KOOTENAY
SILVER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

December 31, 2022

and

December 31, 2021

(Expressed in Canadian dollars)

Management's Responsibility

To the Shareholders of Kootenay Silver Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of Kootenay Silver Inc. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Kootenay Silver Inc.'s external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 28, 2023

"James McDonald"	*"Rajwant Kang"*
James McDonald	Rajwant Kang
Chief Executive Officer	**Chief Financial Officer**

Independent Auditor's Report

To the Shareholders of Kootenay Silver Inc.:

Opinion

We have audited the consolidated financial statements of Kootenay Silver Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 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 has experienced operating losses and negative operating cash flows. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Value Added Tax (VAT) Receivable

Key Audit Matter Description

We draw attention to Note 10 to the consolidated financial statements. As at December 31, 2022, the Company recognized a current Mexican value-added tax receivable (IVA receivable) and recorded a provision. The Company makes a number of assumptions in assessing the recoverability of the IVA receivable which are subject to risk and uncertainty, including the timing and likelihood of success in appeals with Mexican authorities.

We considered this as a key audit matter given the significant judgment made by management in estimating the timing and likelihood of collecting the refund. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the audit evidence related to managements estimates.

Audit Response

We responded to this matter by performing procedures in relation to the classification and recoverability of the IVA receivable. Our audit work in relation to this included, but was not restricted to, the following:

- Reviewed management's assessment on recoverability of the IVA receivable in Mexico and critically assessed areas where there was significant management judgment, including accounting estimates that are subject to a high degree of estimation uncertainty. This included validating the refund status against the tax authorities' website and evaluating the reasonableness of procedures in place to expedite the refund process;
- Performed a retrospective review of historical collection and performed recalculations for the estimated provision; and
- Reviewed the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates.

Impairment of Exploration and Evaluation Assets

Key Audit Matter Description

We draw attention to Notes 3 and 6 to the consolidated financial statements. At each reporting period, management is required to make significant judgments in assessing whether there are any indicators of impairment relating to expl oration and evaluation assets. If any such indicator exists, an impairment test is performed by management. Indic ators of impairment may include: (i) the period for which the entity has the right to explore in the specific area has exp ired during the year or will expire; (ii) substantive expenditure on further exploration for and evaluation of mineral res ources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the res ources will not be technically feasible or commercially viable; and (iv) development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs. As at December 31, 2022, impairment indicators existed. As a result, the Company performed impairment testing on its exploration assets, and an impairment loss of $74,558,448 was recognized.

We considered this a key audit matter due to the significant judgments made by management in estimating the recoverable amount for exploration and evaluation assets and the high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

Audit Response

We responded to this matter by performing procedures in relation to the impairment of exploration and evaluation assets. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated management's assessment of impairment indicators;
- Evaluated the spending plan and budget for future exploration programs;
- Reviewed management's assessment and considered alternative evidence to challenge management's conclusions, including retrospective review of historical expenditures on exploration properties and drilling results;
- Obtained evidence to support the existence of the right to explore the area and the claim expiration by reference to public government registries; and
- Reviewed adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant estimates and judgments.

Other Information

Management is responsible for the other information. The other information comprises 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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed 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 Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Vancouver, British Columbia

MNP LLP

April 28, 2023

Chartered Professional Accountants

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CONSOLIDATED FINANCIAL STATEMENTS

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KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Exhibit 1

		December 31, 2022		December 31, 2021
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**2,947,564**	$	2,001,444
Receivables and advances (Note 10, 12)		**1,295,215**		2,354,630
Prepaid expenses		**576,120**		88,728
Marketable securities (Note 4, 7)		**3,267,537**		537,394
		8,086,436		4,982,196
Non-current assets:				
Fixed assets (Note 5)		**929,915**		922,871
Investment in associates (Note 8)		**-**		430,079
Exploration advances and deposits		**3,884**		3,884
Exploration and evaluation assets (Note 6)		**13,489,863**		82,409,952
Total assets	**$**	**22,510,098**	$	88,748,982
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities (Note 12)	**$**	**324,531**	$	304,638
		324,531		304,638
Shareholders' equity:				
Share capital (Note 9)		**102,455,061**		101,892,682
Reserves (Note 9)		**47,003,352**		37,267,042
Accumulated other comprehensive loss (Exhibit 4)		**4,215,908**		2,873,244
Deficit		**(131,488,754)**		(53,588,624)
Total shareholders' equity		**22,185,567**		88,444,344
Total liabilities and shareholders' equity	**$**	**22,510,098**	$	88,748,982

Nature of Operations and Going Concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 18)

Approved on Behalf of the Board:

"Jon Morda"	*"James McDonald"*
Director	Director

- See Accompanying Notes -

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF LOSS

Exhibit 2

		Year ended December 31,	
		2022	2021
General and administrative expenses			
Office and general (Note 12)	$	**1,301,177**	1,033,499
Professional fees		**512,739**	663,989
Management fees (Note 12)		**260,000**	270,000
Rent		**138,285**	109,235
Regulatory and filing fees		**65,232**	190,662
Depreciation (Note 5)		**33,304**	47,472
Option based compensation (Note 9)		**7,680**	17,226
Loss before exploration and other Items		**2,318,417**	2,332,083
Exploration and evaluation assets			
Mineral property investigation (Note 6)		**91,133**	162,892
Exploration Expenditures		**307,682**	-
Impairment of Exploration and Evaluation assets (Note 6)		**74,558,448**	121,510
		74,957,263	284,402
Other Items			
Loss on spinout of Kootenay Resources Inc. (Note 7)		**-**	2,378,027
Gain on sale of Joint Venture interest		**(1,757,762)**	-
Gain on loss of control of subsidiary (Note 7)		**-**	(160,264)
Provision for IVA recoverability		**2,141,337**	-
Share of loss (income) from associates (Note 8)		**25,102**	(10,449)
Foreign exchange (gain)/loss		**283,527**	41,919
Gain on sale of marketable securities		**(11,780)**	(1,456)
Finance income		**(55,974)**	(43,799)
		624,450	2,203,978
Loss for the year		**77,900,130**	4,820,463
Basic and diluted loss per share (Note 9)	$	**(0.216)**	$ (0.015)
Weighted average number of shares outstanding – basic and diluted		**360,669,749**	320,033,410

