CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

Expressed in Canadian Dollars

Independent auditor's report

To the Shareholders of Mundoro Capital Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mundoro Capital Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were

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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.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment *Refer to note 2 – Significant accounting policies and basis of preparation, note 5 – Investments and note 15 – Financial Instruments to the consolidated financial statements.* The Company holds a 2.9% equity interest in Galenit AD, a privately held company. The investment is classified as fair value through profit or loss. As at December 31, 2022, the fair value of the Company's investment in Galenit AD was estimated to be $274 thousand. Where the fair value of equity instruments cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Management applied judgment in determining the fair value of the Company's investment which was based on the estimated market value of mineral resources held by Galenit AD. The market value of mineral resources was estimated using comparable gold mining companies' public information on mineral resources and market valuation and then adjusting for certain factors such as size, location and liquidity of the investment. We considered this a key audit matter due to (i) the significance of the investment balance; (ii) management's judgment in determining which companies are comparable to the investment in Galenit AD; and (iii) the auditor judgment and subjectivity involved in performing procedures to evaluate management's assessment of the fair value of the investment in Galenit AD.	Our approach to addressing the matter included the following procedures, among others: • Developed an independent fair value estimate based on the adjusted market capitalization of a Canadian listed company which has a stake in three of the properties that Galenit AD holds an interest in. Market capitalization was adjusted for assets owned by the Canadian listed company that Galenit AD does not have an interest in. • Compared the independent fair value estimate to management's estimate to evaluate the reasonableness of management's estimate. • Verified the Company's extent of equity interest in the investment. • Tested the disclosures made in the consolidated financial statements in relation to the investment.

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 1, 2023

(Expressed in Canadian Dollars)

As at	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,843,844	$3,587,477
Amounts receivable	4	168,581	159,117
Amounts receivable from partners	3	510,877	29,802
Deposits	5	464,261	33,492
Prepaid expenses		110,816	56,857
		6,098,379	3,866,745
Non-current assets			
Investments	6	273,820	496,578
Equipment and vehicles	8	151,988	143,457
Mineral interests	9	92,986	201,105
		518,794	841,140
TOTAL ASSETS		**$ 6,617,173**	**$ 4,707,885**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,13	$ 575,451	$ 586,843
Advances from joint venture partners	3	3,154,951	-
Short-term loan	7	-	60,000
TOTAL LIABILITIES		**3,730,402**	646,843
EQUITY			
Share capital	12	53,894,547	53,826,494
Contributed surplus		9,094,652	9,094,652
Stock options reserve		1,676,780	1,427,106
Accumulated other comprehensive income		82,870	(18,343)
Deficit		(61,862,078)	(60,268,867)
TOTAL EQUITY		2,886,771	4,061,042
TOTAL EQUITY AND LIABILITIES		**$ 6,617,173**	**$ 4,707,885**

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

These consolidated financial statements are authorized for issue by the Board of Directors on May 1, 2023.

They are signed on the Company's behalf by:

/s/ Michael Calyniuk, Director　　*/s/ Teo Dechev, Director*

(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2022	December 31, 2021
Exploration and project evaluation	10	$ 5,108,607	$ 3,053,332
Less: recoveries		(4,275,666)	(2,082,141)
		832,941	971,191
Fees earned	3	(936,984)	(211,067)
EXPENSES			
Corporate governance		374,703	267,149
General and administrative		228,083	154,623
Accounting and audit		322,520	189,882
Corporate communication		322,967	187,370
		1,248,273	799,025
LOSS BEFORE OTHER EXPENSES		1,144,230	1,559,148
OTHER (INCOME) EXPENSES			
Share-based payments		274,317	321,108
Depreciation	8	36,762	50,951
Foreign exchange (gain) loss		(101,888)	36,283
Write-down of mineral interests	9	17,032	-
Decrease (Increase) in fair value of investments	6	222,758	(2,614)
		448,981	405,728
NET LOSS FOR THE YEAR		$ 1,593,211	$ 1,964,876
OTHER COMPREHENSIVE (INCOME) LOSS WHICH MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Foreign currency translation differences from foreign operations		(101,213)	(55,680)
COMPREHENSIVE LOSS FOR THE YEAR		$ 1,491,998	$ 1,909,196
BASIC AND DILUTED LOSS PER SHARE		$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		103,781,093	99,083,250

(Expressed in Canadian Dollars)

