NICOLA MINING INC.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(unaudited, prepared by management)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Nicola Mining Inc. ("the Company") have been prepared by management in accordance with International Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for review of interim financial statements by an entity's auditor.

NICOLA MINING INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars) - unaudited

	Note	March 31, 2024	December 31, 2023
Assets			
Current assets			
Cash		$ 3,115,085	$ 4,756,118
Amounts receivable	3	277,664	566,709
Marketable securities	6	964,286	-
Prepaid expenses and other assets		284,421	123,040
		4,641,456	**5,445,867**
Non-current assets			
Property, plant, and equipment		18,916,645	18,986,949
Right-of-use-assets		8,653	13,360
Mineral interests	5	4	4
Restricted cash	7	1,275,875	1,275,875
Total assets		**$ 24,842,633**	**$ 25,722,055**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 607,087	$ 682,205
Current portion of lease liabilities		10,765	16,353
		617,852	**698,558**
Non-current liabilities			
Asset retirement obligation		14,620,897	14,506,089
Secured convertible debenture	8	4,347,308	4,236,848
Total liabilities		**19,586,057**	**19,441,495**
Equity			
Shareholders' equity			
Share capital	10	85,894,218	85,894,218
Warrants	10	1,694,494	1,694,494
Equity component of convertible debentures		2,671,669	2,671,669
Contributed surplus		8,741,459	8,737,314
Accumulated deficit		(93,745,264)	(92,717,135)
Total shareholders’ equity		**5,256,576**	**6,280,560**
Total liabilities and shareholders’ equity		**$ 24,842,633**	**$ 25,722,055**

Peter Espig (signed) Director ***Frank Hogel (signed)*** Director

Nature of operations and going concern (Note 1)
Subsequent Events (Note 14)

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

NICOLA MINING INC.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars) - unaudited

		Three months ended March 31,	
	Note	2024	2023
Operating expenses			
Exploration costs	5	$ (177,655)	$ (36,762)
Mill costs	4	(483,636)	(930,768)
Accretion of asset retirement obligation		(114,808)	(56,588)
Salaries and benefits	12	(49,420)	(50,282)
Share-based compensation expense	11	(4,145)	-
Professional fees		(2,665)	(34,981)
Consulting fees	12	(140,125)	(160,500)
Office and general		(21,512)	(25,181)
Travel and investor relations		(153,666)	(113,674)
Regulatory and transfer agent fees		(10,553)	(14,834)
Rent		(11,832)	(8,015)
Depreciation		(3,682)	(519)
Operating loss		(1,173,699)	(1,432,104)
Flow-through premium		-	1,625
Gravel, ash, soil, and other income		316,207	2,192,624
Finance costs	9	(134,923)	(193,843)
Fair value revaluation – marketable securities	6	(35,714)	-
Foreign exchange gain (loss)		-	5,005
Net income or (loss) before income taxes		(1,028,129)	573,307
Deferred income tax recovery		-	5,366
Net loss for the period		$ (1,028,129)	$ 578,673
Earnings (loss) per share – basic, diluted		$ (0.01)	$ 0.00
Weighted average number of common shares outstanding – Basic, diluted		161,182,098	155,922,218

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

NICOLA MINING INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) - unaudited

	Three months ended March 31,	
	2024	**2023**
Operating Activities		
Net income (loss) for the period	$ (1,028,129)	$ 578,673
Adjustments for:		
Accretion of asset retirement obligation	114,808	56,588
Share-based compensation	4,145	-
Deferred income tax recovery	-	(5,366)
Depreciation	75,010	70,149
Non-cash interest and finance expense	143,134	196,129
Foreign exchange	-	(5,063)
Flow-through premium	-	(1,625)
Recovery - write-off of accounts payables	-	-
Fair value revaluation – marketable securities	35,714	-
Changes in non-cash working capital items		
Amounts receivable	289,044	(1,374,212)
Prepaid expenses and other assets	(161,381)	(39,019)
Accounts payable and accrued liabilities	(75,118)	194,849
Cash Provided by Operating Activities	(602,773)	(328,897)
Investing Activities		
Purchase of marketable securities	(1,000,000)	-
Restricted cash movement	-	5,000
Cash Used in Investing Activities	(1,000,000)	5,000
Financing Activities		
Issuance of common shares, net of cash paid share issuance costs	-	1,990,000
Interest payment on secured convertible debenture	(32,200)	(30,000)
Repayment of lease liabilities	(6,060)	(6,060)
Repayment of equipment loan	-	(12,591)
Repayment of working capital and revolving prepayment loan	-	(6,981)
Cash (Used In) Provided by Financing Activities	(38,260)	1,934,368
Net change in cash for the period	(1,641,033)	1,610,471
Cash beginning of year	4,756,118	895,774
Cash at the end of the period	$ 3,115,085	$ 2,506,245
Non-cash transactions:		
Shares issued to settle convertible debentures and interest	-	28,754
Recognition of equity component of convertible debentures	-	119,873

