

# **Cartier Silver Corporation**

(formerly Cartier Iron Corporation)

## **Financial Statements**

**December 31, 2022 and 2021**

(expressed in Canadian dollars)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Cartier Silver Corporation (formerly Cartier Iron Corporation)

### *Opinion*

We have audited the financial statements of Cartier Silver Corporation (formerly Cartier Iron Corporation) (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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.

### *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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$4,689,924, had negative cash flows from operations of \$3,233,053 during the year ended December 31, 2022, and as of that date, had an accumulated deficit of \$12,471,817. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 auditor's report.

### *Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the MD&A report prior to the date of this auditor's report. 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 Financial Statements*

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

In preparing the 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 Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Stephen McCourt.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
April 28, 2023  
Toronto, Ontario

**Cartier Silver Corporation**  
**(formerly Cartier Iron Corporation)**  
**Statements of Financial Position**

(expressed in Canadian dollars)

	Notes	December 31, 2022 \$	December 31, 2021 \$ (restated- note 4 )	January 1, 2021 \$ (restated- note 4 )
<b>Assets</b>				
Current				
Cash		3,219,162	2,618,554	943,051
Receivables		54,699	248,595	68,833
Prepaid expenses		170,807	170,827	127,746
		3,444,668	3,037,976	1,139,630
Investment in associate		-	-	415,390
Investment in Eloro Resources Ltd.	5	8,596,900	8,800,000	-
Right-of-use asset	6	177,399	-	42,325
		12,218,967	11,837,976	1,597,345
<b>Liabilities</b>				
Current				
Accounts payable and accrued liabilities	15	1,181,113	1,531,493	632,737
Refundable tax credit assessments payable	14	101,742	142,242	-
Canada Emergency Business Account loan	8	40,000	-	-
Current portion of lease liability	7	41,882	-	44,884
Unrenounced flow-through share premium	11	-	252,080	16,630
		1,364,737	1,925,815	694,251
Lease liability	7	144,941	-	-
Canada Emergency Business Account loan	8	-	40,000	40,000
		1,509,678	1,965,815	734,251
<b>Shareholders' equity</b>				
Share capital	9	14,895,840	12,405,788	11,357,434
Contributed surplus	9	2,298,952	652,952	42,999
Warrants	9	5,986,314	4,595,314	1,207,000
Deficit		(12,471,817)	(7,781,893)	(11,744,339)
		10,709,289	9,872,161	863,094
		12,218,967	11,837,976	1,597,345
<b>Going concern</b>		2		
<b>Subsequent events</b>		16		

Approved by the Board:

Thomas G. Larsen  
**Director**

Francis Sauve  
**Director**

**Cartier Silver Corporation**  
**(formerly Cartier Iron Corporation)**  
**Statements of Loss and Comprehensive Loss**

(expressed in Canadian dollars)

	Notes	Years ended December 31,	
		2022	2021
		\$	\$
			(restated- note 4 )
<b>Expenses</b>			
Professional fees	15	95,937	48,922
Consulting fees	15	312,000	322,000
Bonus	15	120,000	-
Stock-based compensation	9	1,646,000	632,000
General and administrative		209,390	218,462
Investor relations		97,405	85,219
Exploration and evaluation	10	2,247,693	2,929,227
Interest		12,457	1,472
Depreciation	6	44,352	42,325
Gain on statute-barred accounts payable		(39,471)	-
Flow-through share premium		(252,080)	(276,569)
Part XII.6 tax		(3,070)	-
Refundable tax credit assessments	14	-	159,742
Other recoveries		(16,252)	(33,170)
		<u>4,474,361</u>	<u>4,129,630</u>
Loss before investment income (loss)		(4,474,361)	(4,129,630)
Gain on sale of investment in Eloro		96,811	13,158
Increase (decrease) in fair value of investment of Eloro	5	(312,374)	8,078,918
<b>(Loss) income and comprehensive (loss) income</b>		<u>(4,689,924)</u>	<u>3,962,446</u>
<b>(Loss) income per common share-basic and diluted</b>		<u>(0.17)</u>	<u>0.17</u>
<b>Weighted average number of common shares- basic and diluted</b>		<u>28,406,651</u>	<u>22,865,479</u>

