



FARADAY COPPER

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

Faraday Copper Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

		March 31, 2023	December 31, 2022 Restated (Note 4)	January 1, 2022 Restated (Note 4)
	Note	\$	\$	
Assets				
Current assets				
Cash and cash equivalents		27,801,433	9,535,039	4,206,827
GST receivables		149,401	106,366	33,050
Prepaid expenses and deposits		128,340	160,269	32,194
		28,079,174	9,801,674	4,272,071
Property and equipment	5	15,342,313	1,444,054	288,094
Resource properties	4, 6	4,955,328	4,955,328	4,955,328
Other long-term assets	6	45,843	379,252	8,335
Total assets		48,422,658	16,580,308	9,523,828
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	8	1,540,143	2,384,033	526,832
Due to related parties	11	211,225	775,480	163,916
		1,751,368	3,159,513	690,748
Loan payable	9	-	-	40,000
Total liabilities		1,751,368	3,159,513	730,748
Shareholders' equity				
Share capital	10	93,992,371	54,165,787	33,273,379
Reserves	10	12,046,599	12,040,516	24,284,402
Accumulated other comprehensive income		4,760,485	4,174,698	3,045,718
Deficit		(64,128,165)	(56,960,206)	(51,810,419)
Total shareholders' equity		46,671,290	13,420,795	8,793,080
Total liabilities and shareholders' equity		48,422,658	16,580,308	9,523,828

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ Russell Ball
Director

/s/ Paul Harbidge
Director

Faraday Copper Corp.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars, except for per share amounts and number of shares)

		Three months ended	
		2023	March 31, 2022
	Note		Restated (Note 4)
		\$	\$
Operating expenses			
Amortization	5	27,720	7,921
Consulting and management fees	10(b)	181,000	13,000
Exploration and evaluation expenses	4, 6	5,239,030	2,496,962
General and administration	10(b)	880,029	362,007
Professional fees		146,420	70,534
Promotion and investor relations		84,008	39,061
Share-based compensation	9, 10(b)	690,083	1,006,290
Travel		97,213	34,167
Total operating expenses		7,345,503	4,029,942
Interest income		(177,544)	(3,945)
Net loss		7,167,959	4,025,997
Other comprehensive loss			
Currency translation adjustment		585,787	(23,666)
Net comprehensive loss		7,753,746	4,002,331
Loss per share:			
Basic and diluted		0.05	0.04
Weighted average number of shares outstanding:			
Basic and diluted		149,960,374	96,945,352

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

Faraday Copper Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Share capital		Reserves			Accumulated other comprehensive income Restated (Note 4)	Deficit Restated (Note 4)	Total shareholders' equity
	Number	Amount	Warrants	Options	Other			
	#	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	96,772,338	33,273,379	2,776,475	5,325,692	16,182,235	3,045,718	(50,101,011)	10,502,488
Share-based compensation	-	-	-	1,006,290	-	-	-	1,006,290
Shares issued for options exercise	300,000	193,908	-	(90,908)	-	-	-	103,000
Conversion of RSUs	190,100	137,800	-	(137,800)	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	(1,709,408)	(1,709,408)
Currency translation adjustment	-	-	-	-	-	23,666	-	23,666
Net loss for the period	-	-	-	-	-	-	(4,025,997)	(4,025,997)
Balance, March 31, 2022	97,262,438	33,605,087	2,776,475	6,103,274	16,182,235	3,069,384	(55,836,416)	5,900,039
Reclassification of reserves	-	-	-	-	(16,182,235)	-	16,182,235	-
Share-based compensation	-	-	-	3,541,052	-	-	-	3,541,052
Shares issued for private placement	25,000,000	20,000,000	-	-	-	-	-	20,000,000
Shares issued for options exercise	900,000	493,664	-	(216,539)	-	-	-	277,125
Conversion of RSUs	98,583	67,036	-	(163,746)	-	-	-	(96,710)
Currency translation adjustment	-	-	-	-	-	1,105,314	-	1,105,314
Net loss for the period	-	-	-	-	-	-	(17,306,025)	(17,306,025)
Balance, December 31, 2022	123,261,021	54,165,787	2,776,475	9,264,041	-	4,174,698	(56,960,206)	13,420,795
Share-based compensation	-	-	-	690,083	-	-	-	690,083
Shares issued for private placement	49,999,700	38,437,854	-	-	-	-	-	38,437,854
Shares issued for options exercise	1,990,000	1,355,700	-	(619,200)	-	-	-	736,500
Conversion of RSUs	40,420	33,030	-	(33,030)	-	-	-	-
Currency translation adjustment	-	-	-	-	-	554,017	-	554,017
Net loss for the period	-	-	-	-	-	-	(7,167,959)	(7,167,959)
Balance, March 31, 2023	175,291,141	93,992,371	2,776,475	9,301,894	-	4,728,715	(64,128,165)	46,671,290

