RANCHERO GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

smythe

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RANCHERO GOLD CORP.

Opinion

We have audited the consolidated financial statements of Ranchero Gold Corp. and its subsidiaries (collectively the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2022, December 31, 2021 and January 1, 2021;
- the consolidated statements of loss and comprehensive loss for the years ended December 31, 2022 and 2021;
- the consolidated statements of changes in shareholders' equity (deficit) for the years ended December 31, 2022 and 2021;
- the consolidated statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, December 31 2021, and January 1, 2021 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying out opinion, we draw attention to note 2 in the consolidated financial statements which indicates that the comparative information presented as at December 31, 2021 and January 1, 2021 and for the year ended December 31, 2021 has been adjusted to reflect that the Company has elected to change its method of accounting for its exploration and evaluation assets.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $4,397,751 for the year ended December 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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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 audits.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sukjhit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2023

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Ranchero Gold Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		**December 31, 2022**		December 31, 2021		January 1, 2021
				restated (note 2)		restated (note 2)
ASSETS						
Cash	$	**51,315**	$	1,666,645	$	71,968
Accounts receivable		**112,532**		66,583		-
Prepaid expenses		**15,370**		663,924		2,420
Total assets	$	**179,217**	$	2,397,152	$	74,388
LIABILITIES						
Current						
Accounts payable and accrued liabilities (Notes 5)	$	**3,332,508**	$	1,902,070	$	1,107,552
Total current liabilities		**3,332,508**		1,902,070		1,107,552
Non-current						
Loans payable (Note 6)		**213,889**		-		-
Total non-current liabilities		**213,889**		-		-
Total liabilities		**3,546,397**		1,902,070		1,107,552
SHAREHOLDERS' EQUITY (DEFICIT)						
Share capital (Note 8)		**10,303,305**		10,303,305		881,750
Reserves (Note 8)		**651,750**		102,800		-
Commitment to issue shares (Note 7)		**50,040**		63,501		63,715
Other comprehensive income		**80,637**		80,637		80,637
Deficit		**(14,452,912)**		(10,055,161)		(2,059,266)
Total shareholders' equity (deficit)		**(3,367,180)**		495,082		(1,033,164)
Total shareholders' equity (deficit) and liabilities	$	**179,217**	$	2,397,152	$	74,388

Approved on behalf of the Board:

"Gustavo Mazon"
Director

" Martyn Buttenshaw"
Director

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

Ranchero Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended December 31,		2022		2021 restated (note 2)
Expenses				
Consulting fees (Notes 7 and 8)	$	**287,068**	$	528,466
Exploration expenditures (Note 4)		**2,595,246**		1,465,248
Financing fees		**4,845**		17,409
Foreign exchange loss		**79,552**		116,482
Management fees (Note 7)		**462,242**		335,933
Office costs		**38,776**		4,571
Professional fees		**314,114**		99,106
Share-based compensation (Notes 7 and 8)		**548,950**		-
Transfer agent and filing fees		**56,902**		39,486
Travel		**10,056**		6,967
Total loss from operations		**(4,397,751)**		(2,613,668)
Reverse takeover expense (Note 3)		-		(5,382,227)
Total net loss and comprehensive loss	$	**(4,397,751)**	$	(7,995,895)
Loss per common share, basic and diluted	$	**(0.07)**	$	(0.16)
Weighted average number of shares outstanding		**65,737,322**		51,486,624

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

Ranchero Gold Corp.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Reserve	Commitment to issues shares	Other comprehensive income	Deficit restated (note 2)	Total
Balance as at December 31, 2020	**47,329,553**	**$ 881,750**	**$ -**	**$ 63,715**	**$ 80,637**	**$ (2,059,266)**	**$ (1,033,164)**
Shares gifted back to Ranchero	(100)	-	-	-	-	-	-
Shares issued for management fees	229,645	126,305	-	(63,715)	-	-	62,590
Shares issued for reverse take-over	7,875,000	4,331,250	-	-	-	-	4,331,250
Shares issued for private placement, net of share issuance costs	9,561,613	4,964,000	102,800	-	-	-	5,066,800
Shares issued for finders' fees	741,611	-	-	-	-	-	-
Commitment to issue shares for management fees	-	-	-	63,501	-	-	63,501
Loss for the year	-	-	-	-	-	(7,995,895)	(7,995,895)
Balance as at December 31, 2021	**65,737,322**	**$ 10,303,305**	**$ 102,800**	**$ 63,501**	**$ 80,637**	**$ (10,055,161)**	**$ 495,082**