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

NICOLA MINING INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars) – unaudited

	Number of Common Shares	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Equity
Balance, January 1, 2024	161,182,098	$ 85,894,218	$ 1,694,494	$ 2,671,669	$ 8,737,314	$ (92,717,135)	$ 6,280,560
Share based compensation	-	-	-	-	4,145	-	4,145
Net income for the period ended	-	-	-	-	-	(1,028,129)	(1,028,129)
Balance, March 31, 2024	161,182,098	$ 85,894,218	$ 1,694,494	$ 2,671,669	$ 8,741,459	$ (93,745,264)	$ 5,256,576
Balance, January 1, 2023	149,036,074	$ 82,922,658	$ 1,694,494	$ 2,552,797	$ 8,223,493	$ (93,318,432)	$ 2,075,010
Share issuance financing	8,000,000	1,990,000	-	-	-	-	1,990,000
Issuance of convertible debenture	-	-	-	14,507	-	-	14,507
Convertible debenture conversion	161,584	28,754	-	(2,462)	-	-	26,292
Net loss for the period ended	-	-	-	-	-	578,673	578,673
Balance, March 31, 2023	157,197,658	$ 84,941,412	$ 1,694,494	$ 2,564,842	$ 8,223,493	$ (92,739,759)	$ 4,684,482

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nicola Mining Inc. (the **"Company"** or **"Nicola"**) is a junior exploration company that is engaged in the business of identification, acquisition, and exploration of mineral property interests together with custom milling operations at its mill located in Merritt, B.C. (the **"Merritt Mill"**). The Company's head office is located at 3329 Aberdeen Road, Lower Nicola, B.C. Nicola is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia). The Company's common shares are listed on the TSX Venture Exchange (the "**TSX-V**") under the symbol "NIM.V" and on OTCQB operated by the OTC Markets Group Inc. under the ticker "HUSIF".

As at March 31, 2024, the Company had an accumulated deficit of $93,745,264 (December 31, 2023 - $92,717,135) and working capital of $4,023,604 (2023 – working capital of $4,747,309). To continue operations, the Company will be required to raise funds through the issuance of equity or debt, be successful recommencing operations at the Treasure Mountain project (**"Treasure Mountain Property"**) and/or Merritt Mill (**"Merritt Mill"**), together with ongoing exploration programs at its New Craigmont property (**"New Craigmont Property"**). These factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared using the going concern concept, 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.

Stock consolidation

During the year ended December 31, 2023, the Company consolidated its common shares on a 2-to-1 ratio ("Stock Consolidation"). For all periods presented herein, the number of common shares, stock options, and warrants have been retroactively restated.

2. BASIS OF PRESENTATION

a) Statement of Compliance with International Financial Reporting Standards

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2023. The financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars.

The Company’s interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 30, 2024.

b) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Huldra Properties Inc. All inter-company balances, and transactions are eliminated on consolidation.

c) Basis of Measurement

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s and its subsidiary’s functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

d) Use of Estimates and Judgements

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements and estimates which affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The judgements that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

i) <u>Impairment of non-current assets</u>

Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reduction in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company’s non-current assets.

ii) <u>Completion of commissioning</u>

The determination of the date on which a mine or plant enters the production stage is a significant judgement since capitalization of certain costs ceases and depletion and amortization of capitalized costs commence upon entering production. As a mine or plant is constructed and commissioned, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine or plant can operate in the manner intended by management, which requires significant judgement in its determination.