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

Faraday Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars, except where noted)

	2023	Three months ended March 31, 2022 Restated (Note 4)
	\$	\$
Operating activities		
Net loss for the period	(7,167,959)	(4,025,997)
Items not involving cash:		
Amortization	27,720	7,921
Share-based compensation	690,083	1,006,290
Interest income	(53,137)	-
Changes in non-cash working capital:		
Other receivables	(43,035)	(6,824)
Prepaid expenses and deposits	31,929	(27,659)
Accounts payable and accrued liabilities	(843,890)	399,237
Due to related parties	(564,255)	9,395
Cash used in operating activities	(7,922,544)	(2,637,637)
Investing activities		
Acquisition of property and equipment	(13,538,439)	(91,443)
Cash used in investing activities	(13,538,439)	(91,443)
Financing activities		
Shares issued for private placement	38,437,854	-
Proceeds from exercise of options	736,500	103,000
Cash provided by financing activities	39,174,354	103,000
Effect of foreign exchange on cash and cash equivalents	553,023	(4,491)
Changes in cash and cash equivalents	18,266,394	(2,630,571)
Cash and cash equivalents, beginning of the period	9,535,039	4,206,827
Cash and cash equivalents, end of the period	27,801,433	1,576,256

Supplemental cash flow information (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Faraday Copper Corp. (formerly CopperBank Resources Corp.) (the "Company") was incorporated on October 21, 2014 under the Business Corporations Act (British Columbia). The Company's registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Company's head office and principal address is located at 250 - 200 Burrard St., Vancouver, British Columbia, V6C 3L6. The Company's shares are traded on the Toronto Stock Exchange ("TSX") and OTCQX under the symbol "FDY" and "CPPKF", respectively, and its principal business is the acquisition and development of resource properties.

On April 20, 2022, the Company formerly approved a name change from CopperBank Resources Corp. to Faraday Copper Corp.

a) Going concern

These condensed interim consolidated financial statements (the "Interim Financial Statements") have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company is a resource exploration stage company, which does not generate any revenue and has been relying mainly on equity-based financing to fund its operations. The Company has incurred a net loss for the period of \$7,167,959 (2022 - \$4,025,997). The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements, or a combination thereof to meet its administrative costs and to continue to explore and develop its resource properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. As such, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern, and any such adjustments may be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been condensed or omitted, and accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

These financial statements were approved by the Board of Directors and authorized for issue on May 8, 2023.

b) Basis of presentation

These Interim Financial Statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss ("FVTPL"). In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Functional and presentation currency

The Interim Financial Statements are presented in Canadian dollars ("Canadian dollar" or "CAD"), which is also the functional currency, except as otherwise noted. The functional currency is the currency of the primary economic environment in which an entity operates. References to "CAD" are to Canadian dollars and references to "USD" or "US\$" are to United States dollars.

d) Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Faraday Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PRESENTATION (continued)

During the year ended December 31, 2022, the Company dissolved the operations of its inactive subsidiaries CopperBank Resources Alaska Inc. and Redhawk Resources (USA), Inc. As such the Interim Financial Statements subsequent to the date of dissolution comprise the financial statements of the Company and its wholly owned subsidiaries.