**Cartier Silver Corporation**  
**(formerly Cartier Iron Corporation)**  
**Statements of Changes in Equity**

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
<b>Balance, December 31, 2021</b>	12,405,788	652,952	4,595,314	(7,781,893)	9,872,161
Private placement of units	4,000,000	-	-	-	4,000,000
Fair value of warrants issued	(1,391,000)	-	1,391,000	-	-
Share issue costs	(118,948)	-	-	-	(118,948)
Stock-based compensation	-	1,646,000	-	-	1,646,000
Loss	-	-	-	(4,689,924)	(4,689,924)
<b>Balance, December 31, 2022</b>	<b>14,895,840</b>	<b>2,298,952</b>	<b>5,986,314</b>	<b>(12,471,817)</b>	<b>10,709,289</b>
<b>Balance, December 31, 2020 restated (Note 4)</b>	<b>11,357,434</b>	<b>42,999</b>	<b>1,207,000</b>	<b>(11,744,339)</b>	<b>863,094</b>
Acquisition costs, Big Easy					
Option payment	130,000	-	-	-	130,000
Finder's fee	6,500	-	-	-	6,500
Private placement of units	1,725,000	-	-	-	1,725,000
Fair value of warrants issued	(700,000)	-	700,000	-	-
Private placement of flow-through units	3,450,000	-	-	-	3,450,000
Fair value of warrants issued	(2,748,000)	-	2,748,000	-	-
Unrenounced flow-through premium	(512,019)	-	-	-	(512,019)
Share issue costs	(481,610)	-	-	-	(481,610)
Exercise of warrants	96,750	-	-	-	96,750
Fair value of exercised warrants	59,686	-	(59,686)	-	-
Stock-based compensation	-	632,000	-	-	632,000
Fair value of cancelled stock options	22,047	(22,047)	-	-	-
Income	-	-	-	3,962,446	3,962,446
<b>Balance, December 31, 2021</b>	<b>12,405,788</b>	<b>652,952</b>	<b>4,595,314</b>	<b>(7,781,893)</b>	<b>9,872,161</b>

**Cartier Silver Corporation**  
**(formerly Cartier Iron Corporation)**  
**Statements of Cash Flows**

(expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
		(restated- note 4 )
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Loss) income	(4,689,924)	3,962,446
Items not affecting cash		
Common shares issued for exploration and evaluation		
Option payment	-	130,000
Finder's fee	-	6,500
Stock-based compensation	1,646,000	632,000
Depreciation	44,352	42,325
Gain on sale of investment in Eloro	(96,811)	(13,158)
Increase in fair value of investment in Eloro	312,374	(8,078,918)
Gain on statute-barred accounts payable	(39,471)	-
Refundable tax credit notices of assessments	-	159,742
Flow-through share premium	(252,080)	(276,569)
Changes in non-cash working capital		
Receivables	193,896	(179,762)
Prepaid expenses	20	(43,081)
Accounts payable and accrued liabilities	(310,909)	898,756
Refundable tax credit assessments payable	(40,500)	(17,500)
	(3,233,053)	(2,777,219)
<b>Financing activities</b>		
Private placement of units	4,000,000	1,725,000
Private placement of flow-through units	-	3,450,000
Share issue costs	(118,948)	(481,610)
Advances from officers	-	200,000
Repayment of advances from officers	-	(200,000)
Repayment of lease liabilities	(34,928)	(44,884)
Exercise of warrants	-	96,750
	3,846,124	4,745,256
<b>Investing activities</b>		
Purchase of investment in Eloro	(116,763)	(306,269)
Proceeds on sale of investment in Eloro	104,300	13,735
	(12,463)	(292,534)
<b>Net increase in cash</b>	600,608	1,675,503
<b>Cash, beginning of year</b>	2,618,554	943,051
<b>Cash, end of year</b>	3,219,162	2,618,554
<b>Non-cash transactions</b>		
Common shares issued for option payment	-	130,000
Common shares issued for finder's fee	-	6,500
<b>Supplementary information</b>		
Interest paid	12,457	1,472
Income taxes paid	-	-



# Cartier Silver Corporation

(formerly Cartier Iron Corporation)

## Notes to Financial Statements

Years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

### 1. Nature of operations

Cartier Silver Corporation (formerly Cartier Iron Corporation)(the “Company”) is a public company engaged in the acquisition, exploration and development of iron ore properties in Québec, a gold property in Newfoundland and a silver property in Bolivia. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

### 2. Going concern

The Company is in the exploration stage and does not generate revenue. For the year ended December 31, 2022, the Company incurred a loss of \$4,689,924 (2021 - income of \$3,962,446) and a cashflow deficit from operating activities of \$3,233,053 (2021 - \$2,777,219). The losses and cashflow deficits limit the Company’s ability to fund its operations and the acquisition, exploration and development of its mineral properties.