(Expressed in Canadian dollars) - unaudited

e) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Convertible debentures

The Company's convertible debentures represent management's best estimates and judgement in accounting for separate components of financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual is accounted for as an equity instrument at issuance.

Rehabilitation provisions

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

f) Adoption of New and Revised IFRS and IFRS Not Yet Effective

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at March 31, 2024.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the interim period ended March 31, 2024, and have not been early adopted in preparing these consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. AMOUNTS RECEIVABLE

		March 31, 2024		December 31, 2023
Gravel, ash, soil, and other receivables	$	621,628	$	914,584
GST - (net)		(343,964)		(347,875)
	$	**277,664**	**$**	**566,709**

(Expressed in Canadian dollars) - unaudited

4. MILL COST

Mill costs (including care and maintenance costs) incurred is as follows:

	Note	Three months ended March 31, 2024 $	2023 $
MILL COSTS			
Costs incurred during the year			
Amortization and depreciation		66,622	64,923
Power and fuel		11,367	29,410
Mill supplies and rentals		17,741	59,068
Mill repairs		137,661	209,543
Mill insurance		52,010	48,771
Property taxes		-	22,000
Reclamation of mill site		46,526	186,566
Salaries and wages		139,577	297,857
Water sampling and reports		12,132	12,630
Total costs incurred during the year		**483,636**	**930,768**

5. MINERAL INTERESTS

The Company holds a 100% interest in 30 mineral claims and 1 mineral lease at the Treasure Mountain Property, located near Hope, B.C. The properties are subject to a 2% net smelter royalty.

The Company holds a 100% interest in New Craigmont Property comprising 22 mineral claims and 10 mineral leases located in Lower Nicola, BC. The properties are subject to a 2% net smelter royalty.

The Company recorded an impairment write-down in relation to its Treasure Mountain Property in 2014. The property remains in good standing, and further carrying charges and evaluation costs are being charged to the consolidated statement of operations and comprehensive income (loss) as an operating expense.

Dominion Creek Property

On May 31, 2021, the Company entered into a Mineral Property Purchase Agreement and acquired a 50% interest in 8 mineral claims known as the Dominion Creek Property from High Range Exploration Ltd (**"High Range"**). The Dominion Creek Property is located near Prince George, BC. The Company acquired the 50% by paying $225,000, $75,000 of which was used to commence work on a 10,000-tonne bulk sample permit application. During the year ended December 31, 2022, the Company impaired the Dominion Creek Property by $224,999 to $1 due to the delays in development.

(Expressed in Canadian dollars) - unaudited

The Company's group of claims consists of the following:

	March 31, 2024 $	December 31, 2023 $
a) The Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia	1	1
b) A Crown Grant mineral claim (Lot 1210) in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka"	1	1
c) The surface rights to Lot 1209 located in the Yale Mining Diversion of British Columbia known as the "Whynot Fraction"	1	1
d) Acquisition of 50% interest in Dominion Creek Property, located in the Cariboo Mining Diversion of British Columbia	1	1
	4	**4**

Exploration costs incurred is as follows:

	Note	Three months ended March 31, 2024 $	2023 $
EXPLORATION COSTS			
Costs incurred during the period			
New Craigmont Property			
Assay		14,180	229
Drilling and mapping		83,293	-
Field supplies and rentals		2,914	2,976
First Nations liaison consulting	16	2,500	5,000
Geological consulting and technical fees		71,303	17,757
Tenure lease		-	1,450
		174,190	27,412
Treasure Mountain Property			
First Nations liaison consulting		-	2,650
Property taxes		3,465	-
Tenure lease		-	6,700
		3,465	9,350
Total costs incurred during the period		**177,655**	**36,762**

6. MARKETABLE SECURITIES

On January 17, 2024, the Company made a strategic investment of $1,000,000 in Blue Lagoon Resources Inc. ("BLLG") to purchase 7,142,857 of BLLG's common shares. The fair value of the BLLG common shares was $964,286 as at March 31, 2024, resulting a $35,714 fair value adjustment.

7. RESTRICTED CASH

The Company has in place deposits amounting to $1,275,875 at March 31, 2024 (December 31, 2023 - $1,275,875) registered in the name of the British Columbia Ministry of Finance as security for its mining permits and for reclamation clean up at the Treasure Mountain Property, the Merritt Mill and decommissioned tailings, and the New Craigmont Property.