These Interim Financial Statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency	Principal activity
1016079 B.C. Ltd.	Canada	100%	CAD	Holding company
CopperBank Royalties Corp.	Canada	100%	CAD	Holding company
Copper Creek Project LLC	USA	100%	USD	Exploration company
Enexo International Inc.	USA	100%	USD	Exploration company
Redhawk Copper Inc.	USA	100%	USD	Exploration company
Redhawk Ranch Land Holdings LLC	USA	100%	USD	Holding company
Redhawk Resources, Inc.	Canada	100%	CAD	Holding company

3. ACCOUNTING POLICIES

a) Significant estimates and judgements

The significant estimates, and judgements applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2022. The Company's interim results are not necessarily indicative of its results for a full year.

b) New accounting policies

New and amended standards - applicable January 1, 2022

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2022:

- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*;
- Amendments to IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework - Amendments to IFRS 3, *Business Combinations*.

The amendments listed above did not have any impact on the amounts recognized in prior and current periods, and are not currently expected to significantly affect future periods.

Resource properties

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. Resource properties are not amortized during the exploration and evaluation stage.

Technical feasibility and commercial viability are established once all of the following conditions have been met:

- The Company has established a National Instrument 43-101 ("NI 43-101") compliant estimate of property resources and/or reserves; The Company has obtained a mining permit or otherwise has the right to extract the resources and/or reserves; and
- The Company has established that it is economically viable to mine the resources and/or reserves. This includes the completion of a NI 43-101 compliant study to a pre-feasibility level at a minimum, board approval to proceed and binding approval of project financing for the development of the project.

Faraday Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

3. ACCOUNTING POLICIES (continued)

If it is determined that capitalized acquisition costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for indicators of impairment when such indicators exist, the Company evaluates the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

As at January 1, 2022 and December 31, 2022, the Corporation's resource properties were restated due to a change in accounting policies (refer Note 4).

c) Accounting standard amendment issued but not yet effective

IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements*, to clarify one of the requirements under the standard for classifying a liability as non-current in nature. The amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

The Company will perform an assessment of the amendment on its financial statements prior to the effective date of January 1, 2024. Based on the currently available information, the Company does not anticipate any material impact from this amendment on its financial statements.

Faraday Copper Corp.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

4. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2023, the Corporation changed its accounting policy of capitalizing all exploration and evaluation expenditures in accordance with IFRS 6 - *Exploration for and Evaluation of Mineral Resources*. The Company believes that expensing post - acquisition exploration and evaluation costs as incurred provides more reliable and relevant financial information to the users of its financial statements, aligning its policy with the jurisdiction of the resource properties, its significant investors, and the accounting policies of its peers. Under the new policy, the cost of acquiring prospective properties and exploration rights continue to be capitalized. Exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a resource property is technically feasible and commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures subsequently incurred to develop the mine, prior to the start of mining operations.

The Company has applied the change in accounting policy on a retrospective basis and has therefore restated its 2022 comparatives as follows:

Consolidated Statements of Financial Position

As at December 31, 2022	As previously reported	Adjustment	Restated
	\$	\$	\$
Non-current assets			
Resource properties	20,497,040	(15,541,712)	4,955,328
Shareholders' equity			
Accumulated other comprehensive income	4,751,864	(577,166)	4,174,698
Deficit	(41,995,660)	(14,964,546)	(56,960,206)

As at January 1, 2022	As previously reported	Adjustment	Restated
	\$	\$	\$
Non-current assets			
Resource properties	6,664,736	(1,709,408)	4,955,328
Shareholders' equity			
Accumulated other comprehensive income	3,045,718	-	3,045,718
Deficit	(41,995,660)	(1,709,408)	(43,705,068)

Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2022	As previously reported	Adjustment	Restated
	\$	\$	\$
Exploration and evaluation expense	-	2,496,962	2,496,962
Exchange gain (loss) on translating foreign operations	(120,736)	97,070	(23,666)

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022	As previously reported	Adjustment	Restated
	\$	\$	\$
Cash used in operating activities	254,866	(2,892,503)	(2,637,637)
Cash used in investing activities	(2,983,946)	2,892,503	(91,443)

Faraday Copper Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars, except where noted)

4. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2022	As previously reported	Adjustment	Restated
	\$	\$	\$
Change in accounting policy	-	(1,709,408)	(1,709,408)
Currency translation adjustment	120,736	(97,070)	23,666
Net loss for the period	(1,529,035)	(2,496,962)	(4,025,997)
Balance, March 31, 2022	10,203,479	(4,303,440)	5,900,039
Currency translation adjustment	(1,585,410)	(480,096)	(2,065,506)
Net loss for the period	6,547,849	(10,758,176)	(4,210,327)
Balance, December 31, 2022	(28,962,507)	(15,541,712)	(44,504,219)

5. PROPERTY AND EQUIPMENT

The following table presents a continuity schedule of property and equipment:

	Building	Land	Equipment	Total
	\$	\$	\$	\$
Costs				
Balance, December 31, 2021	273,333	32,156	39,454	344,943
Additions	1,024,171	-	171,519	1,195,690
Foreign exchange adjustment	15,565	1,704	1,273	18,542
Balance, December 31, 2022	1,313,069	33,860	212,246	1,559,175
Additions	145,702	13,690,594	35,552	13,871,848
Foreign exchange adjustment	12,001	325	1,720	14,046
Balance, March 31, 2023	1,470,772	13,724,779	249,518	15,445,069
Amortization				
Balance, December 31, 2021	55,612	-	1,237	56,849
Additions	31,745	-	23,884	55,629
Foreign exchange adjustment	2,178	-	465	2,643
Balance, December 31, 2022	89,535	-	25,586	115,121
Additions	15,498	-	12,222	27,720
Foreign exchange adjustment	(19,109)	-	(20,976)	(40,085)
Balance, March 31, 2023	85,924	-	16,832	102,756
Net book value				
Balance, December 31, 2022	1,223,534	33,860	186,660	1,444,054
Balance, March 31, 2023	1,384,848	13,724,779	232,686	15,342,313

Mercer Ranch

As at March 7, 2023, the Company completed the acquisition of the Mercer Ranch in Arizona, included in land for \$13,360,593 (US\$ 10,012,135).

Faraday Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

6. RESOURCE PROPERTIES

As at January 1, 2022 and December 31, 2022, the Corporation's resource properties were restated due to a change in accounting policies (refer Note 4).

Copper Creek Resource Properties, Arizona

The Company acquired 100% of the Copper Creek project through the acquisition of Redhawk Resources Inc. ("Redhawk") for a value of \$4,955,328 in 2018. During the three months ended March 31, 2023, there have been no additions to acquisition costs (2022 - \$nil).

- D & G Mining Agreement

In November 2005, Redhawk entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. Redhawk has the option to purchase the property for US\$3,000,000 until May 2033.

Redhawk paid US\$80,000 in both 2006 and 2007 and US\$100,000 annually from 2008 to 2017. Starting May 2018, Redhawk is required to make two payments per year of US\$25,000 due by May 31 and by November 30, until the end of May 2033.

Commencing January 1, 2022, 50% of the annual payments made prior to exercising the option to purchase will be applied against the purchase price in the event that Redhawk exercises its property purchase option.

