REGENCY SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Regency Silver Corp**.**

Opinion

We have audited the consolidated financial statements of Regency Silver Corp. and its subsidiaries (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 the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 27, 2023

(Expressed in Canadian dollars)

	Note		December 31, 2022		December 31, 2021
ASSETS					
Current Assets					
Cash		$	1,110,463	$	1,478
Amounts receivable			175,361		67,492
Prepaid expenses			351,847		10,000
			1,637,671		78,970
Non-current Assets					
Deposit			10,000		10,000
Exploration and evaluation assets	5		2,565,290		1,005,882
TOTAL ASSETS		**$**	**4,212,961**	**$**	**1,094,852**
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	375,881	$	458,156
Note payable	7		-		53,750
			375,881		511,906
SHAREHOLDERS' EQUITY					
Share capital	6		9,780,720		4,718,756
Share subscription	6		150,000		-
Reserves	6		1,201,261		7,379
Accumulated deficit			(7,294,901)		(4,143,189)
Total shareholders' equity			3,837,080		582,946
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**4,212,961**	**$**	**1,094,852**

Nature of operations – Note 1
Going concern – Note 2
Loss on settlement – Note 12
Commitments – Note 13
Subsequent events – Note 16

Approved on behalf of the Board of Directors:

"Gijsbert Groenewegen", Director

"Bruce Bragagnolo", Director

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

Regency Silver Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note		Years Ended December 31, 2022		December 31, 2021
EXPENSES					
Consulting	8	$	143,518	$	30,000
Exchange and filing fees			121,709		19,198
Management fees	8		432,000		237,446
Marketing			431,320		-
Office			256,627		135,792
Professional fees			331,473		328,792
Property investigation costs			163,307		-
Rent			25,755		20,278
Share-based payments	6		1,067,833		-
			(2,973,542)		(771,506)
OTHER ITEMS					
Interest expense	7		(7,000)		(8,750)
Foreign exchange			51,527		(23,693)
Loss on settlement	12		(222,500)		-
Impairment of exploration and evaluation assets	5		(197)		(303,125)
LOSS AND COMPREHENSIVE LOSS		$	(3,151,712)	$	(1,107,074)
Loss per share, basic and diluted		$	(0.05)	$	(0.02)
Weighted average number of common shares outstanding			**58,992,452**		**47,962,619**

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

Regency Silver Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Share Capital					
		Number	Amount	Share subscription received	Reserves	Deficit	Total
			$	$	$	$	$
Balance, December 31, 2020		**43,871,201**	**3,989,231**	**-**	**7,379**	**(3,036,115)**	**960,495**
Shares issued in private placement	**6**	5,782,167	752,325	-	-	-	752,325
Share issuance costs	**6**	-	(22,800)	-	-	-	(22,800)
Net loss		-	-	-	-	(1,107,074)	(1,107,074)
Balance, December 31, 2021		**49,653,368**	**4,718,756**	**-**	**7,379**	**(4,143,189)**	**582,946**
Shares issued in private placement	**6**	23,814,300	5,323,825	-	-	-	5,323,825
Share subscriptions received	**6**	-	-	150,000	-	-	150,000
Share issued for debt settlement	**6,7**	450,000	90,000	-	-	-	90,000
Shares issued on exercise of stock options	**6**	500,000	62,609	-	(27,609)	-	35,000
Shares issued for property investigation	**5,6**	200,000	34,000	-	-	-	34,000
Share issuance costs	**6**	-	(448,470)	-	153,658	-	(294,812)
Share-based payments	**6**	-	-	-	1,067,833	-	1,067,833
Net loss		-	-	-	-	(3,151,712)	(3,151,712)
Balance, December 31, 2022		**74,167,668**	**9,780,720**	**150,000**	**1,201,261**	**(7,294,901)**	**3,837,080**