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 3

	Year ended December 31,	
	2022	2021
Loss for the year	**$ 77,900,130**	$ 4,820,463
Other comprehensive income:		
Fair value changes to marketable securities arising during the year (Note 4)	**(255,737)**	378,110
Foreign currency translation differences of foreign operations	**(1,086,927)**	78,661
Total other comprehensive gain (loss)	**(1,342,664)**	456,771
Comprehensive loss for the year	**$ 76,557,466**	$ 5,277,234

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Exhibit 4

	Number of Shares		Capital Stock		Reserves		Accumulated Other Comprehensive Income (Loss)		Deficit		Total Equity
Balance, December 31, 2020	318,534,825	$	102,134,940	$	37,339,396	$	3,330,015	$	(48,768,161)	$	94,036,191
Distribution of Kootenay Resources Inc.		$	(801,318)								(801,318)
Option based compensation					74,645						74,645
Exercise of share purchase options	300,000		66,900		(24,900)		-		-		42,000
Exercise of share purchase warrants	1,850,111		492,161		(122,100)		-		-		370,061
Fair value changes to marketable securities arising during the year	-		-		-		(378,110)		-		(378,110)
Foreign currency translation differences of foreign operations	-		-		-		(78,661)		-		(78,661)
Loss for the year	-		-		-				(4,820,463)		(4,820,463)
Balance, December 31, 2021	**320,684,936**	**$**	**101,892,682**	**$**	**37,267,042**	**$**	**2,873,244**	**$**	**(53,588,624)**	**$**	**88,444,344**
Balance, December 31, 2021	320,684,936		101,892,682		37,267,042		2,873,244	$	(53,588,624)	$	88,444,344
Shares issued, net of issuance costs	94,618,055		524,469		9,717,140		-		-		10,241,609
Option based compensation	-		-		33,280		-		-		33,280
Exercise of share purchase options	170,000		37,910		(14,110)		-		-		23,800
Fair value changes to marketable securities arising during the year	-		-		-		255,737		-		255,737
Foreign currency translation differences of foreign operations	-		-		-		1,086,927		-		1,086,927
Loss for the year	-		-		-		-		(77,900,130)		(77,900,130)
Balance, December 31, 2022	**415,472,991**	**$**	**102,455,061**	**$**	**47,003,352**	**$**	**4,215,908**	**$**	**(131,488,754)**	**$**	**22,185,567**

- see accompanying notes -

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Exhibit 5

	Year ended December 31,	
	2022	2021
Cash flows from operating activities		
Loss for the year	$ **(77,900,130)**	$ (4,820,463)
Add items not involving cash:		
Option based compensation	**33,280**	74,645
Gain from marketable securities	**(11,780)**	(1,456)
Impairment of mineral properties	**74,558,448**	121,510
Loss on transfer of spinout assets (Note 7)	**-**	2,378,027
Gain on loss of control of subsidiary (Note 7)	**-**	(160,264)
Gain on sale of JV Interest	**(1,757,762)**	-
Provision for IVA recoverability	**2,141,337**	-
Share of loss (income) from associates (Note 8)	**25,102**	(10,449)
Depreciation	**33,304**	47,472
	(2,878,201)	(2,370,978)
Changes in non-cash working capital balances:		
Receivable and advances	**(895,247)**	(773,595)
Prepaid expenses	**(488,298)**	(16,136)
Accounts payable and accrued liabilities	**(25,524)**	(13,811)
	(4,287,270)	(3,174,520)
Cash flows from financing activities		
Proceeds from private placement net of issuance costs	**10,241,609**	-
Exercise of options	**23,800**	42,000
Exercise of warrants	**-**	370,061
	10,265,409	412,061
Cash flows from investing activities		
Investment in exploration and evaluation assets	**(4,954,170)**	(5,513,620)
Investment in equipment	**(10,394)**	(7,287)
Investment in associate	**(311,667)**	(419,629)
Decrease in reclamation deposits	**-**	(9,000)
Proceeds from sale of marketable securities	**61,780**	147,122
Accounts payable exploration and evaluation assets	**32,793**	(25,894)
Receipt of mineral property payment	**-**	239,850
	(5,181,658)	(5,588,458)
Effect of foreign exchange rate changes on cash	**149,639**	(87,282)
Net change in cash and cash equivalents during the year	**946,120**	(8,438,199)
Cash and cash equivalents, beginning of the year	**2,001,444**	10,439,643
Cash and cash equivalents, end of the year	$ **2,947,564**	$ 2,001,444

Supplemental disclosure of cash and non-cash activities (Note 11)

- see accompanying notes -

1 Nature of Operations and Going Concern

Kootenay Silver Inc. and its wholly owned subsidiaries (the “Company”) is a Canadian exploration stage Company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company’s registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KTN”.

The Company is focused on acquiring and exploring mineral properties principally located in Mexico, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated exploration and other programs during the forthcoming year and thereafter. If funds are unavailable terms satisfactory to the Company, some or all planned activities may be cancelled or postponed. The above factors give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its projects in Mexico.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated interim financial statements, then adjustments to the carrying values of assets and liabilities would be necessary.