- Freeport Mineral Corporation Agreement

In April 2007, Redhawk entered into a purchase agreement with Freeport Mineral Corporation ("Freeport") to acquire additional mining claims within the Copper Creek boundaries. The additional mining claims are subject to a 1% Net Smelter Return royalty.

On May 30, 2018, Redhawk entered into an amendment to the Fourth Workout Agreement with Freeport. The substance of the amended agreement is a conversion of interest and principal owing to Freeport into production decision royalty payments. The total will be US\$3,000,000 paid in six equal annual instalments of US\$500,000 per annum. The payments are contingent upon Redhawk or successors achieving a defined commercial production of minerals. As a result of this amendment, no liabilities in connection with this promissory note has been recorded as of March 31, 2023 and December 31, 2022.

Contact Copper Property, Nevada

The Company owns a 100% interest in the Contact Copper property located in Elko County, Nevada. All permits of this resource property are in good standing. During the three months ended March 31, 2023, there have been no additions to acquisition costs (2022 - \$nil).

Reclamation Deposits

As at March 31, 2023, the Company had reclamation deposits of \$20,511 (December 31, 2022 - \$40,652; January 1, 2021 - \$8,335) for the Contact Copper property in Nevada and for the Copper Creek property in Arizona, included in other long-term assets.

Faraday Copper Corp.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

7. EXPLORATION AND EVALUATION EXPENSES

A summary of the Company's exploration and evaluation expenditures for the three months ended March 31, 2023 is as follows:

	Copper Creek Project	Contact Copper Project	Total
	\$	\$	\$
Exploration, geological and laboratory	3,212,555	-	3,212,555
Payroll	941,846	-	941,846
Engineering & studies	445,222	-	445,222
Legal	279,560	-	279,560
Environmental, Social, and Governance	114,991	-	114,991
Permit Maintenance and land access	22,597	-	22,597
Other	196,143	26,116	222,259
	5,212,914	26,116	5,239,030

A summary of the Company's exploration and evaluation expenditures for the three months ended March 31, 2022 is as follows:

	Copper Creek Project	Contact Copper Project	Total
	\$	\$	\$
Exploration, geological and laboratory	1,623,881	15,303	1,639,184
Payroll	677,633	34,015	711,648
Legal	30,364	-	30,364
Other	96,924	18,842	115,766
	2,428,802	68,160	2,496,962

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Exploration and evaluation expenses	1,269,073	2,064,046
Office and administration	271,070	319,987
	1,540,143	2,384,033

9. LOAN PAYABLE AND NOTE PAYABLE

a) CEBA loan

Due to the global COVID-19 outbreak, the federal government of Canada introduced the Canada Emergency Benefit Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of \$40,000 to eligible businesses. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of \$30,000 by December 31, 2022, results in a \$10,000 loan forgiveness. If the balance is not paid prior to December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below market rate is treated as a government grant. On June 27, 2022, the Company repaid \$30,000 of the CEBA loan before the initial term and recorded \$10,000 of government grant income.

b) Debt repayment agreement

In connection with a debt payment agreement (the "Agreement") with the original optionor (the "Optionor") of the Pyramid Project, Alaska, a non-core property that the Company has no continued interest or rights to, the Company owed the Optionor \$173,710 (US\$125,000) plus interest at 10% per annum, which is due on March 4, 2022. The Company is required to pay to the Optionor at least 20% of the net proceeds from any debt or equity financing or sale of any assets. As a result, no liabilities in connection with this Agreement has been recorded as of March 31, 2023 and December 31, 2022.

10. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. As at March 31, 2023, the Company had 175,291,141 common shares issued and outstanding (December 31, 2022 - 123,261,021).

b) Issued and outstanding

The Company had the following share capital issuances:

- During the three months ended March 31, 2023, the Company issued 1,990,000 common shares pursuant to the exercise of 1,990,000 stock options with exercise prices varying from \$0.23 and \$0.40. The Company received gross proceeds of \$736,500 and reallocated \$619,200 from the Company's options reserve into share capital.
- On May 5, 2022, the Company closed a private placement and issued 25,000,000 common shares at a price of \$0.80 per share for gross proceeds of \$20,000,000.

c) Warrants

A summary of the Company's warrants is as follows:

	Number of warrants outstanding	Weighted average exercise price per share
	#	\$
Balance, December 31, 2021	13,793,341	0.64
Issued	(1,293,341)	1.00
Balance, December 31, 2022	12,500,000	0.60
Expired	(1,293,341)	1.00
Balance, March 31, 2023	12,500,000	0.60

As at March 31, 2023, the Company had 12,500,000 warrants outstanding (December 31, 2022 - 12,500,000) all of which have an exercise price of \$0.60 and expire on September 16, 2026. As at March 31, 2023, the remaining life of these warrants was 3.47 years (December 31, 2022 - 3.71 years).

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10. SHARE CAPITAL (continued)

d) Options

The Company had a “rolling” stock option plan (the “Legacy Plan”) that allowed the Company to grant options to its employees, directors, consultants, and officers for a maximum of 10% of outstanding shares to be issued.

Options had a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

On October 15, 2021, following a vote by shareholders, the Company adopted a new Long-Term Incentive Plan (the “LTIP”), which provides for the granting of deferred share units (“DSU”), restricted share units (“RSU”), performance share units (“PSU”), and stock options (“Options”). The maximum number of common shares reserved for issuance under the LTIP (with any other share-based compensation arrangement, including the Legacy Plan) will be 19,296,967.

A summary of the Company’s stock options is as follows:

	Number of options	Weighted average exercise price
	#	\$
Outstanding, December 31, 2021	15,000,000	0.39
Forfeited / expired	(306,250)	0.38
Exercised	(1,200,000)	0.32
Granted	1,364,000	0.83
Outstanding, December 31, 2022	14,857,750	0.44
Exercised	(1,990,000)	0.37
Outstanding Balance, March 31, 2023	12,867,750	0.45
Exercisable Balance, March 31, 2023	5,118,750	0.43

A summary of the Company’s stock options outstanding at March 31, 2023, is as follows:

Expiry date	Weighted average exercise price	Number of outstanding options	Number of exercisable options
	\$	#	#
May 10, 2023	0.40	268,750	256,250
March 18, 2024	0.65	60,000	30,000
July 24, 2025	0.23	500,000	237,500
September 8, 2025	0.44	80,000	20,000
June 8, 2026	0.60	325,000	325,000
July 21, 2026	0.40	700,000	700,000
September 2, 2026	0.40	9,650,000	3,266,667
February 1, 2027	0.80	120,000	-
February 16, 2027	0.94	224,000	-
April 1, 2027	0.86	500,000	166,667
April 25, 2027	0.91	350,000	116,667
August 16, 2027	0.49	90,000	-
	0.44	12,867,750	5,118,750

The weighted average remaining contractual life of the Company’s options as at March 31, 2023, was 3.34 years (December 31, 2022 - 3.30 years).

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10. SHARE CAPITAL (continued)

A summary of the Company's Black-Scholes assumptions for the options is as follows:

	February 1, 2022	February 16, 2022	April 1, 2022	April 25, 2022	August 16, 2022	September 8, 2022
Stock price	0.80	0.92	0.81	1.00	0.49	0.44
Risk-free interest rate	1.65%	1.80%	2.46%	2.70%	2.95%	3.37%
Expected life of the option	5.00	5.00	5.00	5.00	5.00	3.00
Annualized volatility	116%	115%	115%	115%	110%	109%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

During the three months ended March 31, 2023, the Company incurred share-based compensation related to stock options of \$400,209 in connection with options vested (2022 - \$860,830).

e) Restricted share units

When the Company issues RSUs, it records a share-based payment expense in the year or period which the RSUs are granted and/or vested. The expense is measured using a deemed price that is based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date as prescribed in the Company's restricted share units rolling plan.

