

Stinger Resources Inc.
Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
 CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stinger Resources Inc.:

Opinion

We have audited the consolidated financial statements of Stinger Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 year ended December 31, 2022 and 2021 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 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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 of the current period. 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 did not identify any matters that we considered to be key audit matters to be communicated in our auditor's report.

Other Information

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

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 identified above 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 Management's Discussion and Analysis 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.

Vancouver

1500 - 1140 West Pender St.
 Vancouver, BC V6E 4G1
 604.687.4747

Surrey

200 - 1688 152 St.
 Surrey, BC V4A 4N2
 604.531.1154

Tri-Cities

700 - 2755 Lougheed Hwy
 Port Coquitlam, BC V3B 5Y9
 604.941.8266

Victoria

320 - 730 View St.
 Victoria, BC V8W 3Y7
 250.800.4694

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.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 17, 2023

Stinger Resources Inc.

Consolidated Statements of Financial Position

As at December 31,

(expressed in Canadian dollars)

	2022	2021
	\$	\$
Assets		
Current assets		
Cash	1,664,918	3,014,250
Prepaid expenses and deposits (notes 4 and 11)	31,572	6,887
Receivables (notes 5 and 7)	123,844	139,239
Marketable securities (note 6)	1,456,520	2,955,054
	<u>3,276,854</u>	<u>6,115,430</u>
Prepaid expense (notes 4 and 11)	1,100,000	900,000
Property and equipment (note 7)	456,476	499,354
Exploration and evaluation assets (notes 8, 11 and 15)	4,136,778	4,062,801
	<u>8,970,108</u>	<u>11,577,585</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 9 and 11)	69,430	85,874
Loan payable (note 16)	-	23,953
	<u>69,430</u>	<u>109,827</u>
Shareholders' Equity		
Share capital (note 10)	13,599,079	13,599,079
Reserves (note 10)	191,109	191,109
Deficit	(4,889,510)	(2,322,430)
	<u>8,900,678</u>	<u>11,467,758</u>
	<u>8,970,108</u>	<u>11,577,585</u>
Going concern (note 1)		
Commitments (note 15)		
Subsequent Event (note 18)		

See accompanying notes to these consolidated financial statements.

Approved by the Board of Directors

“Darren R. Blaney”

Director

“Robert N. Edwards”

Director

Stinger Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31,

(expressed in Canadian dollars)

	2022	2021
	\$	\$
Expenses		
Advertising and promotion	25,580	26,378
Business development and property investigation	92,682	40,533
Corporate communications	4,802	7,533
Depreciation on equipment (note 7)	91,778	76,741
Filing and transfer agent fees	71,614	42,511
Management fees (note 11)	620,000	315,000
Office and administration	101,667	88,057
Professional fees	53,910	48,310
Stock-based compensation (note 10 and 11)	-	191,109
	<u>(1,062,033)</u>	<u>(836,172)</u>
Other		
Gain on sale of land and building (note 7)	-	(12,275)
Loss on investment value (note 6)	1,498,534	1,498,533
Impairment of exploration and evaluation asset (note 8)	6,513	-
	<u>(2,567,080)</u>	<u>(2,322,430)</u>
Net and Comprehensive loss	<u>(2,567,080)</u>	<u>(2,322,430)</u>
Basic and diluted loss per common share	<u>(0.06)</u>	<u>(0.06)</u>
Basic and diluted weighted average number of common shares outstanding	<u>40,009,910</u>	<u>40,009,910</u>

See accompanying notes to these consolidated financial statements.

Stinger Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31,

(expressed in Canadian dollars)

	Share capital		Reserve		
	Number of shares	Amount \$	Share-based payment reserve \$	Deficit \$	Equity \$
Balance as at January 1, 2022	49,647,743	13,599,079	191,109	(2,322,430)	11,467,758
Net and comprehensive loss	-	-	-	(2,567,080)	(2,567,080)
Balance as at December 31, 2022	49,647,743	13,599,079	191,109	(4,889,510)	8,900,678
Balance as at January 1, 2021	1	1	-	-	1
Shares issued:					
Shares issued pursuant to plan of arrangement (notes 10 and 16)	45,000,388	10,702,074	-	-	10,702,074
Warrant exercise (notes 10 and 16)	4,636,030	2,896,439	-	-	2,896,439
Options exercised (notes 10 and 16)	11,324	566	-	-	566
Options granted (note 10)	-	-	191,109	-	191,109
Net and comprehensive loss	-	-	-	(2,322,430)	(2,322,430)
Balance as at December 31, 2021	49,647,743	13,599,079	191,109	(2,322,430)	11,467,758

See accompanying notes to these consolidated financial statements.