At December 31, 2022, the Company had an investment in Eoro Resources Ltd. (“Eoro”) with a fair value of \$8,596,900 (see note 5, *Investment in Eoro Resources Ltd.*). The Company has classified the investment in Eoro as a long-term asset as it does not expect to realize the investment within the next 12 months.

The continued operation of the Company is dependent upon the Company’s ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

As a result, there is material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption is inappropriate, and these adjustments could be material.

### 3. Basis of presentation

#### Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

The financial statements were approved and authorized for issue by the Board of Directors on April 28, 2023.

#### Basis of measurement

These financial statements have been prepared on the historical cost basis.

#### Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates 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 year in which the estimates are revised and in any future years affected.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

# Cartier Silver Corporation

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## Notes to Financial Statements

Years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

### *Going concern*

The Company applied judgment in assessing its ability to continue as a going concern for at least 12 months. See note 2.

### *Determination of significant influence over investment in Eloro*

The Company applied judgment in assessing the level of influence that it has over Eloro Resources Ltd. ("Eloro") and determined that it did not have significant influence over Eloro effective January 1, 2021. See note 5, *Investment in Eloro Resources Ltd.*

### *Title to mineral properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. If the Company does not have title to its mineral properties, there will be adverse consequences to the Company and its business prospects.

### *Valuation of stock options and warrants*

The Company uses the Black-Scholes option pricing model in determining the fair value of stock options and warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. See note 9.

### *Deferred income taxes*

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 14.

## **4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

### **Financial instruments**

Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash and receivables which are classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding. The Company's financial assets also includes investment in Eloro which is classified at fair value.

Financial liabilities include accounts payable and accrued liabilities and Canada Emergency Business Account loan, which were initially measured at fair value and subsequently classified as amortized cost.

### **Leases**

A contract is, or contains a lease, when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

# Cartier Silver Corporation

(formerly Cartier Iron Corporation)

## Notes to Financial Statements

Years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

### Exploration and evaluation

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral property rights, property option payments and exploration and evaluation activities.

Once a project has been established as commercially viable, technically feasible and the decision to proceed has been approved by the Board of Directors, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production.

### Change in accounting policy

In prior periods the Company's policy was to defer exploration expenditures until such time as the properties are put into commercial production, sold or became impaired. In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily changed its accounting policy with respect to exploration and evaluation, consistent with the guidance provided in IFRS 6, *Exploration for and Evaluation of Mineral Resources* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

In accordance with IAS8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has applied this change in policy retrospectively and the comparatives have been adjusted accordingly for all the periods presented, as if the policy had been applied as of January 1, 2021.

At January 1, 2021, the following adjustments were recorded to the statement of financial position:

	As previously reported \$	Effect of change in accounting policy \$	As restated \$
Exploration and evaluation asset	1,342,801	(1,342,801)	–
Total assets	2,940,146	(1,342,801)	1,597,345
Total liabilities	734,251	–	734,251
Deficit	(10,401,538)	(1,342,801)	(11,744,339)
Total liabilities and shareholder's equity	2,940,146	(1,342,801)	1,597,345

At December 31, 2021, the following adjustments were recorded to the statement of financial position:

	As previously reported \$	Effect of change in accounting policy \$	As restated \$
Exploration and evaluation asset	4,262,397	(4,262,397)	–
Total assets	16,100,373	(4,262,397)	11,837,976
Total liabilities	1,965,815	–	1,965,815
Deficit	(3,519,496)	(4,262,397)	(7,781,893)
Total liabilities and shareholder's equity	16,100,373	(4,262,397)	11,837,976