2 Basis of Presentation:

Statement of Compliance

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2023.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company and its wholly owned subsidiaries, Northair Silver Corp. The functional currency of wholly owned subsidiaries of the Company, Minera JM S.A. de C.V., Grupo Northair de Mexico S.A. de C.V. and Kootenay Gold (US) Corp., is the US dollar and for Servicios de Exploraciones Sonora, S.A. de C.V., is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss (income) in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

3 Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The significant accounting policies adopted by the Company are as follows:

Basis of measurement

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Northair Silver Corp., which is incorporated in Canada, Minera JM S.A. de C.V., Servicios de Exploraciones Sonora, S.A. de C.V. and Grupo Northair de Mexico S.A. de C.V. all of which are incorporated in Mexico and Kootenay Gold (US) Corp., a company incorporated in the US. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated in full upon consolidation.

3 Significant Accounting Policies *(continued)***:**

Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

(i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

(ii) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided.

(iii) Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 9 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project, which will impact the consolidated financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

(iv) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

(v) Fair value of net assets distributed to Kootenay Resource Inc. ("KRI")

3 Significant Accounting Policies *(continued)***:**

The processes and methodologies used to determine the fair value of the net assets distributed to KRI (see Note 7) are inherently subject to reliance on judgment and estimates. In performing an analysis of the fair value of the net assets, the Company considered the price of an arms length private placement priced at $0.05 of Kootenay Resources shares as a proxy for fair value.

(vi) Receivables

Certain input tax credits in overseas subsidiaries have been recognized as a current receivable (Note 10). The input tax credits are initially measured at cost, based on the interpretation of the terms and conditions of the relevant tax law which allow for the recoverability of input taxes paid.

In assessing the recoverability of these input tax credits, the Company makes a number of assumptions which are subject to risk and uncertainty including the timing and likelihood of success in working through the required legal process in the relevant jurisdiction. The Company views these input tax credits as recoverable via a tax refund. Should management determine that, all or some of the input tax will not be recoverable via tax refund in the future, an impairment loss is recorded.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to the:

(i) Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

(ii) Investment in associate

The Company uses judgment in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition.

(iii) Determination of functional currency

The determination of the Company's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual subsidiaries within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each subsidiary.

3 Significant Accounting Policies *(continued)***:**

Foreign currency transactions

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

At the end of each reporting period, the Company translates foreign currency transactions on each subsidiary as follows:

- Monetary items are translated at the closing rate in effect at the date of the statement of financial position;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- Income statement items are translated using the average exchange rate during the period (as this is considered a reasonable approximation to actual rates);
- All resulting foreign exchange gains or losses are recognized in statements of loss and comprehensive loss as foreign exchange gain and loss.

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Mineral property interests

Mineral properties correspond to acquired interests in mining exploration claim tenures and concessions, which include the right to explore, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development costs according to the nature of the assets. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title that are not in the public domain or the title registry office and/or may be affected by undetected defects.

3 Significant Accounting Policies *(continued)***:**

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Depreciation is recognized using the declining balance method at the following annual rates:

Office furniture	20%
Computer equipment	30%
Exploration equipment	30%
Vehicles	30%

For leasehold improvements, the Company recognizes depreciation using the straight-line method over the term of the lease. In the year of acquisition, the rate is one-half of the above.

The Company does not record depreciation on land as it has an unlimited useful life.

At each statement of financial position date, the Company assesses whether there is any indication that any property, plant and equipment are impaired. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost of disposal and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Investments in Associates

Associates are entities over which the Company has significant influence, but not control, on financial and operating decisions. Significant influence is assumed if the Company has a 20% to 50% shareholding and voting rights in the entity unless qualitative factors indicate otherwise. Similarly, significant influence is assumed not to exist if the Company has less than a 20% shareholding or voting rights in the entity, unless qualitative factors indicate otherwise.

Entities over which the Company has significant influence are accounted for by the equity method. The investment is initially recognized at cost. The carrying value of the investment is subsequently adjusted to recognize the Company's share of profits and losses of the associate after the date of acquisition or when significant influence begins. The Company's share of profits and losses is recognized in the consolidated statement of loss and its share of other comprehensive income or loss of the associate is included in the consolidated statement of comprehensive loss.

Unrealized gains or losses between the Company and the associate upon transfer of assets are eliminated according to equity interest in the associate unless there is evidence of impairment to the asset transferred. Dilution gains or losses arising from changes in the Company's equity interest in the associate are recognized in the consolidated statement of operations and comprehensive loss.

The amounts included in the financial statements of the associate are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company will review the investment to determine of there is any objective evidence that the investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount and recognized in the consolidated statement of loss and comprehensive loss.

3 Significant Accounting Policies *(continued)***:**

Decommissioning liabilities

The Company recognizes the present value of estimated costs of legal and constructive obligations for decommissioning liabilities in the year in which it is incurred or when there is a legal or constructive obligation. The fair value of asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for decommissioning liabilities due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statements of loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the decommissioning liabilities. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in the statements of loss in the year in which the settlement occurs. Estimated future site restoration costs for the Company's mineral property interests are considered not significant as at the year ended December 31, 2022 and 2021.

Marketable securities

Marketable securities are recorded at market value by reference to published price quotations in an active market. Changes to the fair value of marketable securities are recorded in other comprehensive loss (income) in each reporting period. Realized gain or loss on the disposal of marketable securities is recognized in the statement of income or loss for each reporting period.

Impairment

i) Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the 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 recognizes in the consolidated statements loss, as an impairment gain or loss for 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.

ii) Non-financial assets

The carrying amounts of mineral properties are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered, and exploration and evaluation activities will be discontinued; or
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the mineral properties' recoverable amount is estimated.