	Number of shares	Share capital	Reserves	Commitment to issues shares	Other comprehensive income	Deficit restated (note 2)	Total
Balance as at December 31, 2021	**65,737,322**	**$ 10,303,305**	**$ 102,800**	**$ 63,501**	**$ 80,637**	**$(10,055,161)**	**$ 495,082**
Commitment to issue shares for management fees	-	-	-	54,739	-	-	54,739
Cash paid in lieu of shares for management fees	-	-	-	(68,200)	-	-	(68,200)
Share-based compensation	-	-	548,950	-	-	-	548,950
Loss for the year	-	-	-	-	-	(4,397,751)	(4,397,751)
Balance as at December 31, 2022	**65,737,322**	**$ 10,303,305**	**$ 651,750**	**$ 50,040**	**$ 80,637**	**$(14,452,912)**	**$ (3,367,180)**

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

Ranchero Gold Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2022	Year ended December 31, 2021 restated (note 2)
OPERATING ACTIVITIES		
Loss for the year	$ (4,397,751)	$ (7,995,895)
Items not affecting cash:		
Reverse takeover expense	-	5,382,227
Share-based compensation	548,950	-
Shares issued for management fees	-	126,305
Management fees accrued as commitment to issue shares	54,739	-
Unrealized foreign exchange	-	(214)
Changes in non-cash working capital items:		
Accounts receivables	(45,949)	(35,482)
Prepaid expenses	648,554	(661,504)
Accounts payable and accrued liabilities	1,430,438	198,310
Net cash used in operating activities	(1,761,019)	(2,986,253)
INVESTING ACTIVITY		
Reverse takeover transaction	-	(485,870)
Net cash used in investing activity	-	(485,870)
FINANCING ACTIVITIES		
Issuance of common shares, net of issuance costs	-	5,066,800
Funds received from loan payable	213,889	-
Commitment to issue shares settled in cash	(68,200)	-
Net cash provided by financing activities	145,689	5,066,800
Net change in cash during the year	(1,615,330)	1,594,677
Cash beginning of year	1,666,645	71,968
Cash end of year	$ 51,315	$ 1,666,645

Supplemental cash flow disclosure		
Taxes paid	$ -	$ -
Interest paid	$ -	$ -

1. NATURE OF OPERATIONS AND GOING CONCERN

Ranchero Gold Corp. ("Ranchero" or the "Company") was incorporated under the laws of the province of British Columbia, Canada. The Company's registered office is located at 910 - 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. The Company is engaged in the acquisition and exploration of resource properties in Mexico.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, confirmation of the Company's interest in the underlying claims and leases, ability to obtain the necessary permits to mine, and future profitable production or proceeds from the disposition of these assets.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these 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. Such adjustments could be material.

The Company's continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing. The Company has not achieved profitable operations and has accumulated losses since inception, and during the year ended December 31, 2022 incurred a net loss of $4,397,751 (2021 - $7,995,895). The Company will need to raise additional capital resources to fund its exploration programs and administrative expenses beyond the next twelve months. The above conditions may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. While the Company, for a period of time, slowed business activities to ensure the safety of staff and consultants, the Company's operation has been able to continue moving forward on its exploration activities despite the significant global disruptions in business operations.

