LODESTAR BATTERY METALS CORP.
(Formerly Silverton Metals Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LODESTAR BATTERY METALS CORP.
(FORMERLY SILVERTON METALS CORP.)

Opinion

We have audited the consolidated financial statements of Lodestar Battery Metals Corp. (formerly Silverton Metals Corp.) and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the 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 consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,922,880 during the year ended December 31, 2022 and, as of that date, has an accumulated deficit of $4,735,932. 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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 auditors' report.

Other Information

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

Our opinion on the 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 1, 2023

Lodestar Battery Metals Corp.
(Formerly Silverton Metals Corp.)
Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	**December 31, 2022 $**	December 31, 2021 $
ASSETS			
Current Assets			
Cash		2,732,167	4,128,888
Other receivables		19,650	130,295
Prepaid expenses and other assets	**5**	61,645	186,838
Total current assets		2,813,462	4,446,021
Non-Current Assets			
Exploration and evaluation assets	**6**	10,109,196	7,525,723
Prepaid expenses	**5**	147,004	145,645
Total assets		**13,069,662**	12,117,389
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	**6,10**	241,876	877,717
Other payables		3,962	3,962
Deferred purchase consideration - current	**4**	1,238,457	682,841
Flow through premium liability	**7**	40,000	-
		1,524,295	1,564,520
Non-Current Liabilities			
Deferred purchase consideration	**4**	-	424,745
Total liabilities		1,524,295	1,989,265
SHAREHOLDERS' EQUITY			
Common shares	**8**	15,029,080	12,649,726
Contributed surplus		744,028	2,018,338
Accumulated other comprehensive loss		508,191	2,754
Deficit		(4,735,932)	(4,542,694)
Total shareholders' equity		11,545,367	10,128,124
Total liabilities and shareholders' equity		**13,069,662**	12,117,389

Nature of operations and going concern (Note 1)

APPROVED BY THE BOARD OF DIRECTORS

Lowell Kamin ("signed") Director *Gary Prihar ("signed")* Director

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

Lodestar Battery Metals Corp.

(Formerly Silverton Metals Corp.)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	**December 31, 2022 $**	December 31, 2021 $
General and administrative expenses			
Accounting and audit	**10**	147,925	92,325
Bank charges and interest		2,178	2,180
Exploration research & investigation		2,983	19,807
Filing and listing fees		51,503	46,431
Insurance		32,361	11,752
Investor relations and marketing		149,115	949,328
Legal and professional fees		78,710	43,821
Management, consulting and advisory fees	**10**	637,204	700,251
Office and miscellaneous		36,057	8,555
Rent	**10**	15,623	23,992
Share-based compensation	**8(c),10**	409,161	1,482,550
Transfer agent fees		11,871	20,757
Loss before other items		(1,574,691)	(3,401,749)
Other income (expenses)			
Interest income		25,645	-
Foreign exchange gain		56,887	25,522
Bad debt expense	**2(c)**	-	(600,000)
Allowance for doubtful collection of IVA	**2(c)**	(262,332)	-
Impairment of exploration and evaluation assets, net of reversal of related accrued liabilities	**6**	(168,389)	-
Net loss for the year		**(1,922,880)**	(3,976,227)
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		505,437	2,754
Total other comprehensive profit for the year		**505,437**	2,754
Total Comprehensive Loss for the year		**(1,417,443)**	(3,973,473)
Weighted average number of common shares outstanding during the year	**8(e)**	**31,815,952**	24,681,390
Loss per share - basic and diluted		**(0.06)**	(0.16)

Lodestar Battery Metals Corp.

(Formerly Silverton Metals Corp.)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

	Number of shares #	Capital Stock $	Contributed Surplus $	AOCI* $	Deficit $	Total $
Balance - December 31, 2020	**11,387,500**	**911,706**	**-**	**-**	**(566,467)**	**345,239**
Private placement	11,574,000	9,259,200	-	-	-	**9,259,200**
Share issuance costs - cash	-	(732,484)	-	-	-	**(732,484)**
Share issuance costs - warrants	-	(288,696)	288,696	-	-	**-**
Shares issued pursuant to qualifying transaction	4,375,000	3,500,000	-	-	-	**3,500,000**
Share-based compensation - stock options	-	-	1,729,642	-	-	**1,729,642**
Net and comprehensive loss for the year	-	-	-	2,754	(3,976,227)	**(3,973,473)**
Balance - December 31, 2021	**27,336,500**	**12,649,726**	**2,018,338**	**2,754**	**(4,542,694)**	**10,128,124**
Private placement	4,000,000	400,000	-	-	-	400,000
Share issuance costs - cash	-	(40,944)	-	-	-	(40,944)
Share issuance costs - warrants	-	(19,702)	19,702	-	-	-
Shares issued for acquisition of subsidiary (Note 4)	13,000,000	2,080,000	-	-	-	2,080,000
Allocation of private placement proceeds to flow-through premium	-	(40,000)	-	-	-	(40,000)
Share-based compensation – stock options	-	-	435,630	-	-	435,630
Transfer of expired share-based payment awards	-	-	(1,729,642)	-	1,729,642	-
Net and comprehensive loss for the year	-	-	-	505,437	(1,922,880)	(1,417,443)
Balance - December 31, 2022	**44,336,500**	**15,029,080**	**744,028**	**508,191**	**(4,735,932)**	**11,545,367**

* AOCI(L): Accumulated other comprehensive income (loss)