During the three months ended March 31, 2023, the Company incurred share-based compensation related to RSUs of \$289,874 in connection with RSUs vested (2022 - \$145,460).

A summary of the Company's RSUs is as follows:

	Number of RSUs	Weighted average issue price
	#	\$
Non-vested Balance, December 31, 2021	333,334	0.68
Granted	1,768,000	0.89
Vested	(260,667)	0.29
Cancelled	(28,000)	0.72
Non-vested Balance, December 31, 2022	1,812,667	0.88
Granted	1,436,573	0.75
Vested	(80,000)	0.81
Non-vested Balance, March 31, 2023	3,169,240	0.79

A summary of the Company's non-vested RSUs at March 31, 2023, is as follows:

Vesting date ⁽¹⁾	Weighted average issue price	Number of outstanding RSUs
	\$	#
December 1, 2023	0.68	166,667
January 1, 2024	0.72	40,000
March 1, 2024	0.90	40,000
April 19, 2025	0.91	1,250,000
November 9, 2025	0.46	236,000
January 31, 2026	0.75	1,436,573
	0.79	3,169,240

(1) RSUs vest ratably over a period of two years. Vesting dates listed above, represent the end of the two-year term. At the end of each annual period from date of grant, one half of the units granted will vest.

11. RELATED PARTY TRANSACTIONS

The Company has entered into the following related party transactions during the three months ended March 31, 2023 and 2022:

Key Management Personnel

During the three months ended March 31, 2023, the company incurred the following transactions with key management personnel, being the Chief Executive Officer, Chief Financial Officer, Vice President Studies & Evaluations, and Vice President of Exploration; as well as the directors of the Company.

A summary of the Company's related party transactions for the three months ended March 31, 2023 and 2022, is as follows:

	2023	2022
	\$	\$
Director fees	42,000	-
Salaries and other compensation	440,975	200,522
Share-based payments	434,712	747,331
	917,687	947,853

As at March 31, 2023, amount due to related parties comprised of amounts owing to key management members and directors totaling \$211,225 (December 31, 2022 - \$775,480). Due to related parties has the same terms as the Company's accounts payable and accrued liabilities, which is unsecured and non-interest-bearing and with no specific terms.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate and liquidity risks. The Company may, or may not, establish from time-to-time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

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

The fair values of the Company's cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties are equivalent to their carrying values due to their short-term nature.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in major financial institutions. As at March 31, 2023, the Company had cash equivalents of \$24,552,633 in term deposits (December 31, 2022 - \$7,774,324) that are redeemable within 90 days and bear interest up to 5%. Interest income on term deposits during the three months ended March 31, 2023 was \$177,544 (2022 - \$3,945).

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12. FINANCIAL INSTRUMENTS (continued)**Liquidity risk and fair value hierarchy**

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties. The Company's accounts payable and accrued liabilities and due to related parties are due within 60 days of March 31, 2023.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest rate risk

Interest rate risk is the risk that the Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As at March 31, 2023, the Company did not have debt instruments exposed to variable interest rate. The risk is not significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

A summary of the Company's financial assets and liabilities that are denominated in US dollar as at March 31, 2023 and December 31, 2022, is as follows:

	March 31, 2023		December 31, 2022	
	US\$	\$	US\$	\$
Cash	2,332,938	3,190,060	3,272,112	4,431,748
Accounts payable and accrued liabilities	(941,052)	(1,286,795)	(1,238,253)	(1,677,090)
	1,391,886	1,903,265	2,033,859	2,754,658

A 5% change in the US dollar against the Canadian dollar at March 31, 2023 would result in a \$95,163 impact to the Company.

13. SUBSEQUENT EVENTS

On May 3, 2023, the Company announced the Preliminary Economic Assessment and updated Mineral Resource estimate for the Copper Creek Project in Arizona.