Reverse Takeover

During the year ended December 31, 2021, the Company completed the acquisition of all the issued and outstanding shares of a private company, Ranchero BC Holding Corp. through a reverse takeover ("RTO"). Upon completion of the RTO, the shareholders of Ranchero BC Holding Corp. obtained control of the consolidated entity. Accordingly, Ranchero BC Holding Corp. was identified as the acquirer for accounting purposes, and the consolidated entity is considered to be a continuation of Ranchero BC Holding Corp., with the net assets of Melior Resources Inc. ("Melior") at the date of the RTO deemed to have been acquired by Ranchero BC Holding Corp. (Note 3). The consolidated financial statements for the year ended December 31, 2021 include the results of operations of Ranchero BC Holding Corp. from January 1, 2021, and of Melior from October 7, 2021, the date of the RTO. The comparative figures are those of Ranchero BC Holding Corp.

On October 7, 2021, the Company completed a name change from Melior Resources Inc. to Ranchero Gold Corp. in conjunction with the closing of the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of Compliance and Basis of Presentation

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 27, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value and have been prepared using the accrual basis of accounting except for cash flow information. They are presented in Canadian dollars ("CAD"), which is also the functional currency of the Company and its subsidiaries (see below).

Basis of Consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries:

	Jurisdiction	Percentage Owned
Melior Resources Corp.	Canada	100%
Minera Y Metalurgia Paika SA de CV	Mexico	99.99%

All material intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

Change in Accounting Policy

These consolidated financial statements have been prepared to reflect a change in accounting policy relating to exploration and evaluation assets. The new accounting policy was adopted voluntarily by the Company on December 31, 2022, and has been applied retrospectively.

The previous accounting policy was to capitalize all exploration and evaluation ("E&E") costs once the legal right to explore a property has been acquired. The following is a description of the new accounting policy.

E&E expenditures include the direct costs of mineral exploration rights, licenses, technical services and studies, environmental studies, exploration drilling and testing, production scale manufacturing tests, directly attributable overhead and administrative expenses including remuneration of operating personnel and supervisory management, and all costs relating to the acquisition of mineral properties.

E&E expenditures are expensed as incurred until such a date that resource property is determined to be economically recoverable, the assessment of which would require the completion of a feasibility study that demonstrates a positive commercial outcome, and for the Company to decide to move forward with development of the property into a commercial operation such that it is probable that the future economic benefits will flow to the Company. At such a time, E&E expenditures will be capitalized.

(Expressed in Canadian Dollars)

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

Change in Accounting Policy (continued)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration costs.

The Company determined that the change in policy will result in the consolidated financial statements providing more relevant and reliable information because it leads to a more transparent treatment of E&E expenditures for the year considering that the Company is at the exploration stage and only has one project for which the probability of receiving future economic benefits is low.

The impact of the change in the accounting policy on the consolidated statements of financial position, consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders equity (deficit) and consolidated statements of cash flows is set out below:

Consolidated Statement of Financial Position

	As at December 31, 2021 (as previously stated)	Impact of accounting policy change	As at December 31, 2021 (restated)
Assets			
Exploration and evaluation assets	$ 3,033,839	$ (3,033,839)	$ -
Total assets	$ 3,033,839	$ (3,033,839)	$ -
Shareholders' equity (deficit)			
Deficit	$ (7,021,322)	$ (3,033,839)	$ (10,055,161)
Total shareholders' equity (deficit) and liabilities	$ (7,021,322)	$ (3,033,839)	$ (10,055,161)

	As at January 1, 2021 (as previously stated)	Impact of accounting policy change	As at January 1, 2021 (restated)
Assets			
Exploration and evaluation assets	$ 1,568,591	$ (1,568,591)	$ -
Total assets	$ 1,568,591	$ (1,568,591)	$ -
Shareholders' equity (deficit)			
Deficit	$ (490,675)	$ (1,568,591)	$ (2,059,266)
Total shareholders' equity (deficit) and liabilities	$ (490,675)	$ (1,568,591)	$ ((2,059,266)

(Expressed in Canadian Dollars)

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

Change in Accounting Policy (continued)