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

Regency Silver Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended December 31, 2022		December 31, 2021
OPERATING ACTIVITIES:				
Net loss	$	(3,151,712)	$	(1,107,074)
Items not affecting cash:				
Share-based payments		1,067,833		-
Impairment of exploration and evaluation assets		197		303,125
Interest expense not paid in cash		-		3,750
Net changes in non-cash working capital items:				
Amounts receivable		(107,869)		(30,181)
Prepaid expenses		(341,847)		4,384
Accounts payable and accrued liabilities		(82,275)		188,979
Cash used in operating activities		(2,615,673)		(637,017)
INVESTING ACTIVITIES				
Exploration and evaluation assets		(1,525,605)		(153,828)
Cash used in investing activities		(1,525,605)		(153,828)
FINANCING ACTIVITIES				
Repayment of note		36,250		50,000
Proceeds from exercise of stock options		35,000		-
Proceeds from share subscriptions received		150,000		-
Proceeds from issuance of common shares		5,029,013		729,525
Cash provided by financing activities		5,250,263		779,525
Change in cash		1,108,985		(11,320)
Cash, beginning of year		1,478		12,798
Cash, end of year	**$**	**1,110,463**	**$**	**1,478**
Non-cash transaction in the investigating and financing activates				
Shares issued for debt settlement		90,000		
Share issued for property investigation		34,000		

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

1. NATURE OF OPERATIONS

Regency Silver Corp. (the "Company") was incorporated on March 23, 2017, under the laws of the Province of British Columbia, Canada, and its principal activity is the identification, evaluation, acquisition and exploration of mineral properties in Mexico and Peru. The corporate head office, principal address and registered and records offices of the Company are located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, V6C 3P1, Canada.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these condensed consolidated interim financial statements.

2. GOING CONCERN

These consolidated financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company incurred a loss of $3,151,712 for the year ended December 31, 2022 (December 31, 2021 - $1,107,074) and had an accumulated deficit of $7,294,901 (December 31, 2021 - $4,143,189). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, 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 from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 27, 2023.

3.1. Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Regency Silver S.A. de C.V., incorporated and located in Mexico ("Regency Mexico") and Regency Mining SAC, incorporated and located in Peru ("Regency Peru"). All significant intercompany transactions and balances have been eliminated on consolidation.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Functional currency
Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Going concern
The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment. The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Impairment of exploration and evaluation assets
The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators

that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

Income Taxes
The determination of income tax is inherently complex and requires making certain judgments and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Rehabilitation Provisions
Rehabilitation provisions have been determined to be $Nil based on the Company's judgment. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These assumptions take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Critical Accounting Estimates

Valuation of share-based compensation
The Company uses the Black-Scholes option pricing model for valuation of share-based. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. Common shares issued for compensation are valued based on the most recent third-party financing values.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Exploration and Evaluation Assets

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage. From time to time, the Company may acquire or dispose of properties pursuant to the terms of the option agreements. Due to the fact that the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not accrued, but rather recorded when payment is made or received.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

4.2 Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2022 and 2021, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations.

4.3 Impairment of exploration and evaluation assets

Management reviews the carrying values of its exploration and evaluation assets on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's exploration and evaluation assets may not be recoverable and there is a risk that these costs may be written down in future periods. Impairment is charged through profit or loss.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.4 Functional Currency

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The reporting currency of the Company is the Canadian dollar. The functional currency of Company and its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded in profit or loss in the period in which they occur.

4.5 Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

4.6 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.7 Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a 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 Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

4.8 Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to reserves. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

4.9 Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.10 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company’s common shares for the period will be dilutive.

4.11 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – Classification
The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Fair value hierarchy
The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.
Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of accounts payable and note payable approximate their fair values because of the short-term nature of the instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial assets – Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses).

Interest income from these financial assets is included as finance income using the effective interest method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss in the consolidated statement of comprehensive loss in the period in which it arises.

The Company classifies its cash as FVTPL.