	Share capital		Reserves				
	Number of shares	Amount	Contributed Surplus	Stock options reserve	Accum. Other Comprehensive Income and loss	Deficit	Total
Balance at December 31, 2020	**81,445,001**	**$ 50,384,465**	**$ 8,994,887**	**$ 1,205,763**	**$ (74,023)**	**$ (58,303,991)**	**$ 2,207,101**
Units issued for cash-private placement	19,287,500	3,086,000	-	-	-	-	3,086,000
Units issued for cash-stock option	1,233,462	150,350	99,765	(99,765)	-	-	150,350
Units issued for cash-warrant	1,500,926	300,185	-	-	-	-	300,185
Share issue costs		(94,506)					(94,506)
Share-based payments **(Note 11 (b))**	-	-	-	321,108			321,108
Net comprehensive loss for the year					**55,680**	**(1,964,876)**	**(1,909,196)**
Balance at December 31, 2021	**103,466,889**	**$ 53,826,494**	**$ 9,094,652**	**$ 1,427,106**	**$ (18,343)**	**$ (60,268,867)**	**$ 4,061,042**
Balance at December 31, 2021	**103,466,889**	**$ 53,826,494**	**$ 9,094,652**	**$ 1,427,106**	**$ (18,343)**	**$ (60,268,867)**	**$ 4,061,042**
Units issued for cash-stock option	338,667	68,053		(24,643)	-	-	43,410
Share-based payments **(Note 11 (b))**	-	-	-	274,317	-	-	274,317
Net comprehensive loss for the year	-	-		-	101,213	(1,593,211))	(1,491,998)
Balance at December 31, 2022	**103,805,556**	**$ 53,894,547**	**$ 9,094,652**	**$ 1,676,780**	**$ 82,870**	**$ (61,862,078)**	**$ 2,886,771**

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

(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2022	December 31, 2021
Cash flows provided from (used in):			
OPERATING ACTIVITIES			
Net loss for the year	**$**	**(1,593,211)**	**$ (1,964,876)**
Adjustments for items not affecting cash:			
Depreciation		36,762	50,951
Share-based payments		274,317	321,018
Change in fair value of investments	6	222,758	(2,614)
Gain on retirement of CEBA loan		(20,000)	-
Write-down of mineral interests		17,032	-
Write-off of receivables		21,717	-
Unrealized foreign exchange (gain) loss		(10,261)	36,283
		(1,050,886)	**(1,559,148)**
Amounts receivable	3	(25,730)	(62,910)
Amounts receivable from partners	3	(481,075)	
Prepaid expenses		(54,160)	35,219
Deposits	5	(329,713)	(15,244)
Accounts payable and accrued liabilities		(11,472)	235,592
Advances from partners	3	3,154,951	(519,728)
Net cash provided by (used in) operating activities		**1,203,915**	**(1,886,075)**
FINANCING ACTIVITIES			
Issuance of common shares for cash		**-**	3,086,000
Issuance of common shares for cash, stock option exercise		**43,410**	150,350
Issuance of common shares for cash, warrant exercise		**-**	300,185
Share issuance costs		**-**	(94,506)
Proceeds from (payment of) government loan		(40,000)	60,000
Net cash flows from financing activities		**3,410**	**3,502,029**
INVESTING ACTIVITIES			
Expenditures on mineral interests		(16,738)	(123,832)
Option payments received for capitalized mineral interests	9	102,629	-
Security deposit for mineral interests exploration		(121,093)	-
Purchase of equipment		(38,468)	(30,430)
Proceeds from disposition of assets		151	21,600
Net cash flows provided by (used in) investing activities		**(73,519)**	**(132,662)**
Effects of exchange rate changes on cash and cash equivalents		**122,561**	**20,520**
Net increase in cash and cash equivalents		**1,256,367**	**1,503,812**
Cash and cash equivalents, beginning of year		**3,587,477**	**2,083,665**

Cash and cash equivalents, end of year	**$**	**4,843,844**	**$ 3,587,477**

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

1. NATURE OF OPERATIONS

Mundoro Capital Inc. ("**Company**", "**MCI**", and "**Mundoro**") was incorporated on March 6, 2008 under the Business Corporations Act of the Province of British Columbia and is a Canadian based mineral acquisition, exploration and development company (see discussion under "**Summary of Activities**"). The Company's common stock is quoted on the TSX Venture Exchange ("TSXV") under the symbol MUN. The Company's head office and principal address is 14th floor - 1040 West Georgia Street, Vancouver, British Columbia, Canada V6E 4H1. The business of exploration and development involves a high degree of risk and there can be no assurance that current exploration and development programs will result in discovery or future profitable operations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) Statement of compliance with International Financial Reporting Standards

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

b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for the Company's investments which are recognized at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

d) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its controlled entities are measured using the currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entities, Mexican entity, Bulgarian entity, Serbian entity, Dutch entities and US entities are the Canadian dollar (CAD$), Mexican peso (MXN), Bulgarian Lev (BGN), Serbian dinar (RSD) Euro (EUR), and US Dollar (USD) respectively.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise.

<u>Presentation Currency</u>

The presentation currency of the Company is the Canadian dollar.