Consolidated Statement of Loss and Comprehensive Loss

	As at December 31, 2021 (as previously stated)	Impact of accounting policy change	As at December 31, 2021 (restated)
Expenses			
Exploration and evaluation expenditures	$ -	$ 1,465,248	$ 1,465,248
Net Loss and Comprehensive Loss	$ 6,530,647	$ 1,465,248	$ 7,995,895
Basic and diluted loss per share	$ 0.13	$ 0.03	$ 0.16

Consolidated Statement of Changes in Shareholders' Equity (Deficit)

	(as previously stated)	Impact of accounting policy change	(restated)
Deficit as of December 31, 2020	$ 490,675	$ 1,568,591	$ 2,059,266
Loss for the year	$ 6,530,647	$ 1,465,248	$ 7,995,895
Deficit as of December 31, 2021	$ 7,021,322	$ 3,033,839	$ 10,055,161

(Expressed in Canadian Dollars)

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

Change in Accounting Policy (continued)

Consolidated Statement of Cash Flows

	As at December 31, 2021 (as previously stated)	Impact of accounting policy change	As at December 31, 2021 (restated)
Cash flows from operating activities			
Loss for the year	$ (6,530,647)	$ (1,465,248)	$ (7,995,895)
Accounts payable and accrued liabilities	(1,034,067)	1,232,377	198,310
Cash used in operating activities	$ (2,753,382)	$ (232,871)	$ (2,986,253)
Cash flows from investing activities			
Exploration and evaluation assets	$ (232,871)	$ 232,871	$ -
Cash flow from investing activities	$ (718,741)	$ 232,871	$ (485,870)

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

Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation, and environmental costs arise when an environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation. Costs for the restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation, and environmental costs as the disturbance to date is minimal.

Financial Instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit and loss (“FVTPL”), and fair value through other comprehensive income (“FVTOCI”).

The Company’s cash is recorded at amortized cost.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Financial assets classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

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

Financial Instruments (continued)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss ("FVTPL") or amortized cost. Financial liabilities recorded at amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities and loans payable are recorded at amortized cost. The Company does not currently have any FVTPL financial liabilities.

Impairment of financial assets

An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable regarding previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

Loss per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders, and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

Share Capital

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except when the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instrument granted. Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit") and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of units issued is measured using the residual value approach, with the allocation of proceeds first to shares based on the fair value of the shares on the date of issuance and the remainder to warrants.

Reserves

Reserves consist of the value of warrants granted since inception, less amounts transferred to share capital for exercised warrants. All equity-settled share-based payments are reflected in other equity reserve until exercised. Upon exercise, shares are issued and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value remains in other equity reserve.

Share-Based Payments

Where equity-settled share options or equity instruments are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the fair value of goods or services received in exchange for the share-based payment cannot be reliably estimated, they are measured by use of a valuation model.

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

Share-Based Payments (continued)

Where a grant of options is cancelled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Functional and Presentation Currency

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformance with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

<u>Purchase Price Allocations</u>

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangible assets acquired as part of an acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values.

<u>Share-Based Compensation</u>

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and reserves.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

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

Significant Accounting Judgments and Estimates (continued)

Critical Accounting Judgments (continued)

Functional Currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. The functional currency was determined based on the currency in which funds are sourced and the currency of the main economic environment in which the Company and its subsidiary operate.

Asset Acquisition Versus Business Combination

Management had to apply judgment with respect to whether the acquisition of Melior (as described in Note 3) was an asset acquisition or business combination. This determination required management to assess the inputs, processes, and outputs of Melior at the time of acquisition. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Pursuant to the assessment, the Melior and Ranchero acquisitions were considered to be an asset acquisition.

Going Concern

The assumption that the Company will continue as a going concern is subject to critical judgments of management with respect to the assumptions surrounding the short and long-term operating budget, expected losses, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption may by inappropriate.