8. SECURED CONVERTIBLE DEBENTURE

The outstanding principal and interest of the Debentures and Second Tranche Debentures are secured against the assets of Nicola.

On January 6, 2023, the Company completed amendments to the $330,000 January 9, 2023 secured convertible debentures that mature on January 9, 2025 and bear interest at a rate of 10% per annum which is payable annually in cash or in common shares at the option of the Company and are convertible into common shares at a conversion price of $0.20 per share.

For accounting purposes, the proceeds of $330,000 have been allocated based on the relative fair values of debt. The fair value of the debentures was determined to be $310,126 using a discount rate of 13%. Residual value of $19,873 has been allocated as $14,507 to the equity component net of $5,366 deferred income tax recovery.

On February 14, 2023, the Company issued 40,262 common shares on conversion of $8,000 of convertible debentures issued January 9, 2023 exercised at $0.20. For accounting purposes, the fair value of the Debenture on conversion date of $7,600 and residual equity component of $482 were transferred to share capital.

On March 15, 2023, the Company issued 121,321 common shares on conversion of $20,000 of convertible debentures issued November 21, 2022 exercised at $0.17. For accounting purposes, the fair value of the Debenture on conversion date of $18,692 and residual equity component of $1,980 were transferred to share capital.

On May 18, 2023, May 20, 2020 Debenture holders elected to convert a total of $185,000 at a conversion price of $0.20 and the Company issued 925,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debentures on conversion date of $202,383 and residual equity component of $33,449 were transferred to share capital.

On May 19, 2023, a May 20, 2020 Debenture holder elected to convert a total of $45,000 at a conversion price of $0.20 and issued 225,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $41,419 and residual equity component of $8,137 were transferred to share capital.

On May 18 and 19, 2023, the Company issued 113,834 common shares at a value of $0.20 per share in settlement of interest of $22,767 of May 20, 2020 Debentures.

On October 23, 2023, 2023, a Second Tranche Debenture holder elected to convert a total of $234,776 at a conversion price of $0.17 and issued 1,357,079 common shares in accordance with terms of the

(Expressed in Canadian dollars) - unaudited

Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $213,860 and residual equity component of $20,916 were transferred to share capital.

On November 21, 2023, a Second Tranche Debenture holder elected to convert a total of $32,710 at a conversion price of $0.17 and issued 213,529 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $36,008 and residual equity component of $3,298 were transferred to share capital.

On December 29, 2023, the Company prepaid $1,165,275 of the Second Tranche Debenture. The prepayment premium and interest was $349,583. Concurrently, the Second Tranche Debenture's maturity date was amended to November 22, 2025 while other terms remain the same. For accounting purposes, the Second Tranche Debenture was considered as extinguished and re-issued. The issued debt of $4,131,431 has been bifurcated based on the relative fair values of debt and equity portion. The fair value of the debentures was determined to be $3,894,957 using a discount rate of 13%. Residual value of $236,474 has been allocated as $172,626 to the equity component net of $63,848 deferred income tax recovery.

The outstanding principal and interest of the Debentures and Second Tranche Debentures are secured against the assets of Nicola.

	March 31, 2024	December 31, 2023
Principal amount	$ 4,236,848	$ 5,668,086
Conversion of Convertible Debenture and interest	-	(527,346)
Less equity component of convertible debenture	-	(256,348)
Premium and interest on amendment of convertible debenture	-	349,583
Payment – premium and interest	-	(349,583)
Principal repayment	-	(1,165,275)
Less payment of interest	(32,200)	(564,671)
Less payment of interest in shares	-	-
Accrued interest and accretion (Note 9)	142,660	1,082,402
	$ 4,347,308	$ 4,236,848
Current portion	**-**	**-**
Non-current portion	**4,347,308**	**4,236,848**
	$ 4,347,308	**$ 4,236,848**

(Expressed in Canadian dollars) - unaudited

9. FINANCE COSTS

	Three months ended March 31,	
	2024	**2023**
	$	**$**
Equipment loan	-	307
Secured convertible debentures (Note 8)	142,660	194,711
Lease liability	472	1,151
Other	(8,209)	(2,326)
	134,923	**193,843**

10. SHARE CAPITAL AND RESERVES

a) Common Shares

Authorized

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

Issued – three months ended March 31, 2024

No activity.