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

Lodestar Battery Metals Corp.
(Formerly Silverton Metals Corp.)
Consolidated Statements of Cash Flow
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	**2022** $	2021 $
Operating activities:			
Net loss for the year		(1,922,880)	(3,976,227)
Items not affecting cash:			
Allowance for doubtful collection of IVA		262,332	-
Impairment of exploration and evaluation assets, net of reversal of related accrued liabilities		168,389	-
Share-based compensation		409,161	1,482,550
		(1,082,998)	(2,493,677)
Changes in non-cash working capital related to operations:			
Other receivable		(30,535)	(2,744)
Prepaid expenses		2,682	(380,856)
Accounts payable and accrued liabilities		101,516	(35,087)
Net cash used in operating activities		(1,009,335)	(2,912,364)
Investing activities:			
Investment in exploration and evaluation assets		(1,107,973)	(1,782,677)
Cash acquired on acquisition of subsidiary	**4**	242,020	6,737
Net cash used in investing activities		(865,953)	(1,775,940)
Financing activities:			
Proceeds from shares issued		400,000	9,259,200
Share issuance costs		(40,944)	(706,774)
Net cash from in financing activities		359,056	8,552,426
Increase (decrease) in cash during the year		(1,516,232)	3,864,122
Foreign exchange effect on cash and cash equivalents		119,511	10,889
Cash – beginning of the year		4,128,888	253,877
Cash – end of the year		**2,732,167**	4,128,888

Supplemental Cash Flow Information – Note 12

1. Nature of Operations and Going Concern

Lodestar Battery Metals Corp., formerly Silverton Metals Corp. ("Lodestar" or the "Company"), was incorporated under the Business Corporation Act (Ontario) on July 15, 2013. On March 21, 2019, the Company was continued under the British Columbia Business Corporations Act, and on March 2, 2021, in conjunction with the closing of its qualifying transaction ("Qualifying Transaction"), the Company had changed its name to Silverton Metals Corp. from Plymouth Realty Capital Corp. On November 10, 2022, the Company announced it changed its name to Lodestar Battery Metals Corp. and that it began trading on the TSX Ventures Exchange ("TSX-V"), effective November 14, 2022, under the symbol "LSTR". On May 5, 2021, the Company's shares commenced trading on the OTC Markets system, through the SEC-registered Alternative Trading System quotation facilities (known as OTC Link® ATS), under the symbol "SVTNF". The head office of the Company is located at 704 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On March 2, 2021, the Company completed its Qualifying Transaction with the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the "Silver Properties"), from Silver One Resources Inc. ("Silver One"), a TSX-V listed company, by acquiring from Silver One all of the issued and outstanding shares of KCP Minerals Inc. ("KCP"), which holds, through its wholly owned Mexican subsidiary, Minera Terra Plata S.A. de C.V. ("Minera Terra"), a 100% interest in the Silver Properties (see Note 4).

On August 31, 2022 the Company completed the acquisition of all of the outstanding share capital of Wholesome Organics Limited ("WOL") thereby acquiring the lithium focused Peny Property in Snow Lake, Manitoba (Note 4). On November 28, 2022, the Company changed the name of Wholesome Organics Limited to Lodestar Exploration Inc. ("LEI").

Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements. For the year ended December 31, 2022, the Company incurred a net loss of $1,922,880 (2021 - $3,976,227). The Company expects to incur further losses in the development of its business. At December 31, 2022, the Company had an accumulated deficit of $4,735,932 (2021 - $4,542,694) and a working capital of $1,289,167 (2021 - working capital of $2,881,501), which the Company believes is sufficient to meet its obligations and continue its operations for at least the next twelve months.

Beyond the next 12 months, the Company's ability to continue as a going concern will be dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19 and Russian-Ukraine Conflict

Since the onset of COVID-19 in 2020, and continuing into 2022, significant changes in the stock market have occurred for various reasons linked to the COVID-19 global pandemic. The impacts to the Company of further market changes arising from COVID-19 are not determinable at this date; however, these could be significant to the Company's ability to raise new capital and thus the Company's financial position, results of operations and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted. As at December 31, 2022, COVID-19 has not had a significant negative impact on the Company's operations or ability to raise capital.

During February 2022, Russia launched a large military invasion of Ukraine leading to a disruption in the supply of energy resources, the imposition of sanctions on Russia, increased tension between the West and Russia and financial market uncertainty. These situations had an impact on many entities and the markets for the securities that they issue and the impacts may continue. As at December 31, 2022, the conflict has not had a significant negative impact on the Company's operations or ability to raise capital.

2. Basis of presentation, significant accounting policies and significant accounting estimates and judgments

a.) Statement of presentation, statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and are prepared on a going concern basis. The consolidated financial statements were approved by the Board of Directors of the Company on May 1, 2023.

Basis of presentation and consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and include the Company's wholly owned direct and indirect subsidiaries, Lodestar Exploration Inc. *(Canada),* KCP Minerals Inc. (*Canada*) (See Note 6), Minera Terra Plata S.A. de C.V. (*Mexico*), and the Company's inactive subsidiaries 1269171 B.C. Ltd. (*Canada*) and 1089349 B.C. Ltd. (*Canada)*. Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

b.) Significant accounting policies

Exploration and evaluation assets

The Company is in the exploration stage and defers all exploration and evaluation expenditures related to its mineral properties until such time as the properties are put into commercial production, impaired, sold or abandoned. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as exploration and evaluation assets represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

If a property is put into commercial production, the carrying value will be depleted using the unit of production basis. If a property is impaired, sold or abandoned, the expenditures will be charged to profit or loss in the related period. Exploration costs that are not attributable to a specific property or that are incurred prior to the Company acquiring the legal rights to a property are charged to profit or loss as reconnaissance and sundry exploration.

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 title may be subject to unregistered prior agreements and regulatory requirements.

Asset acquisitions and business combinations

Upon acquisition of an asset or subsidiary, the Company applies a concentration test for a simplified assessment of whether an acquired set of activities and assets is not a business. The Company may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business; and if the concentration test is not met, or if the Company elects not to apply the test, the Company then performs a more fulsome assessment as required under IFRS 3 *Business Combinations.* The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Deferred acquisition costs

Costs incurred in the acquisition of an asset are capitalized and included in the carrying cost of the asset. Where costs of acquisition are incurred prior to the acquisition of the asset, such costs are deferred and included in the carrying cost of the asset at the time of acquisition of the underlying asset.

