"), pursuant to shareholder approval.

The number of shares reserved for stock options and all other forms of equity-based incentive compensation under the Plan cannot exceed 10% of the Company`s issued and outstanding common shares.

During the year ended December 31, 2020, the Company granted a total of 188,456 Restricted Stock Units (“RSU”) with a fair value of $85,100. 123,456 RSUs vested on August 20, 2021, and 65,000 RSUs vested on November 5, 2021.

On February 25, 2021, the Company issued 7,200 RSUs which vest on February 25, 2022, with a fair value of $5,040. On August 31, 2021, the Company issued a total of 87,719 Restricted Stock Units (“RSU”) to an officer of the Company, with a fair value of $50,000. These RSU's vest on August 19, 2022.

On November 5, 2021, the Company issued 36,765 RSUs which vest on November 5, 2022, with a fair value of $25,000 to an employee of the Company.

During the year ended December 31, 2021, the Company recognized $79,642 (2020 – $18,356) in stock-based compensation expense on the vesting of RSUs.

As at December 31, 2021, there were 131,684 (2020 – 188,456) restricted stock units issued and outstanding.

On August 15, 2022, the Company issued a total of 87,719 RSUs to an officer of the Company, with a fair value of $50,000. These RSU's vest on August 15, 2023.

On August 29, 2022, 87,719 RSUs with a fair value of $50,000 were exercised and converted to common shares of the Company by an officer of the Company.

On November 5, 2022, 36,765 RSUs with a fair value of $25,000 were exercised and converted to common shares of the Company by an officer of the Company.

On November 7, 2022, the Company issued a total of 51,020 RSUs to an officer of the Company, with a fair value of $25,000. These RSU's vest on November 7, 2023.

During the year ended December 31, 2022, the Company recognized $88,649 (2021 – $79,642) in stock-based compensation expense on the vesting of RSUs.

As at December 31, 2022, there were 138,739 (2021 – 131,684) restricted stock units issued and outstanding.

(PRESENTED IN CANADIAN DOLLARS)

13. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The effect of potential issuances of shares under options and warrants would be anti-dilutive for the year ended December 31, 2022 and 2021 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

14. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel include those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the year ended December 31, 2022 and 2021 is as follows:

		2022		2021
Consulting fees and wages	**$**	**612,946**	$	395,086
Share-based compensation		**265,693**		116,338
	$	**878,639**	$	511,424

During the year ended December 31, 2022, the Company incurred $28,570 (2021 – $37,195) in services from Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for Mr. Robert D.B. Suttie, President of Marrelli Support, to act as former Chief Financial Officer of the Company.

As at December 31, 2022, amounts due to related parties totaled $174,050 (2021 – $63,636) pertaining to amounts payable for key management remuneration, director's fees, and reimbursement of expenses paid on behalf of the Company.

15. LOAN PAYABLE

In May 2020, the Company benefitted from a $40,000 Government of Canada Covid-19 "Canada Emergency Business Account" loan, administered by the Royal Bank of Canada. In January 2021, this loan was increased by $20,000, or $60,000 in aggregate. The proceeds of the loan are interest free until December 31, 2023, with a 33.33% balance forgiveness if repaid by that date. After December 31, 2023, any outstanding balance will accrue interest at 5% per annum and convert to a three-year term loan.

(PRESENTED IN CANADIAN DOLLARS)

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
Loss before income taxes	**$ (1,926,075)**	$ (1,352,465)
Combined federal and provincial rates at expected rates	**29.50%**	29.50%
Expected income tax expense (recovery) based on statutory rates	**$ (568,192)**	$ (392,215)
Increase (decrease) to the income tax expense resulting from:		
Permanent and temporary differences	**108,107**	47,722
Change in rates and other	**1,646,864**	180,685
Share issue cost	**-**	(7,903)
Change in deferred income tax asset not recognized	**(1,186,779)**	171,711
Deferred income tax expense (recovery)	**$ -**	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
Capital and non-capital losses available for future periods	**$ 16,511,597**	$ 15,430,026
Exploration and evaluation assets	**3,147,067**	4,122,803
Share issue costs	**12,382**	21,599
Decommissioning liability and other	**754,000**	2,031,597
	$ 20,425,046	$ 21,611,825
Less: deferred tax assets not recognized	**(20,425,046)**	(21,611,825)
Deferred tax assets	**$ -**	$ -

At December 31, 2022, the Group has accumulated non-capital losses of approximately $57 million. The non-capital losses can be carried forward to reduce taxable income derived in future years. The Group has approximately $1.1 million of capital losses not subject to expiry and $1.9 million in investment tax credits that expire between 2026 and 2035.

16. INCOME TAXES (Continued)

The non-capital tax losses will expire as follows:

Year of Expiry	Amount
2026	$ 4,127,363
2027	6,613,353
2028	3,122,183
2029	744,714
2030	10,586,402
2031	4,624,571
2032	11,233,033
2033	4,159,612
2034	2,030,682
2035	1,626,449
2036	802,770
2037	1,003,019
2038	1,396,017
2039	1,246,185
2040	965,230
2041	970,607
2042	1,525,677
	$ 56,777,867

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

a. Market risk
b. Credit risk
c. Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and while retaining ultimate responsibility for them, it has delegated the authority for designing policies and systems that ensure the effective execution of the objectives and policies to the Company's finance function.