3 Significant Accounting Policies *(continued)***:**

Impairment (continued):

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued as non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (or loss) attributable to the common shareholders of the Company divided by the weighted average number of common shares outstanding during the year. The diluted income per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, the residual value being allocated to shares.

3 Significant Accounting Policies *(continued)***:**

Share-based payments

The grant date fair value of share-based payment awards granted to employees, officers, consultants and directors is recognized as a share-based payment expense, with a corresponding increase in reserves, over the period during which the employees, officers, consultants and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Comprehensive income (loss)

Other comprehensive income (loss) represents the change in net shareholders' equity for the year that arises from fair value changes to financial assets classified as FVOCI and foreign currency translation adjustments on foreign subsidiaries. Amounts included in other comprehensive income are shown net of tax. Cumulative changes in other comprehensive income are included in accumulated other comprehensive loss which is presented as a separate category in shareholders' equity.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Financial instruments

Financial assets and financial liabilities are recognized in the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classification of such

3 Significant Accounting Policies *(continued)*:

Financial instruments (continued)

assets and liabilities.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cashflows, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model who objective is achieved by both collection contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash and cash equivalents	Amortized cost
Marketable securities	Fair value through other comprehensive income
Receivables (excluding IVA/GST)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

3 Significant Accounting Policies *(continued)***:**

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Results of all operating segments' are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under two geographic regions, being Canada and Mexico.

Current and future accounting standards

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are not expected to have a material impact on the Company.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023.The Company assessed not material impact on its consolidated financial statements due to these changes.

IAS 12 Income Taxes (Amendment)

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

4 Marketable Securities

As at December 31, 2022, the fair value of marketable securities held was $3,267,537 (2021 – $537,394). A total of $2,947,010 (2021 – $377,130) relate to investments in publicly traded companies which have issued to the Company common shares in consideration of various property earn-in option agreements. The remaining $320,527 (2021 – $160,264) is held in a private company which are not publicly traded. During the year ended December 31, 2022, the Company recorded in other comprehensive loss, a gain of $255,737 (2021 – a loss of $378,110) for fair value adjustments to marketable securities.

(Expressed in Canadian dollars)

5 Fixed Assets:

	Vehicle	Office Equipment	Computer Equipment	Land	Total
Cost					
Balance December 31, 2020	314,348	65,204	317,192	803,304	1,500,048
Addition	-	2,048	5,239	-	7,287
Disposal	-	-	(54,526)	-	(54,526)
Transfer to Kootenay Resources (Note 7)	(1,119)	-	(19,537)	-	(20,657)
Effect of foreign exchange	(68,532)	-	139,525	-	70,994
Balance December 31, 2021	$ 244,697	$ 67,252	$ 387,893	$ 803,304	$ 1,503,146
Addition	1,116	-	9,278	-	10,394
Effect of foreign exchange	(9,547)	-	45,550	-	36,003
Balance December 31, 2022	**$ 236,266**	**$ 67,252**	**$ 442,721**	**$ 803,304**	**$ 1,549,543**
Accumulated Depreciation					
Balance December 31, 2020	$ 224,566	$ 58,689	$ 225,774	$ -	$ 509,029
Depreciation for the year	18,400	2,921	26,150	-	47,472
Disposal			(28,476)	-	(28,476)
Effect of foreign exchange	(42,333)	(1,122)	95,706	-	52,251
Balance December 31, 2021	$ 200,633	$ 60,488	$ 319,154	$ -	$ 580,275
Depreciation for the year	12,820	2,007	18,477	-	33,304
Effect of foreign exchange	(4,178)	(654)	10,881	$ -	6,049
Balance December 31, 2022	**$ 209,275**	**$ 61,841**	**$ 348,512**	**$ -**	**$ 619,628**
Carrying value December 31, 2021	$ 44,064	$ 6,764	$ 68,739	$ 803,304	$ 922,871
Carrying value December 31, 2022	**$ 26,991**	**$ 5,411**	**$ 94,209**	**$ 803,304**	**$ 929,915**

(Expressed in Canadian dollars)

6 Exploration and evaluation assets:

	MEXICO						
	Promontorio	**La Cigarra**	**Columba**	**Copalito**	**Generative Anomalies**	**2022 Total**	2021 Total
	$	$	$	$	$	$	$
Acquisition Costs							
Balance, beginning	3,658,642	30,548,524	1,000,948	621,020	826,090	**36,655,224**	35,705,896
Incurred	-	-	451,010	173,961	-	624,971	949,328
Balance, ending	**3,658,642**	**30,548,524**	**1,451,958**	**794,981**	**826,090**	**37,280,195**	36,655,224
Exploration Expenditures							
Balance, beginning	32,586,037	6,187,884	7,082,784	2,794,449	7,681,905	**56,333,059**	51,761,711
Assaying and Lab	-	47,442	28,218	5,479	-	**81,139**	320,359
Camp Costs	12,353	18,168	1,363,713	-	-	**1,394,234**	162,903
Drafting	-	-	-	-	-	**-**	17,270
Drilling	-	14,858	1,171,440	-	-	**1,186,298**	1,549,634
Geological mapping	-	6,938	135,689	303,772	-	**446,399**	86,512
Maintenance	66,165	122,276	1,432,195	82,255	11,660	**1,714,551**	270,958
Miscellaneous	5,180	-	-	-	62,780	**67,960**	41,888
Geological Consulting and Prospecting	18,182	82,588	107,875	-	5,839	**214,484**	1,792,946
Incurred	**101,880**	**292,270**	**4,239,130**	**391,506**	**80,279**	**5,105,065**	4,256,039
Balance, ending	32,687,917	6,480,154	11,321,914	3,185,955	7,762,184	**61,438,124**	56,333,059
Total properties balance	**36,346,559**	**37,028,678**	**12,773,872**	**3,980,936**	**8,588,274**	**98,718,319**	93,452,460
Balance, beginning	**(2,497,035)**	**(1,135,230)**	**(259,075)**	**(105,545)**	**(7,045,623)**	**(11,042,508)**	(8,135,835)
Option payment received	-	-	-	-	-	**-**	(156,798)
Impaired or disposed	(33,693,642)	(36,882,567)	-	(3,980,936)	(1,303)	**(74,558,448)**	(122,035)
Cumulative change in foreign currency translation	(155,882)	989,119	(504,185)	105,545	(62,097)	**372,500**	(2,627,841)
Carrying value exploration and evaluation assets	**-**	**-**	**12,010,612**	**-**	**1,479,251**	**13,489,863**	82,409,952