# Cartier Silver Corporation

(formerly Cartier Iron Corporation)

## Notes to Financial Statements

### Years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

For the year ended December 31, 2021, the following adjustments were recorded to the statement of loss and comprehensive loss:

	As previously reported \$	Effect of change in accounting policy \$	As restated \$
Exploration and evaluation	9,631	2,919,596	2,929,227
Loss before investment income	(1,210,034)	(2,919,596)	(4,129,630)
Income (loss) and comprehensive income (loss)	6,882,042	(2,919,596)	3,962,446

For the year ended December 31, 2021, the following adjustments were recorded to the statement of cash flows:

	As previously reported \$	Effect of change in accounting policy \$	As restated \$
<b>Operating activities</b>			
Income	6,882,042	(2,919,596)	3,962,446
Impairment of exploration and evaluation	9,631	(9,631)	–
Common shares issued for exploration and evaluation			
Option payment	–	130,000	130,000
Finder's fee	–	6,500	6,500
Cash used in operating activities	15,508	(2,792,727)	(2,777,219)
<b>Investing activities</b>			
Exploration and evaluation	(2,869,227)	(2,869,227)	–
Mining tax credit	76,500	76,500	–
Cash used in investing activities	(3,085,261)	2,792,727	(292,534)

#### Decommissioning liabilities

The Company's activities may give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the date of the statement of financial position. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at December 31, 2022 and 2021, the Company had no decommissioning liabilities.

#### Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### Unit private placements

For private placements of units consisting of common shares and warrants, the Company uses the Black-Scholes option pricing model in determining the fair value of warrants. The proceeds from the issuance of units are first allocated to the warrants and the residual amount, being the difference between the proceeds from issuance and the fair value of the warrants, is allocated to common shares. If the residual amount is nominal or negative, the proceeds are allocated on a pro-rata basis based on the respective fair value of the common shares and warrants.

# Cartier Silver Corporation

(formerly Cartier Iron Corporation)

## Notes to Financial Statements

Years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

### Flow-through shares

Canadian tax legislation permits the Company to issue flow-through shares. Flow-through shares are securities whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by the investors rather than the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through shares are issued, eligible expenditures are then incurred and renouncement occurs subsequently).

The issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as unrenounced flow-through share premium on the statements of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as a reduction of deferred tax expense in the statement of loss and comprehensive loss and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

### Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation or asset and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. No provisions were recorded as at December 31, 2022 and 2021.

### Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

### Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted and warrants issued.

### 5. Investment in Eoro Resources Ltd.

At December 31, 2020, the Company held 4.43% of the outstanding common shares of Eoro. Although the Company held less than 20% of the voting rights of Eoro, the Company determined that it had significant influence in Eoro as three directors of the Company are also directors of Eoro and the Company accounted for its investment in Eoro as an investment in associate.

Pursuant to two bought deal financings in January 2021 and March 2021, Eoro issued 10,750,660 common shares, thereby further diluting the Company's percentage interest in Eoro. As a result, the Company reassessed the level of influence that it has over Eoro and determined that it no longer has significant influence over Eoro and effective January 1, 2021, the Company accounted for its investment in Eoro at fair value.

	Number of Eoro common shares	\$
Investment in associate at December 31, 2020	2,115,000	415,390
Purchases	88,300	306,269
Disposals	(3,300)	(577)
Unrealized gain on investment in Eoro	–	8,078,918
Investment in Eoro at fair value at December 31, 2021	2,200,000	8,800,000
Purchases	35,000	116,763
Disposals	(25,000)	(7,489)
Unrealized gain (loss) on investment in Eoro	–	(312,374)
Investment in Eoro at fair value at December 31, 2022	2,210,000	8,596,900

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### 6. Right-of-use asset

	2022	2021
	\$	\$
Right-of-use asset	221,751	—
Accumulated depreciation	(44,352)	—
	<u>177,399</u>	<u>—</u>

### 7. Lease liabilities

	\$
Balance, December 31, 2020	44,884
Accretion of interest	1,472
Lease payments	(46,356)
Balance, December 31, 2021	—
Renewal lease liability	221,751
Accretion of interest	12,457
Lease payments	(47,385)
Balance, December 31, 2022	<u>186,823</u>
	\$
Current portion of lease liabilities	41,882
Long-term lease liabilities	144,941
	<u>186,823</u>

The lease for premises is a joint and several commitment with Eloro. The remaining lease term is 4 years. The lease payments are discounted using an interest rate of 6%, which is the Company's incremental borrowing rate. The amount of the Company's undiscounted lease payments that is due within one year is \$51,954. The amount of the Company's undiscounted lease payments that is due later than one year and not later than five years is \$158,802.