(a) Market Risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market prices are comprised of three types of risk for the Company: currency risk, interest rate risk, and commodity price risk.

Currency Risk

Currency risk is the risk that fluctuation in exchange rates between the Canadian dollar or other foreign currencies will affect the Company's financial results. The Company's operations and financing activities are conducted primarily in Canadian dollars and as a result, it is not exposed to significant foreign currency risk.

(PRESENTED IN CANADIAN DOLLARS)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Market Risk (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest risk arising primarily from its cash held mainly in short-term interest-bearing accounts with Canadian chartered banks. The impact of a change in interest rates is not significant.

Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of zinc, lead and gypsum and the outlook for these; however the Company does not currently have an operating mine and does not have any derivative commodity contracts or other commodity based risks in respect of operations.

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. To minimize credit risk, cash is deposited in a Canadian chartered bank and may be redeemed on demand and cash held for reclamation is held by government authorities where credit risk is minimal. Amounts receivable primarily consists of GST/HST refunds amounting to $81,528 (2021 – $86,476) from the Canadian government. The Company monitors the collectability of its amounts receivable and has not had difficulty collecting amounts receivable. Consequently, management considers credit risk to be minimal.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company reviews its expenditure budgets against actual expenditures weekly to ensure there is sufficient working capital to discharge all financial obligations (see Note 1).

The following are the remaining contractual maturities (representing undiscounted contractual cashflows) of financial liabilities, including interest payments:

December 31, 2022	Up to 3 Months	Between 3 and 12 Months	Between 1 and 5 Years	Total
Accounts payables and accrued liabilities, and amounts payable to related parties	$ 630,400	$ -	$ -	$ 630,400
Loan payable	-	-	60,000	60,000

December 31, 2021	Up to 3 Months	Between 3 and 12 Months	Between 1 and 5 Years	Total
Accounts payables and accrued liabilities, and amounts payable to related parties	$ 168,304	$ -	$ -	$ 168,304
Loan payable	-	-	60,000	60,000

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).

Level 3 inputs are unobservable and supported by little to no market data.

The fair value of cash, amounts receivable, cash held for reclamation, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values due to the short-term nature of these instruments, or in the case of reclamation deposits, the rate of interest being applied on the funds deposited.

When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

There have been no transfers between fair value levels during the reporting period.

18. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

a. to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

b. to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, warrants and deficit, which at December 31, 2022 totaled $10,193,315 (2021 – $10,832,948). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2022. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

19. IXM CREDIT AGREEMENT

The borrower under the Credit Agreement is Scotia Mine Limited ("SML"), a wholly owned subsidiary of the Company through which it holds the Scotia Mine. The Company has agreed to guarantee the obligations of SML under the Credit Agreement. The Credit Agreement makes US$24 million available to the Company until the earlier of, the commencement of commercial production at the Scotia Mine and December 21, 2023. The loan will be repaid over a 33-month period commencing nine months after the initial drawdown. Interest on the loan is of 3-month USD SOFR + 6%. In addition, the Company has agreed to pay IXM an arrangement fee of US$180,000, and a monthly unused line fee of 2.4% (US$48,000 per month). When the interest on the loan and these additional amounts are taken together, the effective interest rate paid is 10.38% per annum. The Credit Agreement contains standard conditions precedent to SML making draws. The Credit Agreement requires among other things that the Company has minimum tangible net worth of US$6 million, maintains a total debt to equity ratio of less than 4:1, has minimum liquidity of C$3 million and net debt to EBITA ratio of less than 1.5X, looking back on a quarterly and an annual basis.

An important term of the Credit Agreement is a "cost-to-complete" calculation carried out by a third-party technical expert employed for the benefit of IXM. If this calculation demonstrates that insufficient funding is available for the Company to put the Scotia Mine into commercial production, then (i) there is a draw stop and (ii) the Company is under an obligation to provide additional funding (either as equity or as loans to the SML which can only be repaid after repayment of the IXM credit facility). In addition, SML and the Company must maintain a C$5 million cash escrow account to fund the ramp-up of production following completion of the project (and which must be topped up on an ongoing basis). There is a remedy period of 15 business days for any default except a payment default, which is 5 business days. Security for the loan is a conventional security package which contains all of present and after-acquired property of SML, which includes all of the assets and real property comprising the Scotia Mine. As guarantor of SML's obligations, the Company has granted security by pledging its shares of SML in favour of IXM. IXM's recourse to the assets of the Company is limited to the Company's SML shares, which comprise substantially all of the Company's assets. The Company intends to repay the loan principally from the proceeds of the sale of zinc and lead concentrates from the Scotia Mine, once it is in commercial production, with such sales being made for at least the initial 10 years of operation of the mine, to IXM, pursuant to the Offtake Agreements.

20. SUBSEQUENT EVENT

Pursuant to the Company's RSU incentive plan, the Board of Directors granted an aggregate of 26,786 Restricted Stock Units ("RSUs") in the Company to Mr. Chris Fedora, Chief Mining Engineer. The RSUs will vest on February 16, 2024. A total of 20,000 stock options have been granted to an employee of the Company at a strike price of C$0.60 and expiring on February 20, 2033, subject to the Company's Stock Option Plan and the policies of the TSX Venture Exchange.

21. COMPARATIVE FIGURES

Certain balances have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously reported net loss or deficit.