*Joint venture agreement

6 Exploration and evaluation assets *(continued)*:

Asset Impairment

During the year, the Company determined that there were indicators of impairment in the carrying value of certain of its exploration and evaluation assets. In evaluating the carrying value of certain of its assets, the Company determined that those assets would not be allocated additional budgeted expenditures, as it was prioritizing its financial resources to advancing its most favourable assets. The Company reviewed the carrying value of those assets with reference to any cash-flow models or indicative third-party valuations. In the absence of quantifiable economic modelling or observable market data, it was determined that certain assets would be considered substantially impaired.

La Cigarra – Chihuahua State, Mexico

The Company acquired the La Cigarra project through the acquisition of Northair and its wholly owned Mexican subsidiary Grupo Northair.

The La Cigarra project is 100% owned by the Company with no underlying royalty on the resource. However certain concessions are subject to a 1% net smelter royalty under an agreement with DFX Exploration Ltd. (the “DFX Agreement”). Pursuant to the terms of the DFX Agreement, a royalty will be paid of $0.10 per silver equivalent ounce from production to a maximum of 185 million ounces from the Parral 2 concession.

On April 19, 2016, the Company purchased from Coeur Capital a 2.5% net smelter royalty (“NSR Acquisition”) that it held on the La Cigarra project for total consideration of US$2,500,000 of which US$500,000 ($646,025) was paid in cash and US$2,000,000 was completed through the issuance of 9,629,091 common shares (valued at $2,648,000) of the Company. The NSR Acquisition and transaction costs have been recorded as La Cigarra acquisition costs. During the year ended December 31, 2022, the Company recorded an impairment expense for accounting purposes of $36,882,567 to the carrying value of La Cigarra. The Company maintains the project in good standing. The recognition of impairment was determined primarily due to a lack of financing and no significant work is planned in 2023.

Promontorio – Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. (“Siete”), Exploration Canada De Oro, SA de CV (“ECO”) and the Mexican Government Agency (“FIFOMI”) to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US$210,000 to ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US$500,000. The Company also has a right of first refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty. During the year ended December 31, 2022, the Company recorded an impairment expense for accounting purposes of $33,693,642 to the carrying value of Promontorio. The Company maintains the project in good standing. The recognition of impairment was determined primarily due to a lack of financing and no significant work is planned in 2023.

6 Exploration and evaluation assets *(continued)***:**

Columba – Chihuahua State, Mexico

On November 12, 2018, the Company entered into an option agreement to acquire an undivided interest in the Columba concession. Under the terms of the agreement, the Company must make total cash payments of US$3,290,000 within a four-year period with an initial payment of US$15,000 and first and second years payments totalling US$75,000 and US$150,000 respectively. Payments totalling US$500,000 and US$150,000 were made during the year ended December 31, 2021 and 2020 respectively. During the year ended December 31, 2022, the Company paid a further US$1,340,000 and the remaining US$1,075,000 is due in 2023, of which US$215,000 will be settled in common shares (see Note 18). The Agreement includes a work commitment of US$250,000 by the first anniversary and US$750,000 by the second anniversary of the Agreement, which the Company has fulfilled early. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be purchased by the Company for US$750,000.

Copalito – Sinaloa, Mexico

On April 19, 2018, the Company entered into an option agreement to acquire an undivided interest in the Copalito concession. Under the terms of the agreement, the Company must make total staged cash payments of US$985,000 within a four-year period with an initial payment of US$30,000 on signing. The Company has made cumulative payments totalling US$595,000, with US$135,000 paid during the year ended December 31, 2022. Payments totalling US$200,000 and US$150,000 were made during the years ended December 31, 2021 and 2020, respectively. Upon earn-in the vendors retain a 0.5% n.s.r. A finders fee of 100,000 common shares with a fair market value of $15,500 and a cash payment of $10,000 were paid in connection with the option agreement. During the year ended December 31, 2022, the option agreement was terminated by the Company and an impairment expense of $3,980,936 was recorded.

Other Properties – Mexico

The Company owned 100% interest in the various properties through staking.

On March 17, 2018, the Company entered into an option agreement with Capstone Mining Corp. (“Capstone”), whereby the Company granted Capstone the right to earn up to a 100% interest in the La Mina property. The terms of the agreement allow Capstone to earn an initial 60% interest by: spending an aggregate total of US$4 million in exploration expenditures over 4 years and paying an aggregate total of US$600,000 in staged payments to the Company on each anniversary to the Company. During the year ended December 31, 2021, the Company received US$100,000 from Capstone under the terms of the option agreement. Subsequent to December 31, 2022, the option agreement was terminated by Capstone.

Cervantes – Sonora State, Mexico

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. (“Aztec”), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company of which 500,000 were issued as at March 31, 2019.