Financial liabilities
The Company classifies its financial liabilities into the following categories:

- Financial liabilities at FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value change to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

The Company has classified its accounts payable and note payable at amortized cost. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

4.12 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

4.13 Comprehensive Income (Loss)

Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income includes items such as gains and losses on re-measuring available-for-sale financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

4.14 Accounting standards and amendments issued but not yet adopted

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

A continuity of the Company's exploration and evaluation assets is as follows:

	Dios Padre	**El Tule**	**La Libertad**	**Total Expenditures**
	$	$	$	$
Balance, December 31, 2020	**912,979**	**242,200**	-	**1,155,179**
Acquisition cost	38,191	52,233	-	90,424
Consulting and professional fees	30,218	763	-	30,981
Property taxes and payments	24,297	8,126	-	32,423
Impairment of exploration and evaluation assets	-	(303,125)	-	(303,125)
Balance, December 31, 2021	**1,005,685**	**197** -	-	**1,005,882**
Acquisition cost	35,945	-	15,385	51,330
Assaying	104,133	-	-	104,133
Camp costs	85,151	-	-	85,151
Consulting and professional fees	396,653	-	-	396,653
Drilling	448,321	-	-	448,321
Equipment	26,487	-	-	26,487
Geologist fees	159,228	-	-	159,228
Property taxes and payments	85,378	-	-	85,378
Wages and salaries	166,186	-	-	166,186
Other payments	36,738	-	-	36,738
Impairment of exploration and evaluation assets	-	(197)	-	(197)
Balance, December 31, 2022	**2,549,905**	**-**	**15,385**	**2,565,290**

Dios Padre Property, Mexico

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US$145,000 plus Value-Added Tax ("VAT") as follows:
    - US$25,000 on the date of signing (paid);
    - US$30,000 on or before November 27, 2018 (paid);
    - US$30,000 on or before November 27, 2019 (paid);
    - US$30,000 on or before November 27, 2020 (paid); and
    - US$30,000 on or before November 27, 2021 (paid).
2. incurring aggregate exploration expenditures of not less than US$1,000,000 as follows:
    - US$250,000 on or before November 27, 2018; (incurred)
    - US$500,000 on or before November 27, 2021 (incurred – see disclosure below);
    - US$250,000 on or before April 30, 2022 (waived – see disclosure below).

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property may be subject to advance minimum royalty payments of US$100,000 due January 1st of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to include any concessions they acquire in the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the "**Extension Agreement**") wherein Minera Pena granted Regency Mexico an extension until November 27, 2020, for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021, October 12, 2021, and February 15, 2022 (collectively, the "Amended Extension Agreements") wherein Minera Pena granted Regency Mexico an extension until June 30, 2022, for the expenditure of the balance of US$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US$250,000 in exploration expenditures due by February 28, 2022, was extended until April 30, 2023 (waived – see disclosure below). As consideration for the extensions, the Company paid the sum of US$20,000 to Minera Pena.

On October 7, 2022, the Company entered into an option exercise agreement pursuant to which Minera Pena has agreed to waive the last exploration expenditure of US$250,000 required to exercise the option for a 100% interest in the Dios Padre property. Consideration for the early exercise is the issuance of 300,000 common shares in the capital of the Company (the "Common Shares") at a deemed price of $0.22 per share (issued subsequent to year end (Note 16)). The Common Shares to be issued in connection with the Agreement will be subject to a four month hold period from the date of issue in accordance with applicable securities legislation.

Ejido La Trinidad Agreement

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido "La Trinidad" on November 29, 2017, requiring the Company to make annual payments of US$6,000 and minor improvement costs. During the year ended December 31, 2021, the Ejido La Trinidad Agreement expired, and no further amendments were made. A payment of US$7,500 was made during the year to the Ejido La Trinidad for annual surface access and use for 2022.

El Tule Property, Mexico

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the "Armenta

Agreement") to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US$600,000 whereby US$100,000 will be paid within the first four months, US$400,000 will be paid over 4 years (in 6-month increments) and US$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

The Armenta Agreement also calls for a bonus payment of US$1,000,000 on delivery of a NI 43-101 report which identifies one million ounces of gold on the property. Pursuant to the Armenta Agreement, in the event that the shares of the Company get listed on a stock exchange, the Company may issue common shares for payments in an amount totaling US$200,000.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US$25,000 to keep the Armenta Agreement in good standing.