Impairment of long-lived assets

At the end of each reporting period the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset (or cash-generating unit) is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Management’s assessment of a property’s estimated fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The capitalized costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an accretion expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company has no significant restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

Foreign currencies

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Lodestar, and its Canadian subsidiaries is the Canadian dollar; and the functional currency of Minera Terra, the Company's Mexican subsidiary, is the U.S. dollar. The presentation currency of these consolidated financial statements is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

The statement of financial position of Minera Terra is translated into Canadian dollars using the exchange rate at the statement of financial position date and the statement of operations is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation from the functional currency to the presentation currency are charged to other comprehensive income (loss).

Share-based compensation

The fair value of all stock options and compensation warrants granted is recorded as a charge to operations or deferred exploration costs, except for compensation warrants issued as finder's fees which are recognized as share issue costs, and a credit to contributed surplus under the graded attribution method, unless the options granted vest immediately. The fair value, as adjusted for the estimated forfeiture rate, is measured at the date of grant and is recognized over the vesting period. Where the Company's stock options or compensation warrants are subject to graded vesting each tranche in the award is considered a separate grant, with a different vesting date and fair value for purposes of recognizing share-based payment expense.

Prior to the vesting date, the then-current fair values of stock options or compensation warrants granted are recognized as share-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Any consideration received on the exercise of stock options or compensation warrants together with the related portion of contributed surplus is credited to share capital. The Company will reclassify equity reserve amounts to deficit on the expiry or forfeiture of share-based payments. The fair value of stock options and compensation warrants are estimated using the Black-Scholes option pricing model.

Share issuances

Common shares are classified as equity. Incremental costs that are directly attributable to the issue of new common shares are deducted from the share issuance proceeds. Where such incremental costs are incurred prior to the issuance of the related shares, these costs are recorded as deferred financing costs and subsequently deducted from the share issuance proceeds upon the issuance of the related shares. The costs of an equity transaction that is abandoned are recognized as an expense.

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 a unit private placement to be the more easily measurable component 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 the attached warrants. Any fair value attributed to the warrants is recorded as a component of contributed surplus. If the warrants expire unexercised, the amount recorded is transferred to share capital.

Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities, referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related qualifying resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features is credited to other liabilities and included as a recovery in profit or loss at the same time the qualifying expenditures are made. The fair value of warrants issued as part flow through units are valued using the residual value method.

Loss per share

Basic loss per share is calculated by dividing net loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Outstanding ordinary shares that are contingently returnable (including escrowed shares) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall. Potential ordinary shares that are anti-dilutive are excluded from the calculation of diluted loss per share.

Financial instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial asset debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in profit or loss.

Financial assets at FVTOCI
Elected 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 recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

The Company has made the following designations of its financial instruments:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other payables	Amortized cost
Deferred purchase consideration	Amortized cost

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are measured at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are measured at the tax rates enacted or substantively enacted at the reporting date that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized.

c.) Significant accounting estimates and judgment

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during each year. Actual results may differ from these estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Such estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties the Company believes will materially affect the methodology or assumptions in making those estimates and judgments in these consolidated financial statements.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year. Critical accounting estimates include, but are not limited to, the following:

Share-based compensation

The Company uses the fair-value method of accounting for share-based compensation related to incentive stock options and compensation warrants granted, modified or settled. Under this method, compensation cost attributable to options granted and warrants issued are measured at fair value at the grant date and expensed over the vesting period, except for compensation warrants issued as finder’s fees which are recognized as share issue costs. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options or warrants, and an estimated risk-free interest rate.

Restoration, rehabilitation and environmental obligations

Management must determine if estimates of the future costs the Company will incur to complete the rehabilitation work is required to comply with existing laws, regulations and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company.

Management determined at the date of the statement of financial position that no significant rehabilitation provisions were required under IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.

Discount rate of deferred purchase consideration

The deferred purchase consideration is initially recognized at fair value, calculated as the net present value of the liability based upon discount rates used by comparable issuers and accounted for at amortized cost using the effective interest rate method.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include, but are not limited to, the following:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Impairment of exploration and evaluation assets

The recoverability of amounts shown as mining claims and deferred exploration costs 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. At each reporting period end, management applies judgment in assessing whether there are any indicators of impairment relating to mining claims and deferred exploration costs. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment.

Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) 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 (iv) sufficient data exists to indicate that the carrying amount of the mining claims and deferred exploration costs is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as at December 31, 2022.

Acquisition transactions

Management must use judgment to assess whether an acquisition transaction is an acquisition of an asset or an acquisition of a business. In considering its assessment, management applied an optional test (the concentration test), as permitted by IFRS 3 *Business Combinations*, to perform a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. During the years ended December 31, 2022 and 2021, management assessed that the acquisitions of (i) WOL (subsequently renamed Lodestar Exploration Inc.) and (ii) KCP and Minera Terra, respectively, were asset acquisitions and not acquisitions of a business (Note 4).

Deferred acquisition and financing costs

Deferred acquisition and financing costs are deferred until completion of the applicable transactions, or subsequently expensed should the applicable transaction not be completed. In deferring these costs, management judgment is required in assessing the probability of the successful completion of the applicable transactions.

Functional currency

The functional currency for each of the Company and its subsidiary is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgments to determine the primary economic environment of an entity and this is reevaluated for each new entity following an acquisition, or if events and conditions change.

Allowance for doubtful collection of IVA receivable and bad debts expense

During the year ended December 31, 2022, the Company assessed the collectability of IVA receivable from the Government of Mexico and judged the collectability of the amounts receivable at December 31, 2022 to be sufficiently in doubt and accordingly recognized an allowance for doubtful collection. During the year ended December 31, 2021, the Company assessed the collectability of funds recoverable by the Company from a counterparty under a prepaid consulting contract and judged the collectability of the amounts at December 31, 2021 to be in doubt and accordingly recognized a bad debt expense for the value of the contract of $600,000.