During the year ended December 31, 2019, the Company received the final share installment and the remaining US$50,000 cash payment. Aztec having earned in to 65% of the Cervantes project and formed a joint venture

(Expressed in Canadian dollars)

6 Exploration and evaluation assets (continued):

company with the Company holding 35% interest (Note 8). During the year ended December 31, 2022, the Company sold its 35% interest in the joint venture for 10 million common shares of Aztec with a fair market value of $2.5 million and 0.5% NSR, which is held in Marketable securities

Property Investigation and Impairment

During the year ended December 31, 2022, the Company expended $91,133 (2021 - $162,892) related to other property investigation expense and $74,558,448 (2021 - $121,510) in property impairment expenses, which is related to mineral properties located in Mexico. The Company reviews periodically for indicators of impairment in the carrying value of its mineral assets. Based on the Company's future exploration budget, which now focuses on the Columba high-grade deposit, it has determined that an impairment in the carrying value of the Promontorio and La Cigarra assets be recorded due to no significant work is planned for 2023.

Title to mineral property interests

Although the Company has taken steps to verify the 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 or transfers and title may be affected by undetected defects.

7 Plan of Arrangement

On August 20, 2021, the Company announced that its board of directors had unanimously approved a strategic reorganization of its business (the “Arrangement”) whereby all of Kootenay Silver Inc. (“KSI”) properties located in Canada, would be spun out to KSI shareholders through Kootenay Resources Inc. (“KRI”). The reorganization was effected by way of a plan of arrangement under the Business Corporations Act (British Columbia), and was approved by the Supreme Court of British Columbia and by the affirmative vote of 98.95% of KSI shareholders in attendance at a shareholders' meeting held on September 15, 2021. The effective date of the Arrangement was October 31, 2021. KSI shareholders received common shares of KSI by way of a share exchange, pursuant to which each existing common share of KSI was exchanged for one “new” common share of KSI and 0.04 of a common share of KRI. Option and Warrant holders of KSI will receive on exercise of their options and warrants are proportionate to, and reflective of, the terms of their existing options and warrants and 0.04 of a common share of KRI for each whole share of KSI upon exercise.

The carrying value of the net assets transferred to Kootenay Resources pursuant to the Arrangement consisted of the following:

Assets:		
Marketable Securities	$	9,000
Exploration Advances		10,000
Reclamation Bonds		75,252
Property and equipment		20,657
Mineral Properties		3,095,093
Total assets		**3,210,002**
Liabilities/Equity:		
Accounts payable and Accrued liabilities		(30,657)
Carrying value of net assets		**3,179,345**
Fair value of net assets distributed		801,318
Loss on transfer of spinout assets	$	**2,378,027**

7 Plan of Arrangement *(continued)*

A total of 16,026,370 shares were issued on spin out of KRI from KSI. A total of 12,821,096 shares were issued to shareholders of KSI, KSI retained 20% of the shares issued totaling 3,205,274. The investment in KRI is recorded in marketable securities.

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of net assets to KSI shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the consolidated statement of comprehensive loss. The Arrangement resulted in a reduction of shareholders' equity in the amount of $801,318, being the fair value of the net assets distributed. This fair value of net assets distributed is determined based on subsequent equity offering priced at $0.05 per share, predominately to arms length parties therefore giving a proxy of the FV of net assets distributed based on number of shares issued on spin out of KSI. The carrying value of net assets is $3,179,345 less the total value of assets distributed $801,318 resulting in a loss on transfer of spinout assets totaling $2,378,027. The loss on distribution includes an adjustment to reduce the carrying value of the mineral properties to fair value.

As at December 31, 2022, the Company remeasured the value of its retained investment at $134,669 and recognized a gain of $134,669.

8 Investment in Associate

On December 16, 2020 Kootenay completed the formation of a joint venture named Aztec Minerals (Mexico) JV Corp. with Aztec in respect of the Cervantes project (Note 6). Aztec completed its earn-in and exercised its option to acquire a 65% interest in Cervantes project through the joint venture. Kootenay retains the remaining 35% interest. During the year ended December 31, 2022 the Company's share of gain in the joint venture is $493 (2021 – $10,449) and paid $311,667 (2021 – $419,629) as part of the JV investment.

During year ended December 31, 2022, the Company sold its 35% interest in the JV for 10 million common shares of Aztec with a fair value of $2.5 million and retained a 0.5% NSR on the Cervantes project. The Company recorded a gain on the sale of $1,757,762.

9 Share Capital and Reserves:

Authorized:
The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 415,472,991 fully paid common shares on issue as at December 31, 2022.

Issued:

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

During the year ended December 31, 2022, 170,000 common shares were issued upon exercise of share options for gross proceeds of $23,800, the weighted average market price on date of exercise was $0.175. On March 9, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of $4.78 million consisting of 29,881,000 units of the Company (the "Units") at a price of $0.16 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.47 million consisting of 9,181,500 Units at the Offering Price, for aggregate gross proceeds to the Company of $6.25 million. Each Unit is comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at an exercise price of $0.22 per Warrant Share for a period of 36 months from the closing of the Offering.

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

On November 8, 2022, the Company closed a brokered private placement offering (the "Offering") for gross proceeds of approximately $3.56 million consisting of 39,561,110 units of the Company (the "Units"), including the full exercise of the option granted to the Agents, at a price of $0.09 per Unit (the "Offering Price"), with a non-brokered portion of the offering ("Non-Brokered Portion") for gross proceeds of approximately $1.44 million consisting of 15,994,445 Units at the Offering Price, for aggregate gross proceeds to the Company of $5 million. Each Unit is comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at an exercise price of $0.135 per Warrant Share for a period of 36 months from the closing of the Offering.

Year ended December 31, 2021

During the the year ended December 31, 2021, 300,000 common shares were issued upon exercise of share options for gross proceeds of $42,000 , the weighted average market price on date of exercise was $0.32 and 1,850,111 common shares were issued upon exercise of warrants for gross proceeds of $370,061, the weighted average market price on date of exercise was $0.32.