The financial results and financial position of the entities whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

e) Equipment and vehicles

Equipment and vehicles are initially recognized at cost. All items of equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided at the following annual rates:

Computers	30% declining balance
Furniture and fixtures	20% declining balance
Office equipment	20% declining balance
Field equipment	30% declining balance
Vehicles	30% declining balance

Residual value estimates and estimates of useful life are updated as required, but at least annually.

f) Mineral interests

Exploration Assets

Exploration assets include the acquisition of mineral rights for mineral properties held by the Company. The fair value of consideration paid for mineral rights is capitalized. The amounts shown for exploration assets represent costs of acquisition incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against future production or written off if the exploration assets are abandoned or sold.

Exploration and Project Evaluation Costs

Exploration and project evaluation costs, other than acquisition costs, are expensed as incurred until such time as proven and probable reserves are established. Following confirmation of mineral reserves on a project, the project is considered to have demonstrated technical feasibility and commercial viability and the related exploration and evaluation expenditures are capitalized as deferred development assets, after first being tested for impairment.

g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any impairment indicators exist, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in net loss for the relevant period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

h) Share-based payments

The Company's share option plan allows directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity.

The fair value of a share-based award is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

i) *Share Capital*

When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

j) Financial instruments

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

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("**FVTPL**"), at fair value through other comprehensive income (loss) ("**FVTOCI**") or at amortized cost. The Company determines the classification of financial assets and financial liabilities at initial recognition.

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

The Company's equity instruments are designated as FVTPL and have been initially recognized at fair value. Subsequently they are measured at fair value, with both realized and unrealized gains and losses recognized in the profit and loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

j) Taxation

Tax expense comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

k) Cash, cash equivalents and short-term investments

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Short term investments are highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of changes in value.

l) Provisions for future obligations

Provisions for future obligations, including environmental restoration, restructuring costs and legal claims, are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

m) Accounting policy judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors including expectations about future events that are believed to be reasonable under the circumstances.

The following discusses the most significant accounting judgement that the Company has made in the preparation of the financial statements.

<u>Impairment</u>

(Expressed in Canadian Dollars)

The application of the Company's accounting policy for impairment of non-financial assets requires judgment to determine whether indicators of impairment exist including factors such as: the period for which the Company has the right to explore;

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

expected renewals of exploration rights; whether substantive expenditures or further exploration and project evaluation of resource properties are budgeted, and results of exploration and project evaluation activities on the exploration assets.

For the years ended December 31, 2022 and December 31, 2021, the Company conducted its impairment analysis, and it did not identify any indicators that its mineral interests were impaired or required a write-down.

Assessments of fair value

The assessment of fair value is principally used in accounting for business combinations, impairment testing and the valuation of certain financial assets and liabilities.

Where the fair value of equity instruments cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value for the Company's investment in private entity Galenit AD is determined based on observable market data including comparable market information of similar companies and adjusting for certain factors such as size, location and liquidity of the financial asset or liability where discounted cash flow models (and other valuation techniques) and assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Management applied judgment in determining which companies are comparable to the investment in Galenit AD.

3. THIRD PARTY FUNDED EXPLORATION PROGRAMS

Amounts received from third parties earning into a license(s) are netted firstly against the capitalized exploration expenditures on the applicable licenses and thereafter are recognized in the Company's statement of income (loss). Any advances received for future exploration work or any reimbursable funds expended by the Company are recognized separately in the statement of financial position. Fees earned include operator fees earned as the designated operator of the projects and option fees earned for maintaining options in good standing which are recognized in the Company's statement of income (loss).

Where Mundoro is contractually entitled to advance payments in respect of a future period, those amounts are shown as amounts receivable from partners. The balance of such receivables was $510,877 as at December 31, 2022 (2021 -$29,802).

When Mundoro receives a payment from a partner in advance of the exploration work being performed, the prepayment is shown as advances from partners. The balance of this account at the end of 2022 was $3,154,951 (2021 – nil). These funds are to be used for exploration work.

4. AMOUNTS RECEIVABLE

		December 31, 2022		December 31, 2021
Amounts receivable				
VAT/GST receivable	**$**	168,581	$	159,117

(Expressed in Canadian Dollars)

	$	**168,581**	$	159,117

5. DEPOSITS

Deposits include advance payments made to contractors and deposits made to governments as required by local laws. The balance at December 31, 2022 was $464,261 (2021 - $33,492)

6. INVESTMENTS

In 2013, the Company, through a 100%-owned subsidiary, acquired at a cost of $280,853, a 2.9% equity interest in Galenit AD, a privately held gold producing company in Bulgaria that operates adjacent to one of the Company's former exploration licenses. As at December 31, 2022, the fair value of such equity investment was determined to be $273,820 (December 31, 2021 - $496,578), resulting in a decrease in fair value of this investment of $222,758 in the Company's statement of loss. See Note 2 Assessments of fair value. This investment has been designated at FVTPL. The valuation approach is discussed in Note 15.