3. Financial instruments

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

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

The Company’s financial instruments consist of cash, accounts payable and accrued liabilities, deferred purchase consideration and other payables; the fair values of which, other than deferred purchase consideration, approximates their carrying values due to the short-term nature of these instruments. The fair value of the deferred purchased consideration is estimated to be $1,238,457 at December 31, 2022 (2021 - $1,107,586), using a discount rate of 15%.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Accounts payable are due under normal commercial terms, typically within 30 days. As at December 31, 2022, the Company had cash of $2,732,167 to settle liabilities of $1,524,295 due within 12 months. Certain conditions cast significant doubt on the Company’s ability to meet its financial obligations. Refer to Notes 1 and 4 for more information regarding the Company’s liquidity risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s cash balances are not held in investment accounts, therefore, is not exposed to the risk from interest rate fluctuations. The Company is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances. The Company mitigates credit risk by depositing cash with Canadian schedule I chartered banks and similar institutions and monitoring their credit ratings.

Foreign currency risk

The Company conducts its business in Canada and Mexico. A large number of Minera Terra's exploration expenditures, and its funding provided by the Company, are primarily incurred in US dollars. Accordingly, the Company's cash profile and exploration expenditures are exposed to changes in the Canadian dollar/US dollar exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in currencies which are not the functional currency of the economic environment in which the Company or its subsidiaries operate. Based on this exposure as at December 31, 2022, a 5% change in exchange rates could give rise to a change in the net loss by approximately $14,238 (2021 - $64,203). The Company does not employ the use of any hedging or other derivative instruments in the management of its foreign currency risk.

The Canadian dollar equivalent of financial assets and financial liabilities denominated in other currencies at December 31, 2022 and 2021 are shown below.

December 31, 2022	**USD**	**MXN**	**Total**
CAD Equivalent	**$**	**$**	**$**
Financial Assets			
Canada	248,604	-	248,604
Mexico	1,441	27,204	28,645
	250,045	27,204	277,249
Financial Liabilities			
Canada	-	-	-
Mexico	-	8,959	8,959
	-	8,959	8,959
Net foreign currency exposure	**250,045**	**36,163**	**286,208**

December 31, 2021	**USD**	**MXN**	**Total**
CAD Equivalent	$	$	$
Financial Assets			
Canada	1,150,979	-	1,150,979
Mexico	5,349	133,863	139,212
	1,156,328	133,863	1,290,191
Financial Liabilities			
Canada	-	-	-
Mexico	(113,664)	(787)	(114,451)
	(113,664)	(787)	(114,451)
Net foreign currency exposure	**1,042,664**	**133,076**	**1,175,740**

Price Risk

The Company is not exposed to significant price risk.

(Expressed in Canadian Dollars)

4. Acquisition of subsidiaries and exploration and evaluation assets

Wholesome Organic Limited

On August 31, 2022, the Company closed its 100% acquisition of Wholesome Organic Limited ("Wholesome" or "WOL", subsequently renamed Lodestar Exploration Inc.), an arm's length company. Under the terms of the share purchase agreement, the Company acquired all of the issued and outstanding securities of Wholesome which holds 100% of the lithium focused Peny Property located in Manitoba and, in consideration of which, the Company issued the WOL shareholders a total of 13,000,000 common shares at a transaction price of $0.095 per share as agreed between the parties. In accordance with accounting requirements of IFRS-2 *Share-based payment*, the transaction was accounted for using the share price at the date of issuing the shares, being a fair value of $0.16 per share for a total consideration of $2,080,000. The acquisition of WOL did not qualify as a business combination and is accounted for as an asset acquisition as WOL did not meet the definition of a business.

The fair value of the consideration for the asset acquisition and the related assets and liabilities acquired at August 31, 2022 are as follows:

Purchase Consideration	
	$
13,000,000 common shares of the Company at $0.16 per share	2,080,000
Transaction costs	6,756
Fair value of consideration	2,086,756

Allocation of Purchase Consideration	
	$
Cash	242,020
GST/HST receivable	4,474
Mineral properties	821,732
Accounts payable and accrued liabilities	(67,020)
Acquisition adjustment to mineral properties	1,085,550
	2,086,756

KCP Minerals Inc.

Under the terms of a share purchase agreement dated November 16, 2020, as amended January 4, 2021 and February 1, 2021, the Company acquired from Silver One, a company with directors in common, all of the issued and outstanding shares of KCP, which holds a 100% interest in Minera Terra and, thereby indirectly, the Silver Properties, and, in consideration of which, the Company agreed to pay Silver One $6,000,000 in cash and shares as follows: (a) pay $1,250,000 in cash on closing (paid March 3, 2021), (b) issue 4,375,000 common shares of the Company (the "Consideration Shares", issued March 3, 2021), (c) pay $750,000 in cash eighteen months after closing, and (d) pay $500,000 in cash twenty four months after closing. The deferred cash consideration payments are in the form of non-interest promissory notes. The Company is in discussions with Silver One to renegotiate the terms of the deferred consideration. The acquisition of the shares of KCP was the Company's Qualifying Transaction under the rules of the TSX-V and closed on March 2, 2021. The acquisition of KCP and Minera Terra did not qualify as a business combination and is accounted for as an asset acquisition as KCP did not meet the definition of a business.

The consideration for the asset acquisition, and the related assets and liabilities acquired at March 2, 2021, are as follows:

(Expressed in Canadian Dollars)

Purchase Consideration	
	$
Cash - on closing	1,250,000
Cash - deferred	1,250,000
Fair value discount on cash - deferred*	(264,122)
4,375,000 common shares of the Company at $0.80 per share	3,500,000
Transaction costs	114,669
Fair value of consideration	5,850,547

Allocation of Purchase Consideration	
	$
Cash	6,737
Prepaids	13,414
Value-added tax receivable	57,113
Mineral properties	6,017,094
Accounts payable and accrued liabilities	(5,725)
Acquisition adjustment to mineral properties*	(238,086)
	5,850,547

* Included in the acquisition adjustment to mineral properties is $264,122 of fair value discount applied to the deferred cash consideration, which was estimated using a discount rate of 15%.