### 8. Canada Emergency Business Account loan

The Government of Canada announced that it will be providing the Canada Emergency Business Account ("CEBA") to support Canadian businesses that have been adversely affected by COVID-19. On April 20, 2020, the Company received a \$40,000 CEBA term loan. The term loan is government guaranteed, interest-free until December 31, 2023, and if not repaid by December 31, 2023, it will be extended for an additional 2-year term bearing interest at the rate of 5%. The term loan can be repaid at any time without penalty and, if \$30,000 is repaid by December 31, 2023, the remaining \$10,000 will be forgiven.

### 9. Share capital

#### Authorized

An unlimited number of common shares.

An unlimited number of Class A preferred shares voting, redeemable, convertible, non-cumulative dividend, which are redeemable at \$0.10 per share and convertible on the basis of one common share for each Class A preferred share.

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### Issued

	Number of common shares	\$
Balance, December 31, 2020	18,029,383	11,357,434
Private placement of units	3,833,333	1,725,000
Fair value of unit warrants	–	(700,000)
Private placement of flow-through units	5,750,000	3,450,000
Fair value of flow-through unit warrants	–	(2,748,000)
Unrenounced flow-through premium	–	(512,019)
Share issue costs	–	(481,610)
Acquisition cost of Big Easy (note 10)	200,000	130,000
Finder's fee (note 10)	10,000	6,500
Fair value of cancelled stock options	–	22,047
Exercise of warrants	193,500	96,750
Fair value of warrants exercised	–	59,686
Balance, December 31, 2021	28,016,216	12,405,788
Private placement of units	10,000,000	4,000,000
Fair value of warrants issued	–	(1,391,000)
Share issue costs	–	(118,948)
Balance, December 31, 2022	38,016,216	14,895,840

### Consolidation

Effective November 18, 2022, based on the consolidation of 5 pre-consolidation common shares into 1 post-consolidation common share, the Company consolidated the 140,081,138 issued and outstanding pre-consolidation common shares into 28,016,216 post-consolidation common shares. The number and exercise price of the outstanding stock options and warrants have been adjusted to reflect the share consolidation. All common shares and per share amounts disclosed herein reflect the post-consolidation shares.

### Private placement of units

On December 15, 2022, the Company completed the first tranche of a private placement of 7,501,250 units at a price of \$0.40 per unit ("Units") for gross proceeds of \$3,000,500. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share for \$0.70 until June 15, 2025. In respect of the closing of the first tranche, the Company paid a commission of \$76,890.

On December 22, 2022, the Company completed the second tranche of a private placement of 2,498,750 units at a price of \$0.40 per unit for gross proceeds of \$999,500. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share for \$0.70 until June 22, 2025. In respect of the closing of the first tranche, the Company paid a commission of \$4,905. Directors and officers subscribed for 306,250 units for gross proceeds of \$122,500.



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The fair values of the unit warrants were calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Unit warrants
Issue date	December 15, 2022	December 22, 2022
Expiry date	June 15, 2025	June 22, 2025
Warrants issued	3,750,625	1,249,375
Exercise price	\$0.70	\$0.70
Share price	\$0.50	\$0.70
Risk-free interest rate	3.54%	3.70%
Expected volatility based on historical volatility	93%	95%
Expected life of warrants	2.5 years	2.5 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$896,000	\$495,000
Fair value per warrant	\$0.24	\$0.40