7. SHORT-TERM LOAN

In February 2021, the Company was approved for and received a $60,000 line of credit ("CEBA loan") under the Canada Emergency Business Account (CEBA) program funded by the Government of Canada. The CEBA loan was non-interest bearing and could be repaid without penalty at any time. On December 31, 2021, the outstanding balance on the CEBA loan was automatically converted to a 2-year interest free term loan. Under the terms of this loan, if $40,000 of the balance were repaid on or before December 31, 2023, the repayment of the remaining $20,000 would be forgiven. The Company repaid this $40,000 prior to the deadline. The $20,000 amount forgiven was recorded as interest and other income.

8. EQUIPMENT AND VEHICLES

Cost		**Office equipment**		**Field equipment**		**Total**
As at December 31, 2020	**$**	**51,778**	**$**	**466,038**	**$**	**517,816**
Additions		30,430		-		30,430
Disposals		-		(67,157)		(67,157)
Effect of movements in exchange rates		7,214		(34,045)		(26,831)
As at December 31, 2021	**$**	**89,432**	**$**	**364,836**	**$**	**454,258**
Additions		28,191		10,277		38,468
Disposals		-		(151)		(151)
Effect of movements in exchange rates		1,264		9,973		11,237
As at December 31, 2022	**$**	**118,877**	**$**	**384,935**	**$**	**503,812**
Accumulated depreciation						
As at December 31, 2020	**$**	**(46,090)**	**$**	**(282,542)**	**$**	**(328,632)**
Depreciation for the year		(19,357)		(31,594)		(50,951)
Disposal		-		45,557		45,557
Effect of movements in exchange rates		2,175		21,050		23,225
As at December 31, 2021	**$**	**(63,272)**	**$**	**(247,529)**	**$**	**(310,801)**
Depreciation for the year		(8,410)		(28,352)		(36,762)
Disposal				739		739
Effect of movements in exchange rates		(535)		(4,465)		(5,000)
As at December 31, 2022	**$**	**(72,217)**	**$**	**(279,607)**	**$**	**(351,824)**

Net book amount

(Expressed in Canadian Dollars)

As at December 31, 2021	$	26,150	$	117,307	$	143,457
As at December 31, 2022	**$**	**46,659**	**$**	**105,328**	**$**	**151,988**

9. MINERAL INTERESTS

		Serbia		Bulgaria		North America	Total
Balance as at December 31, 2020	**$**	**65,789**	**$**	**1,186**	**$**	**5,499**	**72,474**
Acquisition costs		16,623		14,236		102,628	133,487
Write-down		-		-		-	-
Effect of movements in exchange rates		(4,685)		-		(172)	(4,857)
Balance at December 31, 2021	**$**	**77,727**	**$**	**15,422**	**$**	**107,956**	**201,105**
Acquisition costs		-		-		7,138	7,138
Write-down		(2,796)		(14,236)		-	(17,032)
Allocation of option payments						(102,629)	(102,629)
Effect of movements in exchange rates		19		-		4,386	4,405
Balance at December 31, 2022	**$**	**74,950**	**$**	**1,186**	**$**	**16,851**	**92,987**

During the year 2022, the Company wrote down $17,032 in mineral interests (2021 – nil) due to the expiration of certain license terms. The company allocated $102,629 (2021 – nil) of option payments received in 2022 to reduce the carrying cost of certain US properties.

<u>Serbian Properties</u>

The Company holds, through its Serbian subsidiaries, the following 100%-owned exploration licenses: Crvena Zemlja, Padina, Odej, Odej South, Gramada, Bobot, Oblez, Skorusa, Branik, Kotlenik, Ponor, and Vitanovac. These licenses are located in northeastern Serbia and central Serbia. To maintain title to the exploration licenses in Serbia, the Company has ongoing annual exploration expenditure commitments and annual property taxes associated with maintaining the properties in good standing. As of December 31, 2022, property payments amounted to $35,904 (2021 - $29,614).

BHP-Mundoro Project

See subsequent events note 16

JOGMEC-Mundoro JV Project

In 2015, Mundoro entered into an agreement with Japan Oil, Gas and Metals National Corporation ("**JOGMEC**") which included the Borsko license ("**JOGMEC-Mundoro JV Project**"). From March 2016 to April 2020, JOGMEC sole funded a cumulative total of US$5.8 million (C$8.1million) under the Agreement and completed the earn-in for a 51% interest in the project. In Q2-2020, Mundoro exercised the option to acquire for nominal consideration a 2% interest in the project from JOGMEC (increasing Mundoro's interest to 51%). The project is in a proportionate funding stage and Mundoro is the operator. Subsequent to year end, the Borsko Project was optioned to BHP.