Options and Warrants:

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2020	103,196,806	$	0.33	13,745,000	$	0.27
Granted	-		-	650,000		0.27
Exercised	(1,850,111)		0.20	(300,000)		0.14
Expired	(30,717,184)		0.53	-		-
Outstanding, December 31, 2021	70,629,511	$	0.25	14,095,000	$	0.27
Granted	99,922,804		0.17	-		-
Exercised	-		-	(170,000)		0.14
Expired	(26,050,000)		0.34	(6,695,000)		0.40
Outstanding, December 31, 2022	**144,502,315**	**$**	**0.18**	**7,230,000**	**$**	**0.15**

Warrants

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

Number of Warrants	Exercise Price	Expiry Date
44,579,511	0.20	March 5, 2024
39,062,500	0.22	March 8, 2025
2,260,875	0.16	March 8, 2025
55,555,555	0.14	November 7, 2025
3,043,874	0.09	November 7, 2025
144,502,315		

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

The weighted average remaining life of the outstanding warrants is 2.15 years (December 31, 2021 – 1.61 years). The

fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

The following assumptions were used for the Black-Scholes valuation of warrants for the period ending December 31, 2022:

	2022
Risk-free interest rate	2.21%-3.86%
Expected life of warrants	36 months
Fair value per warrant issued	\$0.10-\$0.06
Annualized volatility	87-88%
Dividend rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

During the year ended December 31, 2022, option-based compensation totalling \$33,280 (2021 - \$74,645) of which \$18,224 (2021 - \$57,419) was capitalized under mineral properties and \$15,056 (2021 - \$17,226) was expensed. As at December 31, 2022, 7,230,000 options (2021 – 13,770,000) with a weighted average exercise price of \$0.15 per option (2021 - \$0.27) were fully vested and exercisable.

As at December 31, 2022, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Options	Exercise Price	Expiry Date
6,580,000	0.14	June 26, 2024
650,000	0.27	July 06, 2026
7,230,000		

(Expressed in Canadian dollars)

9 Share Capital and Reserves *(continued):*

The weighted average remaining life of the options is 1.7 years (2021 – 1.4 years). For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted during the year ended December 31, 2021 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2021
Risk-free interest rate	0.38%
Expected life of options	5 years
Fair value per option granted	$0.167
Annualized volatility	79.4%
Dividend rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Loss per share

The calculation of basic loss per share for the year ended December 31, 2022 was based on the loss of $77,900,130 (2021 - $4,820,463) and the weighted average number of common shares outstanding of 360,669,749 (2021 – 320,033,410), respectively. The Company does not have any instruments that would give rise to a dilution effect as of December 31, 2022 and 2021. As at December 31, 2022, the Company has 7,230,000 options (2021 – 14,095,000) and 144,502,315 warrants (2021 - 70,629,511) that are anti-dilutive and thus, not included in diluted loss per share.

10 Receivables and advances:

The Company's receivables are as follows:

		December 31, 2022		December 31, 2021
IVA/GST receivable	**$**	**997,049**	$	2,294,505
Other receivable		**298,166**		60,125
Total	**$**	**1,295,215**	$	2,354,630

The Company recorded a provision for uncollectible IVA during the year ended December 31, 2022 of $2,141,337.

(Expressed in Canadian dollars)

11 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the year did not include cash:

		2022		2021
Option based compensation capitalized in mineral property	**$**	**18,224**	$	57,419
Common shares received on sale of Cervantes joint venture		**2,500,000**		-
Distribution of Kootenay Resources Inc.		**-**		(801,318)
Mineral property costs included in accounts payable	**$**	**76,965**	$	69,133

12 Related Party Transactions and Balances:

Except as disclosed elsewhere in these consolidated financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount.

Key management renumeration:

Key management personnel comprise the Company's Board of Directors and executive officers.

		2022		2021
Management fees charged by companies controlled by a director and/or officers (a)	**$**	**460,000**	$	470,000
Director fees (b)		**85,500**		114,000
Consulting, administrative and geological fees charged by a company with common officers (c)		**40,000**		120,000
	$	**585,500**	$	704,000

a) The Company has entered into a consulting agreement dated January 1, 2008 with Makwa Exploration Ltd. ("Makwa") for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to $20,833. For the year ended December 31, 2022 the Company incurred $190,000 (2021 - $220,000) for compensation to the Company's CFO. Included in accounts payable as at December 31, 2022 is $ 20,000 (December 31, 2021 - $10,000) payable to companies who have common directors or officers.

b) For the year ended December 31, 2022, the Company incurred $85,500 (2021 - $114,000) for compensation to directors. As at December 31, 2022, $Nil (2021 - $30,000) was held in accrued liabilities as owing to directors for compensation

c) Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the year ended December 31, 2022, the Company incurred expenses $40,000 (2021 - $120,000) under the administrative services contract.

Related balances are non-interest bearing with no specific terms of repayment and are unsecured.