On December 14, 2020, August 14, 2020, and April 5, 2021, the Armenta Agreement was amended, and the payments were changed to US$604,000 as follows:

- US$20,000 paid to date;
- US$6,000 per month for the months of December 2020 to June 2021 (paid);
- US$42,000 by July 14, 2021; and
- US$50,000 by October 14, 2021 and every 6 months thereafter until a total of US$400,000 has been paid and a final payment of US$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021, the Company gave notice of force majeure under the Armenta Agreement. Mr. Carrillo Armenta has disputed force majeure. The Company has given notice that it has suspended force majeure and intends to resume payments commencing with the payment of US$42,000 which was due by July 14, 2021. In the event Mr. Carrillo Armenta commences legal action to have the Armenta Agreement cancelled, the Company will defend such action.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

During the year ended December 31, 2022, the Company recorded an impairment of $197 (2021 - $303,125 on the El Tule Property.

El Tablon, Mexico

The Company entered into an option agreement dated September 22, 2022 (the "Option Agreement") to option a 100% undivided interest in the El Tablon Claims located in the State of Durango, Mexico. The El Tablon Claims cover an area of approximately 7,200 hectares.

In order to exercise the option, the Company must pay US$50,000 on receipt of Exchange acceptance (paid), issue a total of 1,000,000 common shares (Note 16) and pay back taxes and mining filings on or before March 31, 2024. The Company must also pay a US$1,000,000 bonus upon a NI 43-101 resource being published, which estimates the El Tablon Claims contain a minimum of 70 million silver equivalent ounces or 1 million gold ounces in the measured or indicated categories. The shares are subject to a four month hold period.

La Libertad Project, Peru

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines. During the year, the Company entered into a joint venture agreement with an arm's length party for the sale of a 70% interest in the Peruvian claims by receiving cash payments to keep the claims in good standing, issuing to Regency a total of 250,000 common shares over three years, and incurring at least $1,000,000 in exploration expenditures on the Property by expending the sum of $200,000 on or before May 25, 2024, and the additional sum of $800,000 on or before May 25, 2025.

6. SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Issued Share Capital

During the year ended December 31, 2022, the Company issued a total of 24,964,300 common shares as follows:

- On April 26, 2022, the Company closed its IPO of 13,019,300 common shares, of which 1,019,300 shares were sold pursuant to an over-allotment option, at a price of $0.25 per common share for gross proceeds of $3,254,825. The Company began trading on the Exchange under the ticker symbol "RSMX".

  As part of the IPO, the Company had entered into an engagement letter with a national brokerage house (the "Agent"). On the closing of the IPO, the Company:
    - issued 1,041,544 Agent's Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent's Warrant entitles the Agent to purchase one Agent's Warrant Share at an exercise price equal to $0.25 per Agent's Warrant Share. The Agent's Warrants may be exercised during a term of 24 months commencing on the Closing Date. The Agent Warrants were valued at $153,658 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility – 114%, expected life of the warrants – 2 years, expected dividend yield – 0%, and risk-free interest rate – 2.6%;
    - paid a cash commission equal to 8% of the gross proceeds raised which amounted to $260,386 allocated to share issuance costs and recorded in equity;
    - paid the agent a corporate finance fee of $30,000 (plus GST) in cash which was expensed, $15,000 of which has been paid and $15,000 was paid on the closing date of the IPO;
    - paid $88,696 in Agent expenses relating to the IPO of which $18,425 was allocated to share issuance costs and recorded in equity, and $70,270 was expensed.
- On August 23, 2022, issued 500,000 common shares upon the exercise of 500,000 stock options for gross proceeds of $35,000.

- On September 29, 2022, issued 200,000 common shares in connection to property investigation costs for a property located in Mexico.