Kinross-Mundoro Project

In Q3-2022, Mundoro entered into a Option Agreement ("Agreement") with Kinross Gold Corporation ("Kinross") setting out the commercial terms for Kinross to earn-in 100% ("Option") of Mundoro's 100% owned exploration property identified as GT7 ("GT7

Property") in Serbia. Kinross can earn-in a 100% interest in the GT7 Property by completing US$6,000,000 of exploration expenditures over 5 years with a firm commitment of US$1,500,000 exploration expenditures in the first 18 months. While Mundoro is the Operator of the GT7 Property, the Company will receive operator fees. During the term of the option, based on certain conditions, Kinross will make annual payments which commence with a payment at the execution of the Agreement. After exercise of the option, Kinross will make annual payments to Mundoro until commercial production commences. Upon exercise of the option, Mundoro will retain a 2% NSR royalty on the Property, of which Kinross will have an option to purchase a portion over two tranches which are: (i) within 3 years of the Option exercise, purchase 0.5% of the NSR royalty for a payment price linked to the gold price at that time (the "Initial Buy-back"), and (ii) if the Initial Buy-Back is completed, at any time thereafter purchase an additional 0.5% of the NSR royalty for a payment price linked to the gold price at that time.

Vale-Mundoro Projects

In Q4 2019, the Company announced it had entered into an earn-in agreement ("**Earn-in Agreement**") with Vale Canada Limited ("**Vale**"), in which Mundoro granted to Vale over two phases ("**Phase One and Phase Two**") an option to earn up to a 75% interest in four of its exploration licenses: Skorusa, Oblez, Branik and Padina ("**Vale-Mundoro Projects**") by sole funding expenditures of up to US$50 million. Phase One provides Vale the option to earn a 51% in the Vale-Mundoro Projects by sole-funding US$5 million in expenditures over 3 years. Following Phase One, Vale has the option, exercisable within 60 days, to elect to enter Phase Two, whereupon it can earn an additional 24% interest in the Vale-Mundoro Projects, for a total of 75% interest, by sole-funding an additional US$45 million in expenditures ("**Phase Two Option**") by the fifth anniversary of the election date. If either party dilutes below 10%, their interest will convert into a 2% NSR of which up to 1% NSR will be re-purchasable.

In Q3-2021, Mundoro completed and entered into an option agreement ("**Option Agreement**") with Vale, in which Mundoro has granted to Vale an option on four exploration licenses ("**Vale Option Projects**") in Timok, Serbia. These Option Projects are in addition to the Vale-Mundoro Projects which Vale is currently earning into in Timok, Serbia. Mundoro is the Operator. To exercise the Option, Vale must complete the following exploration expenditures: US$2 million over two years, and if Vale extends the Option period for an additional year, US$ 1M during such extension year. Mundoro will be the operator of the Projects during the Option period and receive an Operator Fee. During the Option period, Vale will make annual option payments of US$200,000 per year. Upon exercise of the Option, Mundoro will retain a 2% NSR royalty on the Projects, of which Vale will have an option to purchase up to 1% of the NSR royalty (subject to certain conditions) with payments tied to the gold price at that time. At the current gold price, the value of the 1% NSR is estimated at US$9.2 million. After exercise of the Option, Vale must make annual advance royalty payments to Mundoro of US$200,000 per year until commercial production commencement. After exercise of the Option, Vale must make milestone payments to Mundoro totaling US$9,000,000 upon completion of four major milestones commencing with a resource estimate filing and ending with attainment of a development permit.

Bulgarian Properties

JOGMEC-Mundoro Projects

In Q1 2019, Mundoro entered into a Generative Program Agreement ("**Generative Agreement**") in the Republic of Bulgaria ("**Bulgaria**") with Japan Oil, Gas and Metals National Corporation ("**JOGMEC**"). JOGMEC has designated a few properties as Designated Projects to proceed to the next stage of the Generative Agreement ("**JOGMEC Designated Project**"). Mundoro has a number of applications at the Bulgarian Ministry of Energy ("**BMoE**") for areas of exploration that are the selected JOGMEC Designated Projects. In Q4-2021, a contract was signed with the BMoE for one of the JOGMEC Designated Projects located in western Bulgaria.

Mundoro Projects

In September 2017, the Company's local subsidiary in Bulgaria was announced as the winner of the Svoboda tender process. Certain legal and administrative procedures must be completed in order for an exploration contract to be entered into between the Company's subsidiary and the BMoE . The Company has submitted a number of applications to the BMoE and continues to coordinate with the responsible Ministries in order to advance its applications.

(Expressed in Canadian Dollars)

USA Properties

Vale-Mundoro Projects

In Q2-2022, the Company and Vale entered into a *generative alliance* which has an initial term of two years Vale has committed to funding exploration and portfolio generation services within areas of interest in Arizona and New Mexico. Mundoro also earns a management fee and will identify and present to Vale projects suitable for further exploration which will be subject to a separate option agreement.