Issued – year ended December 31, 2023

On January 13, 2023, the Company issued 8,000,000 common shares at a value of $0.25 per share for gross proceeds of $2,000,000.

On February 14, 2023, the Company issued 40,262 common shares on conversion of $8,000 of convertible debentures issued January 9, 2023, exercised at $0.20. For accounting purposes, the fair value of the Debenture on conversion date of $7,600 and residual equity component of $482 were transferred to share capital (Note 9).

On March 15, 2023, the Company issued 121,321 common shares on conversion of $20,000 of convertible debentures issued November 21, 2022, exercised at $0.17. For accounting purposes, the fair value of the Debenture on conversion date of $18,692 and residual equity component of $1,980 were transferred to share capital (Note 9).

On April 19, 2023, the Company issued 500,000 common shares at a value of $0.16 per share in connection with the exercise of 500,000 stock options and $60,484 was transferred from contributed surplus to share capital.

On May 18, 2023, May 20, 2020 Debenture holders elected to convert a total of $185,000 at a conversion price of $0.20 and the Company issued 925,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debentures on conversion date of $202,383 and residual equity component of $33,449 were transferred to share capital (Note 9).

On May 19, 2023, a May 20, 2020 Debenture holder elected to convert a total of $45,000 at a conversion price of $0.20 and issued 225,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $41,419 and residual equity component of $8,137 were transferred to share capital.

(Expressed in Canadian dollars) - unaudited

On May 18 and 19, 2023, the Company issued 113,834 common shares at a value of $0.20 per share in settlement of interest of $22,767 of May 20, 2020 Debentures (Note 9).

On October 23, 2023, 2023, a Second Tranche Debenture holder elected to convert a total of $234,776 at a conversion price of $0.17 and issued 1,357,079 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $213,860 and residual equity component of $20,916 were transferred to share capital.

On November 21, 2023, a Second Tranche Debenture holder elected to convert a total of $32,710 at a conversion price of $0.17 and issued 213,529 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of $36,008 and residual equity component of $3,298 were transferred to share capital.

On November 28, 2023, the Company issued 650,000 common shares at a value of $0.20 per share in connection with the exercise of 650,000 stock options and $105,468 was transferred from contributed surplus to share capital.

Flow-Through Premium Liability:

	March 31, 2024	December 31, 2023
Flow-through premium liability	$ -	$ 29,416
Settlement of flow-through premium liability pursuant to qualified expenditures	-	(29,416)
Closing balance	**$ -**	**$ -**

b) Share Purchase Warrants

As of March 31, 2024 and December 31, 2023, the Company had no outstanding warrants.

11. SHARE-BASED PAYMENT

2022 Equity Incentive Plan

Until May 14, 2022, the Company had a “rolling” stock option plan (the “Stock Option Plan”) whereby the Company was authorized to grant stock options (“Options”) equal to up to 10% of the number of issued and outstanding common shares.

Effective May 14, 2022, the Company adopted an equity incentive plan (the “Equity Incentive Plan”) that replaced the Stock Option Plan. The Equity Incentive Plan has two components as follows: (i) a rolling stock option plan for the grant of Options equal to up to 10% of the number of issued and outstanding common shares, and (ii) a fixed plan for the grant of performance equity securities including Deferred Share Units (“DSUs”), Restricted Share Units (“RSUs”), and Performance Share Units (“PSUs”) (“DSUs” and, collectively with the RSUs and PSUs, the “Performance-Based Awards”).

Pursuant to the Equity Incentive Plan, the Company is authorized to grant Options to executive officers, directors, employees, and consultants. The Board shall determine any vesting terms applicable to the grants.

Pursuant to the Equity Incentive Plan, the Company is authorized to grant Performance-Based Awards to executive officers, directors, employees, and consultants with the maximum aggregate number of common shares that may be issuable for Performance Based Awards not to exceed 16,118,209 common shares. The Board shall determine any vesting terms applicable to the grants.

(Expressed in Canadian dollars) - unaudited

During the three months ended March 31, 2024, the Company issued Nil Performance-Based Awards and recorded a share-based payment expense of $4,145 (2023 – $Nil) related to the vesting of Performance-Based Awards.