3. REVERSE TAKEOVER TRANSACTION

Melior Acquisition

On October 7, 2021, Melior, Ranchero, and Melior's wholly owned subsidiary 1274169 B.C. Ltd. ("Newco") completed an amalgamation agreement whereby Ranchero amalgamated with Newco to form Amalco and Melior issued Melior post-consolidation shares to the Ranchero shareholders on the basis of one Melior post-consolidation share for every Ranchero share held. For accounting purposes, the transaction has been accounted for as an RTO with Ranchero deemed to be the accounting acquirer and Melior, the legal acquiror, deemed to be the accounting acquiree. At the date of acquisition, Melior did not meet the definition of a business as there were no substantive processes in place and as a result the acquisition is treated as an issuance of shares by Ranchero for the net liabilities of Melior.

(Expressed in Canadian Dollars)

3. REVERSE TAKEOVER TRANSACTION (Continued)

Melior Acquisition (continued)

The net liabilities acquired were as follows:

Consideration paid:		
Deemed issuance of 7,875,000 common shares	$	(4,331,250)
Transaction costs		(487,777)
		(4,819,027)
Identifiable net liabilities acquired:		
Cash		1,907
Accounts receivable		31,101
Accounts payable and accrued liabilities		(596,208)
		(563,200)
Reverse takeover expense	$	5,382,227

Debt Settlement and Success Fee

On September 9, 2019, Melior's wholly owned subsidiaries, GRPL and its holding company, Melior Australia Pty Ltd. ("MAPL"), appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia). On September 13, 2019, Melior announced that as a consequence of the appointment of the voluntary administrators to GRPL, Melior and its subsidiaries received a notice of default and demand from their senior lender under the loan agreement dated August 9, 2018, as amended. Under the Default Notice, Pala Investments Limited ("Pala") demanded that Melior and its subsidiaries make payment to it in the amount of US$22,714,700, representing the amount outstanding under the loan payable together with related interest, costs and charges, on or before September 13, 2019.

Melior entered into a standstill agreement with Pala pursuant to which Pala has agreed (on certain terms and conditions) not to proceed with enforcement actions against Melior (excluding the subsidiaries) for a period until October 31, 2021. On October 7, 2021, concurrent to the amalgamation agreement between Melior Resources and Ranchero Gold Corp., Melior settled its loans owing to Pala through the conversion of approximately $32.0 million of the outstanding loan for common shares in Melior, with the remainder being forgiven by Pala.

As a condition to closing of the amalgamation, Melior settled its debt of approximately C$35.5 million owing to Pala through the conversion of approximately C$32.0 million of the outstanding indebtedness into an aggregate of 6,449,759 common shares of the Company, on a post-consolidation basis, and Pala forgave the remaining indebtedness of approximately C$3.5 million pursuant to the terms of a debt settlement agreement between Pala and the Company.

Prior to the debt settlement and amalgamation, Pala owned 47.3% of the issued and outstanding shares of the Company, and following the debt settlement and amalgamation, Pala owns approximately 11.6% of the issued and outstanding shares of the Company. The Company also issued an aggregate of 510,154 common shares of the Company, on a post-consolidation basis, to LACG Capital Inc. ("LACG") in consideration for LACG's assistance in introducing Ranchero to the Company.

(Expressed in Canadian Dollars)

4. EXPLORATION EXPENDITURES

Santa Daniela Property, Mexico	Year Ended December 31, 2022	Year Ended December 31, 2021
Camp costs	$ 116,624	$ 62,890
Geological consultants	110,714	220,287
Samples	90,458	35,968
Land fees	1,302,474	790,894
Logistics	678,779	71,132
Vehicles and fuel	51,193	29,494
Legal	148,553	86,098
Administration	96,451	168,304
Exchange on translation	-	181
Total exploration expenditures	**$ 2,595,246**	**$ 1,465,248**

As at December 31, 2022, $370 (December 31, 2021 - $510,453, January 1, 2021 - $nil) of prepaid expenses relate to fees paid in advance for geological consultants.

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to its mineral property and, to the best of its knowledge, title to its property is in good standing.