- On December 22, 2022, the Company completed a non-brokered private placement through the issuance of 10,795,000 common shares at $0.20 per common share for gross proceeds of $2,159,000. Finder's fees of $16,000 cash were paid in connection with the private placement.

- On December 22, 2022, the Company issued 450,000 commons shares at a value of $0.20 per common share to settle loans in the amount of $90,000 (Note 7).

During the year ended December 31, 2021, the Company issued a total of 5,782,167 common shares as follows:

- In January 2021, the Company closed a private placement through the issuance of 1,500,000 units at $0.10 per unit for total proceeds of $150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.30 per warrant in the first year, and $0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. In connection with the private placement, the Company paid $15,000 in share issuance costs.

- In January 2021, the Company closed a private placement through the issuance of 800,000 common shares at $0.10 per common share for gross proceeds of $80,000.

- In March 2021, the Company closed a private placement through the issuance of 680,000 common shares at $0.15 per common share for gross proceeds of $102,000.

- In April 2021, the Company closed a private placement through the issuance of 729,500 common shares at $0.15 per common share for total proceeds of $109,425.

- In May 2021, the Company closed a private placement through the issuance of 816,000 common shares at $0.15 per common share for total proceeds of $122,400.

- In August 2021, the Company closed a private placement through the issuance of 600,000 common shares at $0.15 per common share for total proceeds of $90,000.

- In September 2021, the Company closed a private placement through the issuance of 656,667 common shares at $0.15 per common share for total proceeds of $98,500. The Company paid a finder's fee of $1,800 in connection with the private placement.

(Expressed in Canadian dollars)

Warrants

A summary of the changes in warrants is presented below:

	Share Purchase Warrants	
	Number	Weighted average exercise price
Outstanding, December 31, 2020	1,640,000	$ 0.10
Granted	1,500,000	0.30
Outstanding, December 31, 2021	3,140,000	0.27
Granted	1,041,544	0.25
Outstanding, December 31, 2022	4,181,544	0.21
Exercisable, December 31, 2022	4,181,544	$ 0.21

The following warrants were outstanding as at December 31, 2022:

Number	Exercise price	Expiry Term
140,000	$ 0.10	April 26, 2024
1,500,000	$ 0.10	April 26, 2024
1,041,544	$ 0.25	April 26, 2024
1,500,000	$ 0.30	April 26, 2024
4,181,544		

During the year ended December 31, 2022, the Company received $150,000 for the exercise of 1,500,000 warrants. As at December 31, 2022, the Company had not issued the shares in connection with the warrant exercise. The balance has been recorded as a share subscription liability in the consolidated statement of financial position. The common shares were issued subsequent to December 31, 2022.

Stock Option Plan

The Company adopted a Stock Option Plan where directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan. The maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the Exchange. Vesting terms are also determined by the Board of Directors.

(Expressed in Canadian dollars)

A summary of the changes in stock options is presented below:

	Stock Options		
	Number		Weighted average exercise price
Outstanding, December 31, 2020	4,100,000	$	0.25
Granted	750,000		0.25
Outstanding, December 31, 2021	4,850,000		0.25
Granted	1,900,000		0.07
Exercised	(500,000)		0.07
Cancelled	(750,000)		0.25
Outstanding, September 30, 2022	5,500,000	$	0.20
Exercisable, September 30, 2022	4,800,000	$	0.20

On July 4, 2020, the Company granted 2,000,000 stock options to officers, directors, and consultants of the Company. The stock options vested upon closing of the IPO. The stock options were valued at $424,529 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.6%; volatility – 125%; expected dividend yield – 0.0%; expected option life in years – 5.

On July 30, 2020, the Company granted 1,100,000 stock options to consultants of the Company. The stock options vested upon closing of the IPO. The stock options were valued at $223,065 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.6%; volatility – 125%; expected dividend yield – 0.0%; expected option life in years – 5.