In Q4-2021, Mundoro and Vale entered into an option agreement for the Dos Cabezas property in Arizona. Vale can acquire 100% of the right, title, and interest in the respective properties provide it maintains its option in good standing through: (i) sole-funding exploration expenditures during the option period for up to US$1,500,000 over two years or US$2,500,000 over three years, (ii) make payments during the option period of up to US$500,000 over the three years, (iii) upon completion of the option exercise, make cash payments to Mundoro which combined equate to US$9,000,000 over four milestones starting at an initial resources statement for the Designated Project and ending with receipt of permits and licenses necessary to commence construction, and (iv) as part of the option exercise, grant to Mundoro of a 2% NSR, which includes annual advance royalty payments of US$200,000 through to commercial production.

Other Properties

The Company owns 100% interest in the Camargo Project, a porphyry copper-gold deposit located in Southeastern Chihuahua State, Mexico. To maintain the Camargo mineral concession, the Company has an ongoing annual exploration expenditure commitment and is obligated to pay approximately $8,000 semi-annually in government property tax payments.

10. EXPLORATION AND PROJECT EVALUATION

The following is a summary of expenditures incurred on the Company's projects:

		Serbia		Bulgaria		North America		Total
For the year ended December 31, 2022								
Corporate[1]	$	221,545	$	64,174	$	17,651	$	303,370
Land holding[2]		35,904		4,603		79,475		119,982
Government and community relations[3]		91,521		71,687		31,694		194,902
Field related[4]		524,387		20,818		433,046		978,251
Personnel[5]		642,490		186,018		403,614		1,232,122
Technical services[6]		1,108,675		70,567		-		1,179,242
Project evaluation[7]		188,678		43,587		868,473		1,105,341
Total expenditures		2,813,200		461,454		1,833,953		5,108,607
Less: recoveries		(2,272,501)		(332,841)		(1,670,324)		(4,275,666)
	$	540,699	$	128,613	$	163,629	$	832,941

(Expressed in Canadian Dollars)

		Serbia		Bulgaria		North America		Total
For the year ended December 31, 2021								
Corporate[1]	$	198,177	$	87,362	$	-	$	285,539
Land holding[2]		29,614		-		-		29,614
Government and community relations[3]		79,500		64,736		-		144,236
Field related[4]		202,978		7,524		-		210,502
Personnel[5]		608,334		27,975		62,395		698,704
Technical Services[6]		1,204,186						1,204,186
Project evaluation[7]		270,206		53,586		156,759		480,551
Total expenditures		2,592,995		241,183		219,154		3,053,332
Less: recoveries		(2,082,141)				-		(2,082,141)
	$	510,854	$	241,183	$	219,154	$	971,191

Notes

1. Corporate expenses include legal fees, and general and administrative costs related to the projects.

[2] Land holding costs include property taxes and related costs associated with holding the properties.

[3] Government and community relations relates to the costs of communicating with governing bodies in the local jurisdictions.

[4] Field related expenses include items such as field equipment costs and lodging for field personnel.

[5] Personnel costs for conducting exploration work include consultants and employees, full-time and allocated.

[6] Technical Services expenditures include activities such as geochemical sampling and assaying, geophysical surveys and interpretation, and drilling and assaying.

[7] Project evaluation expenditures capture those costs incurred in analysis of existing mineral projects and evaluating new mineral project opportunities.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021
Trade payables	**$**	**440,677**	$	434,488
Accrued liabilities		**134,774**		152,355
	$	**575,451**	$	586,843

12. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2022, there were 103,805,556 issued and fully paid common shares (December 31, 2021 – 103,466,889).

In February 2021, the Company closed a private placement of 19,287,500 units at a price of $0.16 per units for gross proceeds of $3,086,000. Each unit is comprised of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.30 for a period of 24 months. A total of $60,000 was paid as a finder's fee to certain qualified registrants equal to 6% of the gross proceeds raised by such finders. Total costs incurred by the Company in connection with the private placement amounted to $94,507.

(Expressed in Canadian Dollars)

During the year 2022, stock options for 338,667 common shares were exercised at a price of $0.128 per share for gross proceeds of $43,410. During the year 2021, stock options for 1,233,462 common shares were exercised at a price of $0.122 per share for gross proceeds of $150,350.

During the year 2021, warrants for 1,500,926 common shares were exercised at a price of $0.20 per share for proceeds of $300,185. Warrants exercisable for 7,730,705 shares at $0.20 per share expired. No warrants were exercised in 2022.

c) *Stock options*

The continuity of stock options during the year ended December 31, 2022 and the year ended December 31, 2021 was as follows:

	December 31, 2022			December 31, 2021		
	Number outstanding		**Weighted average exercise price**	Number outstanding		Weighted average exercise price
Opening Balance	**7,723,205**	**$**	**0.17**	6,662,500	$	0.14
Granted	**1,725,000**		**0.18**	2,650,000		0.23
Exercised	**(338,667)**		**0.13**	(1,233,462)		0.12
Expired	**(1,369,538)**		**0.16**	-		-
Forfeited	**(720,000)**		**0.21**	(355,833)		0.19
Closing Balance	**7,020,000**	**$**	**0.17**	7,723,205	$	0.17