Santa Daniela mineral concessions

Prior to the acquisition of Ranchero (Note 3), Paika acquired 100% of the Santa Daniela mineral concessions located in the state of Sonora, Mexico for US$56,036 ($71,407). The claims are subject to a 2% gross value royalty of all commercial production from the claims.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021		January 1, 2021
Accounts payable	$	255,986	$	174,608	$	69,892
Accrued liabilities		2,981,995		1,298,920		531,793
Due to related parties		94,527		428,542		505,867
	$	3,332,508	$	1,902,070	$	1,107,552

As at December 31, 2022, accrued liabilities include $2,420,068 (December 31, 2021 - $1,274,867, January 1, 2021 - $485,910) of land fee payments and accrued interest due on the Santa Daniela mineral concession (Note 4).

(Expressed in Canadian Dollars)

6. LOANS PAYABLE

During the year ended December 31, 2022, the Company entered into an unsecured line of credit agreement with Golden Calf Mining S.A. de C.V. ("Golden Calf"), a related party. Golden Calf will provide a line of credit of up to US$130,000, excluding interest. Simple interest will accrue at a rate of 15% per year on any funds drawn. The line of credit must be repaid, including any interest, by October 31, 2024. As at December 31, 2022, $176,017 (US$130,000) had been drawn against the line of credit and is included in loans payable.

During the year ended December 31, 2021, the Company entered into an unsecured line of credit agreement with Golden Calf. Golden Calf will provide a line of credit of up to US$350,000, excluding interest. Simple interest will accrue at a rate of 15% per year on any funds drawn. The line of credit must be repaid, including any interest, by October 15, 2021. As at December 31, 2021, all principal and interest on the line of credit was paid in full.

During the year ended December 31, 2022, the Company signed an agreement for a US$500,000 working capital loan (the "Loan") from American PT Metals LLC ("American Metals"), a related party, through its wholly owned subsidiary Mexico Minerales y Metales Earth S.A. de C.V. The principal amount of the Loan, which bears an annual interest rate of 12%, will be convertible during its two-year term into common shares of the Company at a price of $0.085 per share in the first year and $0.10 in the second year. In the event that the Company completes a financing in excess of $1 million during the term of the Loan, the Loan will become immediately payable, and the Company will use commercially reasonable efforts, subject to TSX Venture Exchange approval, to complete a share for debt application in respect of the Loan on the same terms as the financing. In November 2022, the Company amended the term of the Loan and is not convertible into common shares of the Company and no securities of the Company are issuable pursuant to the Loan. As at December 31, 2022, $37,872 (US$27,962) had been drawn against the line of credit and is included in loans payable.

7. RELATED PARTY TRANSACTIONS

Officers and directors are key management personnel. The aggregate value of transactions and outstanding balances relating to key management personnel are as follows:

	Years Ended December 31,	
	2022	**2021**
Management fees	$ 462,242	$ 335,933
Consulting fees	21,868	85,081
Share-based compensation	433,312	-
	$ 917,422	$ 421,014

Amounts due to related parties are included in accounts payable and accrued liabilities as at December 31, 2022 and 2021 and were as follows:

Amounts due to	**Service**	**December 31, 2022**	**December 31, 2021**	**January 1, 2021**
Companies controlled by a director	Exploration expenditures	$ 94,527	$ 428,542	$ 473,559
Company controlled by chief financial officer	Consulting fees	8,960	-	-
Ex-chief executive office	Consulting fees	-	-	31,858
Ex-chief financial officer	Consulting fees	-	-	450
		$ 103,487	$ 428,542	$ 505,867

7. RELATED PARTY TRANSACTIONS (Continued)

Amounts due to related parties included in accounts payable and accrued liabilities are non-interest bearing and due on demand.