On acquisition of KCP on March 2, 2021, the Company recorded an adjustment to mineral properties of $264,122 of fair value discount applied to the deferred cash consideration, which was estimated using a discount rate of 15%. This discount is being unwound over the period from acquisition of KCP to the date of payment of the deferred cash consideration. During the year ended December 31, 2022, the Company recognized an unwind of discounting on deferred cash consideration of $130,871 (2021 - $121,708) (Note 6).

The Company also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties to Silver One. At the option of the Company, the Company may repurchase, two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US $500,000 for each of the Silver Properties.

During the year ended December 31, 2021, the Company incurred $114,669 of acquisition costs, related to the Qualifying Transaction, which were recorded as long-term deferred acquisition costs at December 31, 2020. These costs were transferred to exploration and evaluation assets upon closing of the Qualifying Transaction (Note 6).

At December 31, 2022, the deferred cash consideration payable is represented as follows:

	September 2, 2022	**March 2, 2023**	**Total**
	$	**$**	**$**
Balance, December 31, 2020	**-**	**-**	**-**
Cash - deferred purchase consideration	750,000	500,000	1,250,000
Fair value discount on cash - deferred (Note 6)	(142,194)	(121,928)	(264,122)
Unwind of fair value discount (Note 6)	75,035	46,673	121,708
Balance, December 31, 2021	**682,841**	**424,745**	**1,107,586**
Unwind of fair value discount (Note 6)	67,159	63,712	130,871
Balance, December 31, 2022	**750,000**	**488,457**	**1,238,457**

(Expressed in Canadian Dollars)

5. Prepaid expenses and other assets

	December 31, 2022	December 31, 2021
	$	$
Prepaid expenses	**203,890**	328,280
Other assets	**4,759**	4,203
	208,649	332,483
Prepaid expenses - non-current*	**(147,004)**	(145,645)
	61,645	186,838

* Non-current prepaids represents prepayments related to exploration and evaluation assets activities and other amounts not expected to be utilized in the 12-month period from December 31, 2022.

6. Exploration and evaluation assets

	Peñasco Quemado	La Frazada	Pluton	Peny Property	Total
	$	$	$	$	$
December 31, 2020	**-**	**-**	**-**		**-**
Exploration and evaluation assets acquired (Note 4)	3,893,957	2,087,978	35,159	-	6,017,094
Acquisition adjustment to exploration and evaluation assets (Note 4)*	(149,522)	(80,174)	(1,350)	-	(231,046)
Transfer of deferred acquisition costs (Note 4)	74,208	39,791	670	-	114,669
Consulting (Note 10)	59,803	58,854	18,411	-	137,068
Drilling	92,648	-	-	-	92,648
General exploration	193,261	30,655	-	-	223,916
Geology	-	-	2,036	-	2,036
Legal	28,620	15,346	258	-	44,224
Land/recording fees	119,039	41,366	715,778	-	876,183
Share-based compensation (Note 8)	159,905	85,743	1,444	-	247,092
Foreign exchange translation	(10,308)	2,120	10,027	-	1,839
	4,461,611	2,281,679	782,433	-	7,525,723
December 31, 2021	**4,461,611**	**2,281,679**	**782,433**	**-**	**7,525,723**
Exploration and evaluation assets acquired (Note 4)	-	-	-	821,732	821,732
Fair value adjustment on acquisition of exploration and evaluation of assets	-	-	-	1,085,550	1,085,550
Acquisition costs	-	-	-	501	501
Unwind of discounting on deferred cash consideration (Note 4)	84,758	45,448	665	-	130,871
Consulting (Note 10)	41,688	16,569	16,260	-	74,517
Drilling	176,250	-	-	-	176,250
Exploration Research & Investigation	-	-	-	146,049	146,049
General exploration	207,477	-	-	-	207,477
Geology	-	37,194	94,891	-	132,085
Land/recording fees	218,541	7,614	84,070	-	310,225
Share-based compensation (Note 8)	1,742	1,742	-	22,985	26,469
Impairment of exploration and evaluation assets	-	-	(976,877)	-	(976,877)
Foreign exchange translation [1]	302,489	147,577	(1,442)	-	448,624
	1,032,945	256,144	(782,433)	2,076,817	2,583,473
December 31, 2022	**5,494,556**	**2,537,823**	**-**	**2,076,817**	**10,109,196**

[1] *The foreign currency translation amount arises from the Company's subsidiary, Minera Terra, incurring exploration expenditures in currencies other than the Canadian dollar while the Company's consolidated financial statements are presented in Canadian dollars, thereby giving rise to foreign currency translation differences upon inclusion of the Canadian dollar equivalent of the foreign currency expenditures in the Company's consolidated financial statements.*

* During the year ended December 31, 2022, unwinding of the discount of $130,871 arising from the fair value discount applied to the deferred cash consideration for the acquisition of the Silver Properties was recorded to the Silver Properties (Note 4). During the year ended December 31, 2021, upon acquisition of the Silver Properties, a fair value discount of $264,122 was applied to the deferred cash consideration and included in acquisition adjustment to exploration and evaluation assets reduced by $121,708 of unwinding of the discount during the year ended December 31, 2021.

Peny Property

The Peny Property is located approximately 25 kilometres north-east of the town of Snow-Lake, Manitoba. The property is prospective for Lithium Pegmatite and Volcanic Massive Sulphide style mineralization which is known to occur in the local area. The property encompasses rocks belonging to Churchill Province and comprises of metamorphic and metasedimentary rocks. WOL owns 100% of the Peny Property comprised of 15 mineral claims totaling 3,204 hectares in the Snow Lake district in Manitoba, Canada.