(Expressed in Canadian dollars)

13 Segmented Information:

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and non-current liabilities by geographic location are as follows:

	December 31, 2022	December 31, 2021
Canada:		
Current assets	**$ 7,217,100**	$ 2,855,379
Mineral properties	**-**	-
Non-current assets	**16,967**	20,550
Current liabilities	**(257,452)**	(257,434)
	$ 6,976,615	$ 2,618,495
Mexico:		
Current assets	**$ 869,336**	$ 2,126,817
Mineral properties	**13,489,863**	82,829,582
Non-current assets	**916,832**	906,204
Current liabilities	**(67,079)**	(47,205)
	$ 15,208,952	$ 85,815,398

14 Commitments:

The Company entered into various contracts for office and warehouse rent in Canada and Mexico. The following table summarizes the Company's total annual obligations under this agreement as at December 31, 2022:

2023	$	80,704
2024	$	28,733

15 Financial Instruments and Financial Risk Management:

The Company's financial instruments include cash and cash equivalents, receivable and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

15 Financial Instruments and Financial Risk Management *(continued)*:

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company maintains its cash with high-credit quality financial institutions The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value Added Tax refunds) from the Mexican Government. Accordingly, the Company views credit risk on accounts receivable as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at December 31, 2022, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

The balances denominated in foreign currency are as follows:

	December 31, 2022	December 31, 2021
	US$	US$
Cash and cash equivalents	**49,999**	95,085
Trade accounts payable and accrued liabilities	**16,453**	16,517
	Mexican Peso	Mexican Peso
Cash and cash equivalents	**5,164,829**	1,753,227
Receivables and advances	**73,284**	9,655,423
Trade accounts payable and accrued liabilities	**933,226**	821,149

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have a collective impact of approximately +/- $34,390. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's consolidated financial statements.

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

(Expressed in Canadian dollars)

15 Financial Instruments and Financial Risk Management *(continued)*:

December 31, 2022		**Level 1**		**Level 2**		**Level 3**		**Total**
Marketable securities	$	2,947,010	$	-	$	320,527	$	3,267,537
December 31, 2021		Level 1		Level 2		Level 3		Total
Marketable securities	$	537,394	$	-	$	-	$	537,394

Level 1 – quoted prices (unadjusted) 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no change between levels during the period. The Company's carrying values of receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

16 Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the twelve months ended December 31, 2022.

(Expressed in Canadian dollars)

17 Income Taxes:

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2022 and 2021. The income tax differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the "expected" income tax expense and the actual income tax provision is summarized as follows:

	2022	2021
Loss before income taxes	**$ (77,900,130)**	$ 4,820,463
Canadian statutory income tax rate	**27.0%**	27.0%
Expected income taxes (recovery)	**(21,033,035)**	(1,301,525)
Change in estimate	**37,752**	1,165,095
Non-deductible items and other	**14,534**	2,962
Loss on spin out	**-**	706,974
Tax effect of loss on marketable securities	**11,481**	51,045
Non-taxable portion of capital gain	**(238,888)**	-
Foreign tax rate difference	**(2,324,226)**	7,334
Share issuance costs	**(408,921)**	-
Change in deferred tax assets not recognized	**23,941,303**	(631,885)
Total income taxes expense (recovery)	$ -	$ -

	2022	2021
Non-capital loss carryforwards (Canada)	**$ 32,520,860**	$ 30,843,398
Net capital loss carryforwards (Canada)	**455,586**	455,586
Tax loss carryforwards (Mexico)	**12,762,862**	9,876,817
Property and equipment (Canada)	**276,673**	273,090
Property and equipment (Mexico)	**231,495**	201,774
Exploration and evaluation assets (Canada)	**-**	-
Mineral properties (Mexico)	**77,521,217**	2,962,769
Marketable securities - OCI (Canada)	**-**	109,449
Financing costs (Canada)	**1,651,864**	719,777
Unrecognized deductible temporary differences	**$ 125,420,557**	$ 45,442,660

(Expressed in Canadian dollars)

17 Income Taxes (*continued*):

Deferred tax assets have not been recognized at this stage of the Company's development, as it is not determinable that future profit will be available against which the Company can utilize such deferred income tax assets.

The Company has Canadian non-capital loss carryforwards which expire as follows:

Expiration	Total
2026	$ 100,153
2027	630,148
2028	1,176,346
2029	2,124,656
2030	2,320,591
2031	2,403,406
2032	2,409,531
2033	2,158,414
2034	1,882,317
2035	2,157,332
2036	3,021,160
2037	2,021,113
2038	2,082,507
2039	2,105,866
2040	2,181,385
2041	1,897,778
2042	1,848,157
Total	$ 32,520,860

The Company has Mexican non-capital loss carryforwards which expire as follows:

Expiration	Total
2024	$ 235,093
2025	7,349,071
2026	1,117,321
2027	246,727
2028	211,754
2029	626,232
2030	90,619
2031	-
2032	2,886,045
Total	$ 12,762,862

18 Subsequent Events:

On January 13, 2023, the Company granted stock options to officers, directors, employees, and consultants to purchase up to an aggregate of 21,450,000 common shares of Kootenay at an exercise price of $0.155 per common share for a period of five years.

On April 6, 2023, the Company announced it had amended the terms for the Columba option agreement to allow for 50% of the April 2023 payment of US$430,000 plus 16% IVA to be paid in common shares of the Company. The cash payment of US$215,000 plus 16% IVA was paid on April 12, 2023, and the Company shall issue 2,844,706 common shares to settle US$215,000 plus 16% IVA in Kootenay common shares calculated based on the 20-day volume weighted average price prior to April 12, 2023 of $0.1189 per common share, converted by the US dollar to Canadian dollar average exchange rate for the 20 day period prior to March 31, 2023 of $1.3583. The final payment of US$215,000 which will be paid in cash, is due on May 12, 2023, after which the Company will own 100% of the Columba project.

Additionally, the Company has reached an agreement with an arm’s length party dated March 31, 2023 to resolve conflicting property interests, pursuant to which Kootenay will issue 2,018,710 in common shares in consideration of US$135,000 plus 16% IVA, based on the 20-day volume weighted average price prior to the agreement of $0.1064 per common share, converted by the US dollar to Canadian dollar average exchange rate for the 20 day period prior to March 31, 2023 of $1.3715.

The common shares to be issued under these agreements will have a hold period of four months and one day. The issuance of common shares is subject to TSX Venture Stock Exchange approval.

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