As at December 31, 2022, Ranchero has amended the consulting agreement with the former Chief Executive Officer ("CEO") whereas the CEO's annual fee is US$180,000 of which US$132,000 is paid in cash and US$48,000 is paid in common shares. The cash payments are to be made monthly and the common share payments are to be made quarterly. As at December 31, 2022, the Company had a commitment to issue common shares to the CEO in the amount of $50,040 (December 31, 2021 - US$50,000 ($63,501), January 1, 2021 - US$50,000 ($63,715)) (Note 8).

During the year ended December 31, 2021, the Company entered into a consulting agreement with the CEO whereby the $68,200 commitment to issue shares would be settled by cash payments. These funds are required to be used to purchase shares of the Company in the open market.

During the year ended December 31, 2022, the Company paid $88,000 (2021 - $72,000) in management fees to the former Chief Financial Officer; paid $nil (2021 - $10,892) to the 2021 former Chief Financial Officer; paid $173,333 (2021 - $nil) in management fees to the former President of the Company and paid $200,909 (2021 - $253,041) to the former Chief Executive Officer of the Company. The Company also paid $nil (2021 - $85,081) in consulting fees to a director of the Company and paid $21,868 (2021 - $nil) to a Company controlled by the CFO of the Company. The Company also issued stock options to related parties and recognized $433,312 (2021 - $nil) of share-based compensation to directors and consultants of the Company.

During the year ended December 31, 2022, $361,070 (2021 - $363,299) of exploration expenses were incurred with companies controlled by a director of the Company.

8. SHARE CAPITAL

Authorized

As at December 31, 2022, the authorized share capital of the Company was an unlimited number of common shares.

Escrowed Shares

As at December 31, 2022, the Company had 39,770,545 shares in escrow, of which:

- 4,971,317 will be released on the date that is 18 months from October 18, 2021 (the "Anniversary Date");
- 7,456,976 will be released on the date that is 24 months and 30 months from the Anniversary Date; and
- 19,885,276 will be released on the date that is 36 months from the Anniversary Date.

These escrow shares may not be transferred, assigned, or otherwise dealt without the consent of regulator authorities.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Share Capital

Year Ended December 31, 2021

During the year the Company was gifted 100 of its own common shares. These common shares related to the incorporation of the Company and were originally issued to a director for nominal value.

On October 7, 2021, the Company completed the acquisition of Melior as described in Note 3 above, pursuant to which the Company acquired all of the issued and outstanding shares of Melior for the deemed issuance of 7,875,000 common shares of the Company in the reverse takeover transaction.

On October 7, 2021, the Company completed a private placement for proceeds of $5,258,887, issuing 9,561,613 common shares at $0.55 per share. In consideration for the services performed by Haywood Securities Inc. (the "Agent") and certain finders in connection with this private placement, finder's fees of $192,087 cash, 741,611 finders shares and 10,400 broker warrants and 308,693 finders warrants valued at $0.32 per warrant using the Black-Scholes option pricing model. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.55 per common share for a period of 24 months.

The following assumptions were used to measure the warrants: risk-free interest rate – 0.45%; expected volatility 115%; dividend yield – nil; expected life – 2 years; and share price – $0.55. During the year ended December 31, 2021, the Company also issued 229,645 common shares at $0.55 per share for a total fair value of $126,305 to the Chief Executive Officer, for payment of his management fees.

During the year ended December 31, 2021, the Company incurred consulting fees of $100,000 with an arm's length party who also participated in the private placement completed during the year, providing total proceeds of $100,000.

Year Ended December 31, 2022

During the year ended December 31, 2022, the Company entered into a consulting agreement with the former CEO whereby the commitment to issue shares recognized as at December 31, 2021 would be settled by cash payments. These funds are required to be used to purchase shares of the Company in the open market.

Warrants

The following is a summary of the Company's warrant activities:

	Number of Warrants		Weighted Average Exercise Price
Outstanding at December 31, 2020	**-**	**$**	**-**
Issued	319,093	$	0.55
Outstanding at December 31, 2021 and 2022	319,093	$	0.55

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (Continued)

Warrants (continued)

The warrants outstanding as at December 31, 2022 are as follows:

Exercise Price	Expiration Date	Number of Warrants
$0.55	October 7, 2023	319,093
		319,093

Stock Options

Pursuant to the Company's Equity Incentive Plan (the "Plan") approved by the Board of Directors, the Company grants stock options to employees, directors, officers, and advisors. Under the Plan, options can be granted for a maximum term of ten years. Further, the exercise price shall not be less than the price of the Company's common shares on the date of the stock option grant.