On August 31, 2022, the Company completed the acquisition of a lithium focused property, being the Peny Property from WOL by acquiring all of the issued and outstanding shares of WOL, which holds a 100% interest in the Peny Property (see Note 4).

The Silver Properties

On March 2, 2021, the Company completed the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango, from Silver One by acquiring from Silver One all of the issued and outstanding shares of KCP, which holds, through its wholly owned subsidiary, Minera Terra, a 100% interest in the Silver Properties (see Note 4).

Peñasco Quemado

The Peñasco Quemado Silver Property is located within the north central portion of the Mexican state of Sonora, south of the American state of Arizona. KCP Minerals holds 100% of the Peñasco Quemado Property through Minera Terra. The property consists of seven mining concessions. The main concessions are contiguous and vary in size for a total property area of approximately 3,746 hectares, while the fractional claims are not contiguous. The concessions are subject to bi-annual property taxes (which are paid in January and July), and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the aggregate property tax payable to the Mexican government for the mineral concessions is Mx $762,610 per semester (approximately US$37,349) every six months which are due on or before the end of January and July respectively. The mineral concessions at Peñasco Quemado expire between October 29, 2028 and September 14, 2056. The property is also subject to annual assessment work expenditure requirements of approximately US$275,000.

La Frazada

The La Frazada Property is located within the central portion of the Mexican state of Nayarit, approximately 55 kilometres northwest of Tepic, the capital of the state of Nayarit. The La Frazada Property is situated in the El Zopilote mining district in the Ruiz municipality. KCP Minerals holds 100% of the La Frazada Property through Minera Terra, which holds La Frazada mining concession totaling 299 hectares. The concession is subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the property tax bi-annual (i.e., twice per year) fee payable to the Mexican government for the mineral concession is Mx $60,889 (approximately US$2,982) every six months which are due on or before the end of

January and July respectively. The mineral concession expires on May 22, 2058. The property is also subject to annual assessment work expenditure requirements of approximately US$6,000.

Pluton

Pluton is a 6,534 hectare property comprised of three contiguous mining concessions. It is strategically located within the historic “Ojuela-Mapimi Mining District” and lies along the eastern front of the Sierra Madre Oriental in northern Durango. KCP Minerals holds 100% of the Pluton Property through Minera Terra. The concessions are subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the total bi-annual (i.e., twice per year) property tax fee payable to the Mexican government for the property’s concessions is Mx $1,330,126 per semester (approximately US$65,142). At December 31, 2022, there is US $nil (CAD $nil) (2021 - US$570,000 (CAD $722,646)) included in accounts payable and accrued liabilities for amounts due with respect to the property taxes. The property is also subject to annual assessment work expenditure requirements of approximately US$947,000.

During the year ended December 31, 2022, management has decided the Pluton claim does not form a strategic asset of the Company and has therefore determined not to incur the costs of the related and outstanding property taxes. Accordingly, the Company has recorded an impairment loss of $976,877 in relation to the Pluton Property, and at the same time reversed previously accrued related property taxes of US$631,700 (CAD $808,488), resulting in a net impairment charge of $168,389 being recorded in the consolidated statements of loss and comprehensive loss. The impairment charge was based on an estimated fair value of $nil, which was a level 3 estimate in the fair value hierarchy.

The Company also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties to Silver One. At the option of the Company, the Company may repurchase two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US$500,000 for each of the Silver Properties.

7. Flow-through premium liability

The flow-through premium liability as at December 31, 2022 of $40,000 (2021 - $nil) arose in connection with a flow-through financing share offering the Company completed on December 23, 2022 (Note 8). The reported amount is the unamortized balance of the premium allocated from proceeds received from issuing the flow-through shares. The balance does not represent a cash liability to the Company. The flow-through premium liability will be amortized to the statement of comprehensive loss pro-rata with the amount of related qualifying flow-through expenditures that are incurred by the Company.

The Company is committed to incurring on or before December 31, 2023 qualifying Canadian exploration expense (“CEE”) as defined under the *Income Tax Act* (Canada) (the “the Qualifying Expenditures”) in the amount of $400,000 with respect to the flow-through share financing completed on December 23, 2022. None of the qualifying CEE will be available to the Company for future deduction from taxable income.

8. Share Capital

a) Authorized and issued

Unlimited common shares, without par value.

b) Financings:

During the year ended December 31, 2022, the following shares were issued:

On December 23, 2022, the Company closed its non-brokered flow-through financing by issuing 4,000,000 units (“Units”) at a price of $0.10 per Unit for total proceeds of $400,000. Each unit consists of one “flow-through" common share and one-half of one common share purchase warrant, being 2,000,000 common share purchase warrants (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase a Common Share at an exercise price of $0.15 for a period of three years until December 23, 2025. The Company paid finders' fees totaling $32,000, other cash issue costs of $8,944 and issued a total of 320,000 share purchase warrants as finders' fees. Each finder's warrant is exercisable at $0.10 per warrant for a period of two years December 23, 2024. The 2,000,000 Warrants were valued at $nil on a residual value basis. The fair value of the finders' warrants of $19,702 was estimated using the Black-Scholes option pricing model. Weighted average assumptions used in the pricing model were as follows: share price – $0.09; exercise price $0.10; expected life – 2 years; risk-free rate – 3.93%; expected volatility – 143%; expected forfeitures – nil; and expected dividends – nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a combination of a comparable public company's and Lodestar's historical volatilities. Share price is the share price on date of issuance.