The following is a summary of changes in stock options:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2022	6,200,000	0.22
Exercised options	(1,150,000)	0.18
Issued options	2,500,000	0.35
Cancelled options	(75,000)	0.16
Balance at December 31, 2023	7,475,000	0.26
Exercised options	-	-
Issued options	-	-
Cancelled options	-	-
Balance at March 31, 2024	7,475,000	$ 0.26

As at March 31, 2024, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
425,000	425,000	$0.24	0.81	January 20,2025
1,825,000	1,825,000	$0.30	1.77	January 8, 2026
725,000	725,000	$0.22	2.51	October 5, 2026
2,000,000	2,000,000	$0.16	3.51	October 5, 2027
100,000	75,000	$0.30	4.09	May 2, 2028
2,000,000	2,000,000	$0.36	4.32	July 26, 2028
200,000	200,000	$0.30	4.34	August 3, 2028
200,000	200,000	$0.40	4.51	October 3, 2028
7,475,000	7,425,000			

(Expressed in Canadian dollars) - unaudited

As at December 31, 2023, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
425,000	425,000	$0.24	1.06	January 20,2025
1,825,000	1,825,000	$0.30	2.02	January 8, 2026
725,000	725,000	$0.22	2.76	October 5, 2026
2,000,000	2,000,000	$0.16	3.76	October 5, 2027
100,000	50,000	$0.30	4.34	May 2, 2028
2,000,000	2,000,000	$0.36	4.57	July 26, 2028
200,000	200,000	$0.30	4.59	August 3, 2028
200,000	200,000	$0.40	4.76	October 3, 2028
7,475,000	7,425,000			

12. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer, and the Chief Financial Officer.

The following is a summary of the Company's key management compensation:

	Three months ended March 31	
	2024 $	2023 $
Consulting fees	140,125	150,500
Salaries and benefits	35,250	45,000
	175,375	195,500

13. FINANCIAL and CAPITAL RISK MANAGEMENT

Fair Value

Cash and cash equivalents are carried at fair value using level 1 fair value measurement. The carrying value of receivables, and accounts payable and accrued liabilities and other payables, with the exceptions of convertible debentures, lease liabilities, and equipment loans, approximate their fair value because of the short-term nature of these instruments.

The Company records its financial instruments at amortized cost.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Risk Exposure and Management

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risk, liquidity risk, commodity and equity price risk, and currency risk.

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 obligations. As at March 31, 2024, the Company's maximum exposure to credit risk is the carrying value of its cash, restricted cash, and amounts receivables in the amount of $4,668,624 (December 31, 2023 - $6,598,702).

All off the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Interest Rate Risk

The Company's financial assets exposed to interest rate risk consist of cash and short-term investments balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating rates.

The Company's Convertible Debenture debt which accrues interest is at a fixed rate and does not expose the Company to interest rate risk.

The Company's advance prepayment loan is subject to interest rate risk, but the Company does not believe that it is exposed to material interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management anticipates that it may incur expenditures towards exploring its mineral interests and other Company assets. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has limited working capital, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of its mineral interests. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial, access to other resources, and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly.

Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration.

Foreign Exchange Rate Risk

The functional currency of the Company is the Canadian dollar. As at March 31, 2024 and December 31, 2023, the Company has not entered into contracts to manage foreign exchange risk.

Commodity and Equity Price Risk

The ability of the Company to explore its exploration assets, recommence milling operations, and the future profitability of the Company are directly related to the market price of copper, gold, silver, and other precious metals. Equity price risk is defined as the potential adverse impact on the Company's performance to movements in individual equity prices or general movements in the level of the stock market.

Capital Management

The Company considers capital to be the elements of shareholders equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests and Merritt Mill operations. The Company manages its capital structure to maximize its financial flexibility by adjusting to changes in economic conditions, and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There have been no changes to the management of capital during the current fiscal year.

14. SUBSEQUENT EVENTS

On April 15, 2024, the Company completed a flow-through private placement offering, pursuant to which it issued an aggregate of 5,499,994 shares at a price of price of $0.23 per share for gross proceeds of $1,264,999.

The Company paid an aggregate of $88,550 to one finder in connection with the private placement.