During the year ended December 31, 2022, the Company granted 3,700,000 stock options. The following assumptions were used to measure the stock options: risk-free interest rate – 1.65%; expected volatility 115%; dividend yield – nil; expected life – 5 years; and share price – $0.27. The expected volatility is based on the implied volatility of the Company's common shares price on the TSX-V. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life.

The following is a summary of the Company's stock options:

	Options Outstanding		Weighted Average Exercise Price
Outstanding at December 31, 2021 and 2020	-	$	-
Granted	3,700,000		0.29
Forfeiture	(1,200,000)		0.29
Outstanding at December 31, 2022	2,500,000	$	0.29

As at December 31, 2022, the weighted average remaining life of the stock options outstanding is 4.10 (2021 – nil) years. The Company's outstanding stock options as at December 31, 2022 are as follows:

Exercise Price	Expiration Date	Outstanding	Exercisable
$0.29	February 1, 2027	2,200,000	2,200,000
$0.29	March 10, 2027	300,000	300,000
		2,500,000	2,500,000

Subsequent to year-end, 1,000,000 options were forfeited.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposure to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits and receivables. The Company's cash deposits are primarily held with Canadian and Mexican banks and receivables are usually nominal and are for expense advances.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a significant portion of the Company's expenses are incurred in Canadian dollars ("CAD"), United States dollars ("USD") and Mexican pesos. A 10% (2021 - 5%) change in the currency exchange rates between the Canadian dollar and the Mexican peso relative to the CAD dollar could increase or decrease the loss from operations by $155,000 (2021 - $160,000). A 10% (2021 - 5%) change in the currency exchange rates between the Canadian dollar and the United States dollar relative to the CAD dollar could increase or decrease the loss from operations by $7,000 (2021 - $23,000).

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. The Company's loans payable are a fixed-rate debt. Accordingly, the Company does not have significant interest rate risk.

Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern to pursue the development of its exploration and evaluation assets. The Company relies mainly on equity issuances to raise new capital.

In the management of capital, the Company includes the components of shareholders' equity (deficiency) and loans payable. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management policy during the year ended December 31, 2022.

(Expressed in Canadian Dollars)

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

Fair Values

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and loans payable. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments and are classified according to the following hierarchy levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2022, all of the Company's financial instruments were classified at amortized cost. There were no movements between levels of the fair value hierarchy during the year ended December 31, 2022.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The carrying amount of loans payable approximates its fair value because this loan bears a market interest rate.

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral interests. The Company's resource properties are located in Mexico.

11. INCOME TAXES

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rate of 27% as follows:

	December 31, 2022	December 31, 2021
Pre-tax loss for the year	$ (4,397,751)	$ (7,995,895)
Statutory tax rate	27%	27%
Estimated income tax recovery	(1,187,393)	(2,158,892)
Permanent differences	425	1,316,189
Differences between Canadian and foreign tax rates	-	(1,334)
Impact of foreign exchange on tax assets and liabilities	-	(335)
Unused tax losses and tax offsets not recognized	183,175	495,623
Origination and reversal of temporary differences	1,003,793	348,749
Total income tax	$ -	$ -

Tax attributes are subject to review, and potential adjustments, by tax authorities.

(Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
Share issue costs	$ 182,341	$ 274,000
Non-capital losses available for future periods	3,600,893	1,749,689
Unrecognized deferred assets	(3,783,234)	(2,023,689)
Net deferred income tax assets	$ -	$ -

The Company has non-capital losses of approximately $3,601,000 at December 31, 2022 to reduce future income tax in Canada. The losses in Canada expire in 2027 – 2042.