During the year ended December 31, 2021, the following shares were issued:

Brokered and Non-Brokered Private Placement

On January 8, 2021, Silverton completed its private placement offering through the issuance of 9,250,000 subscription receipts (each, a "Subscription Receipt") at a price of $0.80 per Subscription Receipt for aggregate gross proceeds of $7,400,000 (the "Brokered Private Placement"). The Brokered Private Placement was completed by a syndicate of underwriters (the "Agents"). As a result of closing of the Qualifying Transaction, each Subscription Receipt automatically converted, on March 2, 2021, into one common share of Silverton (each a "Silverton Share") and one Silverton common share purchase warrant (each a "Silverton Warrant"). Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of $1.15 per share until March 2, 2024.

In connection with the closing of the Brokered Private Placement, the Agents received a cash commission equal to 6% of the gross proceeds from the Brokered Private Placement. In addition, the Agents received non-transferable common share purchase warrants equal to 6% of the number of Subscription Receipts issued under the Brokered Private Placement (each a "Broker Warrant"). Upon completion of the Qualifying Transaction, each Broker Warrant is exercisable into one Silverton Share at an exercise price of $0.80 for a period of 24 months from the escrow release date. In addition, the Company incurred cash finders' fees of $647,213, other cash issuance costs of $85,271 and issued 555,000 finders' warrants with a fair value of $288,696. The fair value of the finders' warrants was estimated using the Black-Scholes option pricing model. Weighted average assumptions used in the pricing model were as follows: share price – $0.80; exercise price $0.80; expected life – 2 years; risk-free rate – 0.24%; expected volatility – 132%; expected forfeitures – nil; and expected dividends – nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a comparable public company's historical volatility. Share price is the share price on date of issuance.

On March 2, 2021, Silverton, through Finco, completed a non-brokered private placement for 2,324,000 units (each a "Unit") at a price of $0.80 per Unit for total proceeds of $1,859,200 (the "Non-Brokered Private Placement"). As a result of closing of the Qualifying Transaction, each holder of the Units received one Silverton Share and one Silverton Warrant. Each Silverton Warrant is exercisable for one Silverton Share at an exercise price of $1.15 until March 2, 2024.

(Expressed in Canadian Dollars)

c) Stock options

The Company adopted a share option plan (the "Plan") on August 6, 2013 for certain employees and non-employees. The Plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX-V. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the TSX-V. The Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all share options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all share options granted under the Plan will expire not later than the date that is five years from the date that such share options are granted.

In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable within 12 months of such death. Options granted under the Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

The balance of options outstanding and related information for years ended December 31, 2022 and 2021 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance December 31, 2020	-	-	-
Granted	2,450,000	$1.00	4.17
Balance December 31, 2021	2,450,000	$1.00	4.17
Granted	4,380,000	$0.13	0.13
Cancelled	(2,450,000)	$1.00	-
Balance December 31, 2022	4,380,000	$0.13	4.77
Unvested	(1,700,000)	$0.15	4.70
Exercisable, December 31, 2022	**2,680,000**	**$0.11**	**4.81**

The balance of options outstanding as at December 31, 2022, was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding	Unvested	Exercisable
June 13, 2027	$0.14	4.45	880,000	-	880,000
September 2, 2027	$0.16	4.67	1,550,000	1,550,000	-
December 23, 2022	$0.10	4.98	1,950,000	150,000	1,800,000
			4,380,000	**1,700,000**	**2,680,000**

During the year ended December 31, 2022, 4,380,000 options were granted, 2,680,000 of which vested upon grant. The Company recorded share-based compensation expense arising from the granting of options of $435,630 (2021 - $1,729,642) of which $26,469 (2021 - $247,092) was allocated to exploration and evaluation assets. The fair value of the options granted during the year ended December 31, 2022 was estimated using Black-Scholes option pricing model, with the weighted average fair value of options granted during the year ended December 31, 2022 being $0.115. Weighted average assumptions used in the pricing model were as follows: share price – $0.135; exercise price $0.13; expected life – 5 years; risk-free rate – 3.31%; expected volatility – 125.4%; expected forfeitures – nil; and expected dividends – $nil. The significant estimated assumptions are the expected life which is based on the contractual maturity of the warrants and the expected volatility which is based on a comparable public company's historical volatility. Share price is the share price on date of grant.

(Expressed in Canadian Dollars)

d) Share Purchase Warrants

The balance of warrants outstanding and related information for the years ended December 31, 2022 and 2021 are as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance December 31, 2020	-	-	-
Issued	12,129,000	$1.13	2.12
Balance December 31, 2021	12,129,000	$1.13	2.12
Issued	2,320,000	$0.14	-
Balance December 31, 2022	14,449,000	$0.97	1.40
Exercisable, December 31, 2022	**14,449,000**	**$0.97**	**1.40**

The balance of warrants outstanding as at December 31, 2022 was as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants Outstanding	Exercisable
March 2, 2023	$0.80	0.17	555,000	555,000
March 2, 2024	$1.15	1.17	11,574,000	11,574,000
December 23, 2024	$0.10	1.98	320,000	320,000
December 23, 2025	$0.15	2.98	2,000,000	2,000,000
			14,449,000	**14,449,000**

Subsequent to December 31, 2022, 555,000 warrants with an exercise price of $0.80 expired unexercised.

e) Escrowed shares

Upon completion of the Qualifying Transaction (see Note 4), 130,000 escrow shares ("Original Escrow Shares") were no longer contingently returnable to treasury, but instead are to be released on a time basis with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. The Original Escrow Shares were included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2022 and 2021. In addition, as part of the closing of the Qualifying Transaction 4,475,000 shares were placed in a time release escrow ("Additional Escrow Shares") with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. The full number of these additional escrowed shares are included in the calculation of the weighted average number of shares outstanding during the year ended December 31, 2022 and 2021. During the year ended December 31, 2022, 39,000 (2021 - 32,500) Original Escrow Shares and 1,342,500 (2021 - 1,118,750) Additional Escrow Shares, respectively, were released from escrow.

(Expressed in Canadian Dollars)

9. Capital Management

The Company defines its capital as its shareholders' equity which as at December 31, 2022, totaled $11,510,218 (2021 - $10,128,124). The Company manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets.