The following summarizes information about stock options outstanding and exercisable at December 31, 2021:

Grant date	**Options outstanding**	**Expiry Date**	**Unvested Options**	**Options exercisable**	**Remaining Life**	**Exercise price ($)**
May 23, 2018	1,020,000	May 23, 2023	-	1,030,000	0.40	0.11
May 27, 2019	1,250,000	May 27, 2024	-	1,250,000	1.41	0.12
June 30, 2020	1,290,000	June 30, 2025	-	1,290,000	2.50	0.12
May 04, 2021	1,935,000	May 03, 2026	645,000	1,290,000	3.34	0.23
Feb 15, 2022	1,525,000	Feb 15, 2027	1,016,667	508,333	4.13	0.175
	7,020,000		**1,661,667**	**5,358,333**	**2.20**	**0.15**

On May 04, 2021 the Company granted stock options to directors, officers, employees and contractors to purchase up to 2,650,000 common shares of the Company at an exercise price of $0.23 per share, over a five-year term.

On February 15, 2022 the Company granted stock options to directors, officers, employees and contractors to purchase up to 1,725,000 common shares of the Company at an exercise price of $0.175 per share, over a five-year term.

The incentive stock options granted in years 2020, 2021 and 2022 are subject to vesting such that 1/3rd vest at the time of the grant, 1/3rd vest after 12 months from the date of the grant and remaining 1/3rd vest after 24 months from the date of the grant.

(Expressed in Canadian Dollars)

The estimated fair value of the stock options granted during the year ended December 31, 2022 and 2021 were calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	1.26%	0.72%
Expected annual volatility	106.46%	95.30%
Expected life (in years)	5.00	5.00
Expected dividend yield	0.00%	0.00%
Grant date fair value per option	$0.1127	$0.22

d) Warrants

The change in warrants during the years ended December 31, 2022 and 2021 was as follows:

	December 31, 2022			December 31, 2021		
	Number outstanding		**Weighted average exercise price**	Number outstanding		Weighted average exercise price
Opening balance	**10,011,487**	**$**	**0.30**	6,037,987	$	0.20
Issued	-		-	9,643,751		0.30
Exercised	-		-	(1,500,926)		0.20
Expired	(367,736)		0.20	(4,169,325)		0.20
Closing balance	**9,643,751**	**$**	**0.30**	10,011,487	$	0.30

A summary of the Company's warrants outstanding as at December 31, 2022 is as follows:

Issuance date	Warrants outstanding		Price per share	Expiry date
February 11, 2021	9,643,751		0.30	February 11, 2023
	9,643,751	**$**	**0.30**	

As noted in Note 16, these warrants expired in February 2023 and are no longer outstanding.

13. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in accounts payables and accrued liabilities were $nil as of December 31, 2022 (December 31, 2021 – $31,038). These amounts are for reimbursement of expenses and service fees and bear no interest or repayment terms.

b) Related party transactions

	For the year ended		
Expenses by nature:	**December 31, 2022**		**December 31, 2021**
Directors' fees	133,000	$	102,482
Short-term management salaries and benefits	616,047		484,306

(Expressed in Canadian Dollars)

Share based payments – Directors	88,316		76,893
Share based payments - Management	51,354		80,213
	888,717	$	743,412

14. GEOGRAPHIC SEGMENT INFORMATION

The Company has the following geographic segments: Mexico, Canada and the United States ("North America") and the Serbian and Bulgarian exploration programs ("Europe"). The Company's total assets and net losses by geographic segment are as follows:

		North America		Europe		Total
Assets						
As at December 31, 2022						
Non-current	$	55,300	$	463,494	**$**	**518,794**
Current		4,748,746		1,349,633		**6,098,379**
Total assets	$	4,804,046	$	1,813,127	**$**	**6,617,173**
As at December 31, 2021						
Non-current	$	144,888	$	696,252	**$**	**841,140**
Current		3,466,297		400,448		**3,866,745**
Total assets	$	3,611,185	$	1,096,700	**$**	**4,707,885**
Net loss:						
For the year ended December 31, 2022	$	1,391,025	$	202,186	**$**	**1,593,211**
For the year ended December 31, 2021	$	1,689,198	$	275,678	**$**	**1,964,876**

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company continuously reviews the shareholders' equity and cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its activities through the current operating period.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments as at December 31, 2022 consist of cash and cash equivalents, receivables, advances, deposits, investments, and accounts payable. Cash and cash equivalents, receivables and accounts payable are classified as amortized cost. Investments are designated as FVTPL.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The Company's equity investments are measured at fair value using Level 3 inputs. Management applied judgment in determining the fair value of the Company's investment which was based on the estimated market value of mineral resources held by Galenit AD. The market value of mineral resources was estimated using comparable gold mining companies' public information on mineral resources and market valuation and then adjusting for certain factors such as size, location and liquidity of investment.