#### Private placement of units and flow-through units

On July 7, 2021, the Company completed a private placement of (i) 3,833,333 units at a price of \$0.45 per unit ("Units") for gross proceeds of \$1,725,000, and (ii) 5,750,000 flow-through units at a price of \$0.60 per unit ("FT Units") for gross proceeds of \$3,450,000. Each Unit consisted of one common share and one common share purchase warrant ("Unit Warrant") and each FT Unit consisted of one common share which qualifies as a "flow-through share" for the purposes of the *Income Tax Act* (Canada) and one common share purchase warrant ("FT Warrant"). Each Unit Warrant and FT Warrant entitles the holder to purchase one common share for \$0.70 until July 7, 2024.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Flow-through warrants
Issue date	July 7, 2021	July 7, 2021
Expiry date	July 7, 2024	July 7, 2024
Warrants issued	3,833,333	5,750,000
Exercise price	\$0.70	\$0.70
Share price	\$0.70	\$0.70
Risk-free interest rate	0.66%	0.66%
Expected volatility based on historical volatility	115%	115%
Expected life of warrants	3 years	3 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$1,832,000	\$2,748,000
Fair value per warrant	\$0.50	\$0.50

As the proceeds of the private placement of units was \$1,725,000 and the fair value of the unit warrants was \$1,832,000, there was no residual amount to be allocated to the common shares, and therefore, proceeds of \$1,725,000 was allocated on a pro-rata basis with \$1,025,000 to the common shares and \$700,000 to the unit warrants.

#### Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at December 31, 2022, there were 3,801,621 stock options (2021 - 2,801,621) authorized to be issued under the stock option plan, of which, 3,575,000 stock options (2021 - 870,000) were outstanding.

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A continuity of the Company's stock options is presented below:

	Weighted- average exercise price	Number of stock options outstanding and exercisable
Balance, December 31, 2020	0.75	40,000
Granted	0.85	860,000
Cancelled	0.85	(30,000)
Balance, December 31, 2021	0.85	870,000
Granted	0.78	2,705,000
Balance, December 31, 2022	0.40	3,575,000

A summary of the Company's outstanding stock options is presented below:

	Expiry date	Number of stock options outstanding and exercisable
\$0.75	April 10, 2023	40,000
\$0.85	February 3, 2026	830,000
\$0.78	December 31, 2027	2,705,000
		3,575,000

The Company granted stock options to directors, officers, employees and consultants. The fair value of the stock options was calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	December 31, 2022	February 3, 2021
Expiry date	December 31, 2027	February 3, 2026
Stock options granted	2,705,000	860,000
Exercise price	\$0.78	\$0.85
Share price	\$0.78	\$0.85
Risk-free interest rate	3.41%	0.46%
Expected volatility based on historical volatility	105%	133%
Expected life of stock options	5 years	5 years
Expected dividend yield	0%	0%
Vesting	On date of grant	On date of grant
Fair value	\$1,646,000	\$632,000
Fair value per stock option	\$0.61	\$0.75

See note 16, *Subsequent events, Grant of stock options.*

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### Warrants

A continuity of the Company's warrants is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, December 31, 2020	0.50	3,809,612
Issued		
Unit warrants	0.70	3,833,333
Flow-through unit warrants	0.70	5,750,000
Exercised	0.50	(193,500)
Balance, December 31, 2021	0.65	13,199,445
Issued		
Unit warrants	0.70	5,000,000
Balance, December 31, 2022	0.66	18,199,445

A summary of the Company's outstanding warrants is presented below:

Exercise price	Expiry date	Number of warrants
\$0.50	September 10, 2023	1,514,286
\$0.50	September 17, 2023	2,101,826
\$0.70	July 7, 2024	3,833,333
\$0.70	July 7, 2024	5,750,000
\$0.70	June 15, 2025	3,750,625
\$0.70	June 22, 2025	1,249,375
		18,199,445

The weighted average remaining contractual life of the outstanding warrants is 1.6 years.

See note 16, *Subsequent events, exercise of warrants*.

### 10. Exploration and evaluation

The Company has incurred the following cumulative exploration and evaluation expenditures on its properties:

	Big Easy \$	Gagnon \$	Chorrillos \$	Total \$
Balance, December 31, 2020	1,342,801	3,896,732	–	5,239,533
Expenditures	2,919,596	9,631	–	2,929,227
Balance, December 31, 2021	4,262,397	3,906,363	–	8,168,760
Expenditures	2,235,231	3,223	9,239	2,247,693
Balance, December 31, 2022	6,497,628	3,909,586	9,239	10,416,453

#### Big Easy, Newfoundland and Labrador

The Company owns a 100% interest in Big Easy consisting of 409 mining claims covering 102 square kilometres located in Newfoundland and Labrador. On October 6, 2020, the Company staked an additional 256 claims to hold 665 mining claims covering 166 square kilometres.