On August 11, 2020, the Company granted 1,000,000 stock options to officers, directors, and consultants of the Company. The stock options will be vested 30% on the 6 and 12 month anniversaries, and 40% on the 18-month anniversary of the IPO. The stock options were valued at $212,265 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.6%; volatility – 125%; expected dividend yield – 0.0%; expected option life in years – 5. Of the total value, $145,700 has been recognized in the consolidated statements of loss and comprehensive loss.

During 2021, the Company granted 750,000 stock options to directors of the Company. The stock options vested immediately. The stock options were valued at $159,198 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.6%; volatility – 125%; expected dividend yield – 0.0%; expected option life in years – 5. These options were cancelled during the period.

(Expressed in Canadian dollars)

On July 15, 2022, the Company granted 1,900,000 stock options to consultants and officers of the Company. The stock options are exercisable at $0.07 per stock option and vest immediately. The stock options vested immediately. The stock options were valued at $104,914 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 3.08%; volatility – 127%; expected dividend yield – 0.0%; expected option life in years – 5.

Details of stock options and exercisable as at December 31, 2022 and 2021 are as follows:

Expiry Date	**Exercise Price**	**December 31, 2022**	**December 31, 2021**
April. 26, 2027	$0.25	4,100,000	-
July 15, 2027	$0.07	1,400,000	-
		5,500,000	-

The weighted average remaining contractual life of stock options outstanding at December 31, 2022 was 4.38 years (2021 – 0 years).

7. NOTE PAYABLE

On January 18, 2021, the Company entered into a promissory note with an arm's length party for a $50,000 loan with interest of $5,000. The principal amount plus interest was originally due by March 31, 2021. The Company paid the interest of $5,000 on April 8, 2021, and received an extension until July 30, 2021, for the repayment of the principal amount of $50,000 plus interest at the rate of 10% per annum from April 1, 2021. On October 14, 2021, the promissory note was amended such that the Company received an extension until January 31, 2022.

During the year ended December 31, 2022, the Company received an additional $20,000 loan at interest of 10% per annum and another $70,000 loan at interest of 7% per annum. The loans were unsecured and due on demand. The loans were settled through the issuance of 450,000 commons shares at a value of $0.20 per common share.

8. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company. Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities.

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors and officers are as follows:

(Expressed in Canadian dollars)

		For the years ended		
		December 31, 2022		December 31, 2021
Management and director compensation:				
Management fees	$	434,500	$	266,000
Consulting fees		112,000		30,000
Share-based payments		410,573		-
Total management compensation	$	957,073	$	296,000

Included in management fees above is $2,500 (2021 - $28,554) that was capitalized to exploration and evaluation assets. Included in consulting fees above is $64,500 (2021 - $30,000) that was capitalized to exploration and evaluation assets.

Included in accounts payable and accrued liabilities is $86,183 (2021 - $77,346) owed to the directors and officers of the Company. These amounts are non-interest bearing with no specific terms of repayment.

9. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

10. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Receivables are due from a government agency.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and certain transactions are conducted in the Mexican Peso and US dollar respectively. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican Peso ("MXN"):

	December 31, 2022	December 31, 2021
Balance in MXN:	$	$
Cash	2,660	2,312
Amounts receivable	1,620,735	123,152
Accounts payable	(120,192)	(316,471)
Net exposure	1,503,203	(191,007)
Balance in Canadian dollars:	104,458	(11,860)

A 10% change in the Mexican Peso to the Canadian dollar exchange rate would impact the Company's net loss by approximately $10,446 for the year ended December 31, 2022 (December 31, 2021 – $1,186). A 10% change in the US dollar and Peruvian Soles would not have a significant impact on the Company's balance sheet accounts and net loss for the year ended December 31, 2022 and December 31, 2021.