Financial Risk Management

The Company is exposed to a variety of financial instrument related risks. The types of risk exposure and the way in which such exposure is managed are as follows:

Credit risk
The Company is exposed to credit risk with respect to its cash and accounts receivable. Cash, cash equivalents and short-term investments have been placed on deposit with major Canadian financial institutions.

The risk arises from the non-performance of counter parties of contractual financial obligations. The Company manages credit risk, in respect of cash, cash equivalents and, short-term investments by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. Optionees of the Company's projects are major multi-national companies and the credit risk related to receivable amounts under the option agreements is considered to be low. Concentration of credit risk exists as the majority of cash and short-term investments are held at a single Canadian financial institution.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk requirements for its exploration, development and other corporate activities, and ensuring that it has sufficient
cash and cash equivalents on hand to meet its short-term business requirements. Management annually prepares a budget which takes into consideration operating expenditure, capital investments and purchases, and expenditure commitments. The annual budget is reviewed and approved by the Board of Directors. The Company believes that it has sufficient cash and cash equivalents to meet its short-term operating requirements. In the long-term, the Company will have to raise funds through the issuance of equity, assumption of debt, or other financing alternatives to complete development of its current exploration projects and any projects acquired by the Company in the future. There are no assurances that the Company would be successful in its efforts to secure any required future financing.

The Company maintained sufficient cash and cash equivalents at December 31, 2022 in the amount of $4,843,844, in order to meet its operating requirements for at least the next twelve months. At December 31, 2022 the Company had $168,581 in amounts receivable, $510,877 in amounts receivable from partners, accounts payable and accrued liabilities of $575,458, and advances payable from joint venture partners of $3,154,951, all of which were expected to be settled in 2023.

Market Risk
The significant market risks to which the Company is exposed are interest rate risk and currency risk.

(Expressed in Canadian Dollars)

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's invests cash, where appropriate, in highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2022.

Currency risk

The Company operates in Canada, USA, Mexico, Serbia, and Bulgaria, and its expenses are incurred in CAD$, US$, MXN, EUR, BGN and RSD but funded primarily in Cdn$ and US$. The Company is affected by currency transaction risk, which may affect the Company's operating results as exchange rates fluctuate. Based on this exposure, as at December 31, 2022 a 5% change in exchange rates could give rise to a change in the net loss by approximately $155,500 which is primarily due to the Company's USD cash balance of $3.33M at year end. The Company has not hedged its exposure to currency risk.

The Company maintains its funds primarily in CAD$ and US$ and purchases foreign currencies when needed to meet current operating needs.

17. INCOME TAXES

a) Income tax expense

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2021 – 27.0%) as follows:

		2022		2021
Expected tax recovery	**$**	**(430,167)**	$	(530,517)
Share based compensation and other differences		**148,225**		85,993
Foreign exchange rate and tax rate differences		**382,676**		11,903
		-		-
Tax assets which have not been recognized		**(100,734)**		432,621
Income tax expense	**$**	**-**	$	-

b) Deferred income tax assets

As at December 31, 2022, no deferred tax assets are recognized on temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets.

As at December 31, 2022, the unrecognized amount of deferred tax asset arising from the deductible temporary differences are as follows:

		December 31, 2022		December 31, 2021
Tax loss carry forwards	**$**	**4,574,000**	$	5,247,000

The Company has tax losses in Canada of approximately $17,500,000 expiring in various amounts from 2028 to 2042. The Company also has tax losses in Mexico of approximately $1,010,000 expiring from 2023 to 2029, tax losses in Serbia of approximately $2,800,000 expiring in 2023 to 2027, tax losses in Bulgaria of approximately $750,000 expiring from 2023 to 2027, and tax losses in the United States of roughly $1,330,000 which can be carried forward indefinitely

18. SUBSEQUENT EVENTS

In Q1-2023 Mundoro entered into a definitive agreement with a wholly owned subsidiary of BHP Group Limited ("BHP"), which provides BHP with the right to earn-in to three (each, an "Option") exploration areas that Mundoro holds in the Timok region ("Timok Properties"). Each of the three Options provides BHP with the right to earn a 100% interest in the relevant Timok Property by making (i) annual cash payments and operator payments ("Payments") to Mundoro, with the aggregate amount of Payments for the three properties over three years amounting to approximately US$1,700,020, and (ii) incurring exploration expenditures within three years on the three properties amounting to US$7,500,000. The earn-in also includes an exploration expenditure commitment related to drilling by March 2023. BHP may exercise each Option independently or elect to extend each Option by one year by making additional Payments and incurring additional exploration expenditures. Upon exercise of each Option, Mundoro will retain a 2% net smelter return ("NSR") royalty that includes development milestone payments for a total up to US$9,000,000 and annual cash payments until commercial production commences. Mundoro is appointed as the initial operator under the Options.

In February 2023, warrants to purchase 9,643,750 common shares at $0.30 per share expired.