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On August 18, 2021, the Company completed the acquisition by issuing common shares and incurring exploration expenditures, as follows:

	Common shares		Exploration expenditures
	Number	Fair value	\$
		\$	\$
Upon signing of definitive agreement	100,000	12,500	–
November 21, 2018	100,000	56,000	500,000
May 15, 2020	100,000	15,000	–
September 6, 2021	100,000	65,000	500,000
September 6, 2022	100,000	65,000	500,000
September 6, 2023	–	–	500,000
	500,000	213,500	2,000,000

In addition, the Company issued 10,000 common shares with a fair value of \$6,500 in respect of a finder's fee.

Big Easy is subject to a 3% net smelter royalty ("NSR"). The Company had an option to reduce the NSR by 0.25% by making a payment of \$250,000 which expired on November 21, 2022.

### Gagnon, Québec

The Company owns a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie) and Jeannine, consisting of 111 claims covering 58.75 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Québec ("Gagnon").

A joint venture was formed between the Company and Champion to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that a joint venture partner proposes to acquire any property within 10 kilometres of Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

### Chorrillos, Bolivia

The incorporating shareholders of Minera Cartier Bolivia S.R.L. ("Minera Cartier") have agreed to transfer a 98% interest in Minera Cartier to the Company. The Company will have the option to increase its interest in Minera Cartier to 99% by purchasing a 1% interest for US\$3,000,000.

Pursuant to a definitive agreement dated December 12, 2022 ("Definitive Agreement"), Minera Cartier will have the right to acquire a 100% interest in the Chorrillos Project located in southern Bolivia, comprising two separate properties known as the Gonalbert Mining area (consisting of 10 grids covering 2.5 sq.km) and the Felicidad Mining area (consisting of 4 grids covering 1 sq. km). In order to earn its interest, Minera Cartier must make option payments, as follows:

Deadline	Option payment US\$
June 12, 2023	80,000
December 12, 2023	220,000
December 12, 2024	500,000
December 12, 2025	700,000
December 12, 2026	1,000,000
December 12, 2027	2,000,000
	4,500,000

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On November 22, 2022, the Minera Cartier staked additional claims covering 29.25 sq.km (CSB-13 and CSB-1) immediately south and west of the Felicidad and Gonalbert properties and acquired an additional claim (CSB-2) in the same belt about 5 km south of Tupiza, Bolivia. The holdings of Minera Cartier, including areas under option, in the Chorrillos Project now total 69.75 sq.km.

#### 11. Flow-through share premium

During the year ended December 31, 2021, the Company issued \$3,450,000 of flow-through units pursuant to the Income Tax Act (Canada). The deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. As the renouncement was prospective, a flow-through share premium of \$512,019, representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as an increase to unrenounced flow-through share premium and a reduction of share capital. During the year ended December 31, 2022, flow-through expenditures of \$1,698,524 (2021 - \$1,751,476) were incurred, reducing the unrenounced flowthrough share premium by \$252,080 (2021 - \$259,939).

#### 12. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### *Cash, receivables, accounts payable and accrued liabilities, refundable tax credit assessments payable and CEBA loan*

The fair values of cash, receivables, accounts payable and accrued liabilities, refundable tax credit assessments payable and CEBA loan at December 31, 2022 approximated their respective carrying value due to their short term to maturity.

##### *Classification of fair value of financial instruments*

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

- Level 1: quoted prices in active markets for identical assets and liabilities;
- Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data

The Company accounts for its investment in Eloro at fair value using level 1 inputs.

#### 13. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

##### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is equal to the Company's cash. The Company limits its exposure to credit risk on its cash by holding deposits with high credit quality Canadian chartered bank.

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### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of oil and properties. Accounts payable and accrued liabilities are subject to normal trade terms.