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 market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

Fair value measurement

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 that are accessible at the measurement date for identical, unrestricted assets or liabilities;

(Expressed in Canadian dollars)

- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash and accounts payable approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and accounts payable and note payable at amortized cost. Cash is measured using level 1 inputs.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	December 31, 2022		December 31, 2021	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	1,110,463	1,110,463	1,478	1,478
Amortized cost liabilities (ii)	375,881	375,881	511,906	511,906

(i) Cash
(ii) Accounts payable and note payable

The Company's financial assets measured at fair value on a recurring basis are presented on the Company's consolidated statement of financial position as of December 31, 2022 as follows:

Financial Assets	Balance as at December 31, 2022 $	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	1,110,463	1,110,463	-	-
Total	1,110,463	1,110,463	-	-

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment being the exploration and evaluation of exploration and evaluation assets. As at December 31, 2022 and 2021, the full exploration and evaluation asset balance relates to expenditures incurred in Mexico.

12. LOSS ON SETTLEMENT

The Company and one of its directors were named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia. The legal proceeding claimed damages against the director and the Company for a breach of an agreement. During the year, the Company settled the claim by making a payment of $125,000 to the claimant and agreeing to pay $97,500 on or before June 15, 2023 (Note 16).

(Expressed in Canadian dollars)

13. COMMITMENTS

On June 1, 2020, the Company entered into a management consulting agreement with the Executive Chairman of the Company whereby the Executive Chairman agreed to provide management services to the Company. The agreement provides for the payment of $10,000 per month commencing June 1, 2020, for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 1, 2020, the Company entered into a management consulting agreement with the Chief Executive Officer ("CEO") and President of the Company whereby the CEO and President agreed to provide management services to the Company. The agreement provides for the payment of $8,000 per month commencing July 1, 2020, for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 27, 2020, the Company entered into an independent consultant agreement with the Chief Financial Officer ("CFO") of the Company for the provision of financial consulting services to the Company. The agreement provides for the payment of $3,000 per month plus the goods and services tax for the months of August and September 2020. Commencing May 1, 2022, the fees will be $4,000 per month. The CFO will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the agreement without cause.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2022 include:

- $90,000 was recorded in share capital for amounts owed for loan payable.
- $34,000 was recorded in share capital for the issuance of 200,000 common shares in connection to property investigation costs for a property located in Mexico.

There were no significant non-cash transactions for the year ended December 31, 2021.

15. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows for the years ended December 31:

		2022		**2021**
Loss for the year	$	(3,151,712)	$	(1,107,074)
Expected income tax recovery		$ (850,945)	$	(298,610)
Permanent Difference		284,618		(6,162)
Change in unrecognized deductible temporary differences		566,327		305,066
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	2021
Deferred Tax Assets (liabilities)		
	$	$
Exploration and evaluation assets	82,000	81,000
Share issue costs	71,000	10,000
Non-capital losses available for future period	1,077,000	572,000
	1,230,000	663,000
Unrecognized deferred tax assets	(1,230,000)	(663,000)
Net deferred tax asset (liability)	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry Date Range
Temporary Differences	**$**	
Exploration and evaluation assets	1,241,521	No expiry date
Non-capital losses available for future period	4,015,600	2037-2039

	2021	Expiry Date Range
Temporary Differences	**$**	
Exploration and evaluation assets	37,037	No expiry date
Non-capital losses available for future period	2,117,236	2037-2038

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

16. SUBSEQUENT EVENTS

The Company had the following subsequent events not disclosed elsewhere:

i) The Company granted 2,190,000 stock options to officers, directors and consultants. The stock options have an exercise price of $0.30 and expire 5 years from the date of grant;
ii) The Company issued 2,153,427 common shares on the exercise of 2,153,427 warrants for gross proceeds of $279,017;
iii) The Company closed a private placement through the issuance of 6,240,000 common shares at $0.40 per common share for total proceeds of $2,446,000. The Company paid finder's fees of $91,140 in connection with the financing;
iv) 1,000,000 common shares issued for El Tablon on January 5, 2023 (Note 5);
v) 300,000 common shares issued for Dios Padre Property on March 15, 2023; and
vi) $48,750 paid for settlement of claim on January 3, 2023 (Note 12).