The Company's capital management objectives, policies and processes have remained unchanged since the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's processes for managing its capital during the year ended December 31, 2022.

10. Related Party Transactions

Key management comprises the directors, officers and consulting geologist of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	$	$
Professional fees[1]	**44,771**	35,517
Management, consulting and advisory[2]	**406,386**	232,004
Share-based compensation	**292,536**	1,306,056
	743,693	**1,573,577**

[1] Professional fees represent fees charged by a Company controlled by the Chief Financial Officer ("CFO") of the Company for the provision of CFO services (to the point of resignation and subsequent to reappointment) and also include fees charged by the interim CFO, and are recorded in accounting and audit fees in the consolidated statements of loss and comprehensive loss.

[2] Management, consulting and advisory charges represent fees paid to (i) the Chief Executive Officer ("CEO") and the former CEO; (ii) one Director and one former Director, each for the purposes of management, corporate governance, strategic support and development of corporate affairs; (iii) to one former Director for director's fees (to the point of resignation); and (iv) to the Company's consultant geologist (to the point of resignation) for the planning, management and oversight of exploration activities of the Company (Note 6).

During the year ended December 31, 2022, the Company incurred professional fees of $42,120 (2021 - $25,936) for the provision of non-CFO accounting and advisory support services charged by a company controlled by the current Chief Financial Officer of the Company.

On June 1, 2020 the Company entered into an office rental agreement with a company with a common director. The rental agreement was on a monthly recurring basis for a monthly charge of $1,500, subject to a 5% increase as of June 1, 2021, and was able to be terminated by either party on 30 days' notice to the other party. The rental agreement ceased effective June 30, 2022. All transactions with related parties have occurred in the normal course of operations.

Included in accounts payable and accrued liabilities at December 31, 2022 are amounts due to related parties of $83,679 (2021 - $10,634) owing to a company controlled by the CFO for the provision of CFO, and non-CFO accounting and advisory support services and amounts due to key management and former directors and officers – other than the CFO – for management and consulting fees. These amounts are non-interest bearing and due on normal commercial terms.

(Expressed in Canadian Dollars)

11. Income Tax

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2022 and 2021:

	2022	**2021**
	$	**$**
Net loss before tax	(1,922,880)	(3,976,227)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery at statutory rate	(519,178)	(1,073,582)
Increase (decrease) in income tax recovery resulting from:		
Change in tax rate	(11,541)	(2,555)
True up of opening temporary differences	(4,727)	(287)
Other non-deductible expenses /(non-taxable) items	(118,337)	247,877
Change in deferred tax asset not recognized	653,783	828,547
Income tax expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The significant components of the Company's net deferred income tax assets as at December 31, 2022 and 2021 are as follows:

	2022	**2021**
	$	**$**
Deferred tax assets		
Non-capital losses carried forward	2,335,567	1,768,465
Property, plant and equipment	3,804	3,804
Share issuance costs	128,075	158,217
Accrued liabilities	334,692	229,602
Unrecognized deferred tax assets	(2,453,888)	(1,800,105)
Net deferred tax asset	348,250	359,983
Deferred tax liability		
Exploration and evaluation assets	(348,250)	(359,983)
Net deferred tax asset	-	-

(Expressed in Canadian Dollars)

The Company has a capital asset pool of approximately $14,090, share issuance costs of $474,353 and Canadian non-capital losses carried forward of approximately $3,202,300, both available to reduce future taxable income. The remainder of the losses expire as follows:

	$
2033	55,205
2034	257,843
2035	74,495
2036	58,747
2037	18,375
2038	35,967
2039	61,977
2040	97,953
2041	2,556,004
2042	1,317,748
	4,534,314

The Company has Mexican non-capital losses carried forward of $3,957,376 which expire from 2023 to 2032.

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

12. Supplemental cash flow information

Other cash flow information relating to operating activities is presented below:

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the years ended December 31, 2022 and 2021, the following transactions were excluded from the consolidated statements of cash flows:

	2022	2021
	$	$
Non-cash investing and financing transactions		
Share-based compensation included in exploration and evaluation assets	26,469	247,093
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	(834,311)	843,398
Change in exploration and evaluation assets arising from deferred acquisition costs	-	114,669
Change in exploration and evaluation assets arising from unwind of discount on deferred cash consideration	130,871	-
Change in exploration and evaluation assets arising from foreign exchange translation	448,624	1,840
Amounts arising from acquisition of Minera Terra:		
- Prepaids and other assets	-	(70,527)
- Accounts payable and accrued liabilities	-	(5,725)
- Deferred cash consideration payable	-	1,250,000
- Shares issued as consideration	-	3,500,000
Amounts arising from acquisition of Wholesome Organic Limited:		
- Accounts payable and accrued liabilities	(67,020)	-
- Shares issued as consideration	2,080,000	-
Deferred share issuance costs included in accounts payable and accrued liabilities	32,000	25,710

(Expressed in Canadian Dollars)

13. Segmented Information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at December 31, 2022 and 2021 is as follows:

Identifiable assets	**December 31, 2022**	December 31, 2021
	$	$
Current		
Canada	2,780,057	4,181,572
Mexico	33,405	264,449
Total current assets	**2,813,462**	4,446,021
Non-Current		
Canada	2,596,339	435,552
Mexico	7,659,861	7,235,816
Total non-current assets	**10,256,200**	7,671,368
Total assets	**13,069,662**	12,117,389

Identifiable liabilities	**December 31, 2022**	December 31, 2021
	$	$
Canada	1,515,324	1,149,339
Mexico	8,971	839,926
Total liabilities	**1,524,295**	1,989,265

Geographic segmentation of the Company's net earnings (loss) for the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
	$	$
Canada	(1,538,739)	(3,891,089)
Mexico	(384,141)	(85,138)
Net earnings (loss)	**(1,922,880)**	(3,976,227)