The following table sets out financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	<b>Accounts payable and accrued liabilities</b>	<b>Refundable tax credit assessments payable</b>	<b>Canada Emergency Business Account loan</b>	<b>Total</b>
	\$	\$	\$	\$
Less than 1 year	1,181,113	101,742	—	1,282,855
1-5 years	—	—	40,000	40,000
More than 5 years	—	—	—	—
Balance, December 31, 2022	1,181,113	101,742	40,000	1,322,855

### **Market risk**

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

### **Equity price risk**

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. At December 31, 2022, the Company is exposed to equity price risk on its investment in Eoro (note 5). At December 31, 2022, the Company estimates that if the market price of its investment in Eoro had changed by 10%, with all other variables held constant, the fair value would have increased or decreased by \$860,000.

### **Currency risk**

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash in Canadian dollars.

### **Interest rate risk**

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

### **Capital management**

Capital of the Company consists of share capital, contributed surplus, warrants and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

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The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

### 14. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.5% (2021 - 26.5%) to the net loss for the year. The reasons for the difference are as follows:

#### Provision for income taxes

	2022 \$	2021 \$
Expected income tax expense (recovery) based on statutory rate	(1,242,830)	1,050,048
Increase (decrease) resulting from:		
Non-deductible expenses	848,061	(63,760)
Share issue costs and other	(279,315)	(122,056)
Change in deferred tax assets not recorded	674,084	(864,232)
Deferred income tax recovery	—	—

#### Deferred income tax balances

The Company's deferred income tax assets are as follows:

	2022 \$	2021 \$
Non-capital loss carryforward	2,267,000	2,124,000
Capital loss carryforward	2,544,000	2,544,000
Investment in Eloro	(1,037,000)	(1,078,000)
Canadian exploration and evaluation	1,623,000	1,129,000
Foreign exploration and evaluation	379,000	376,000
Share issue costs	110,000	117,000
	5,886,000	5,212,000
Benefit of deferred tax assets not recorded	(5,886,000)	(5,212,000)
	—	—

Due to losses incurred in the current year and expected future operating results, management determined that it is unlikely that the deferred income tax assets will be realized. Accordingly, the future income tax assets have not been recorded.

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### Losses carried forward

At December 31, 2022, the Company had non-capital loss carryforwards which expire as follows:

	\$
2026	306,000
2028	304,000
2029	455,000
2030	269,000
2032	996,000
2033	248,000
2034	354,000
2035	970,000
2036	542,000
2037	653,000
2038	714,000
2039	633,000
2040	595,000
2041	539,000
2042	977,000
	<hr/> 8,555,000

As at December 31, 2022, the Company had resource deductions of \$7,553,000 which may be carried forward indefinitely to reduce taxable income in future years and capital losses of approximately \$19,214,000 which may be carried forward indefinitely to be applied against capital gains in future years.

### Refundable tax credit notices of assessments payable

On November 8, 2018, the Company received notices of assessments from Revenu Québec for the repayment of refunds received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2013, 2014 and 2015 ("Notices"). The Company filed notices of objection with respect to the Notices and Revenu Québec has now ruled that the Notices were deemed valid and binding in conformity with the *Taxation Act*. Accordingly, the amount of the Notices of \$159,742 has been recorded as a liability in these financial statements. The Company made monthly payments of \$2,500 until June 30, 2022 and agreed to make monthly payments of \$4,000 until August 31, 2025.

## 15. Related party transactions

### Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended December 31,		Outstanding at December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Consulting fees	311,000	312,000	217,663	257,603
Legal fees	49,771	96,767	27,927	106,780
Financing bonus	120,000	—	154,891	34,891
Stock-based compensation	961,434	382,140	—	—
	<hr/> 1,442,205	<hr/> 790,907	<hr/> 400,481	<hr/> 399,274

During the year ended December 31, 2021, the Company received and repaid advances of \$200,000 from officers. These transactions were in the normal course of business.



# **Cartier Silver Corporation**

(formerly Cartier Iron Corporation)

## **Notes to Financial Statements**

**Years ended December 31, 2022 and 2021**

**(expressed in Canadian dollars)**

### **16. Subsequent events**

#### **Grant of stock options**

On April 24, 2023, the Company granted 150,000 stock options to two consultants. Each stock option entitles the holder to purchase one common share for \$0.60 until April 24, 2028.

#### **Exercise of warrants**

Subsequent to December 31, 2022, the Company issued 235,000 common shares on the exercise of warrants.