Stinger Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31,

(expressed in Canadian dollars)

	2022	2021
	\$	\$
Operating activities		
Net loss	(2,567,080)	(2,322,430)
Items not affecting cash		
Depreciation on property and equipment	91,777	76,741
Gain on disposal of asset	-	(12,275)
Impairment of exploration and evaluation asset	6,513	-
Loss on investment value	1,498,534	1,498,533
Stock-based compensation	-	191,109
	<u>(970,256)</u>	<u>(568,322)</u>
Changes in non-cash working capital		
Prepaid expenses and deposits	(24,684)	(6,887)
Receivables	14,395	(63,738)
Accounts payable and accrued liabilities	(16,443)	38,139
	<u>(996,988)</u>	<u>(600,808)</u>
Cash used in operating activities		
Financing activities		
Proceeds from issuance of capital stock	-	2,897,004
Cash received from plan of arrangement	-	2,500,000
	<u>-</u>	<u>5,397,004</u>
Cash provided by financing activities		
Investing activities		
Expenditures of exploration and evaluation assets	(80,491)	(763,181)
Prepayment of exploration and evaluation assets	(200,000)	(900,000)
Expenditures on property and equipment	(48,900)	(142,718)
Receipt of short-term loan	(23,953)	23,953
	<u>(353,344)</u>	<u>(1,781,946)</u>
Cash used in investing activities		
(Decrease) Increase in cash	(1,350,332)	3,014,250
Cash – beginning	<u>3,014,250</u>	-
Cash – ending	<u>1,663,918</u>	<u>3,014,250</u>

See accompanying notes to these consolidated financial statements.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

1 Nature of operations and going concern

Stinger Resources Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act on September 22, 2020. The Company is engaged in the exploration and development of mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The Company’s shares are listed on the TSX Venture Exchange.

The head office and principal address of the Company is 92 – 2nd Avenue W, Cardston, AB, Canada, T0K 0K0. The Company’s registered address and records office is 890 W Pender Street, Vancouver, British Columbia, Canada, V6C 1J8.

The Company’s shares are listed on the TSX Venture Exchange under the ticker symbol “STNG”.

The Company was formed for the primary purpose of completing a Plan of Arrangement with the Company’s former parent company, American Creek Resources Ltd. (“American Creek”) (Note 16).

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. The Company is in the exploration stage and has not generated revenue from operations. The Company generated a net loss of \$2,567,080 during the year ended December 31, 2022 (2021 – \$2,322,430), generated negative cash flows from operating activities of \$996,988 (2021 – \$600,808) and, as of that date the Company’s deficit was \$4,889,510 (2021 – \$2,322,430) and working capital was \$3,207,424 (2021 – \$6,005,603). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, as funding is required, management will pursue various financial alternatives to fund the Company’s exploration and development programs, including private placements, property dispositions and settling payables for shares, so it can continue as a going concern. There is no assurance that these initiatives will be successful at that time.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

1 Nature of operations and going concern (continued)

These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities, or to the reported expenses that would be necessary if the Company were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting interpretations Committee (“IFRIC”).

These consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on April 17, 2023.

These consolidated financial statements have been prepared on a historical cost basis except as disclosed in the significant accounting policies in note 3. They are presented in Canadian dollars which is the Company’s functional currency. There was no transaction in the subsidiary during the year ended December 31, 2022.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed under the Standards, Amendments and Interpretations Not Yet Effective.

Basis of consolidation

The consolidated financial statements include accounts of the Corporation and its subsidiary.

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statement of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated on consolidation. The consolidated financial statements of the subsidiaries are prepared using consistent accounting policies with that of the company.

	Country of incorporation	Principal activity	Percentage owned	
			December 31, 2022	December 31, 2021
Stinger Resources (US) Inc	US	Inactive	100%	-

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial assets/liabilities	Classification
Cash	FVTPL
Marketable securities	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may occasionally enter into option-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain mineral property expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation assets expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets expenditures, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of a cash generating unit may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mine under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to mine under construction.

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

Property and equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Assets are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Exploration equipment	30%
Furniture and fixtures	20%
Vehicles	30%
Buildings	5%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of loss and comprehensive loss in the period the item is derecognized.

Residual values, depreciation methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Impairment of property and equipment and exploration and evaluation assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a risk-free discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. Each cash generating unit is determined by grouping assets according to their geographical location.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

Income taxes

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 with regards to previous years.

Deferred tax is recorded using the statement of financial position 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 nor taxable loss. 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 and are expected to apply when the deferred tax asset or liability is settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off 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.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Share-based payment transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period as operating expense and as reserves. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Provisions for decommissioning liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a risk-free rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. At December 31, 2022, the Company estimates that there are no significant reclamation costs and have not recorded any provision for environmental rehabilitation.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligations, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date; that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

- Measurement of compensation cost attributable to the Company's share-based compensation plan, as well as warrants to purchase common shares issued in private placements, are subject to the estimation of fair value using the Black-Scholes Option Pricing Model. The valuation is based on significant assumptions such as: i) the volatility of the share price; ii) the life of the option; iii) forfeiture rate; iv) the risk-free interest rate for the life of the option (note 10);
- Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings (note 17);
- The Company evaluates the circumstances that may give rise to various commitments along with the likelihood they will occur to estimate any amount to be accrued in the statement of financial position (note 15);

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

- Impairment of the Company's exploration and evaluation assets is evaluated at the CGU level (note 8). The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks. In testing for impairment, the recoverable amount of the Company's CGU's is determined based on the greater of the value-in-use and fair value less costs of disposal. There is no comparison available of quoted market prices for mineral properties therefore, the recoverable amount is based on estimates of reserves (if any), future precious metal prices, geographical location, prospective potential, and other relevant assumptions;
- Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 2022 and 2021 (note 1). Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months;
- The Company reviews its investments and records fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price. For investments in private companies, certain subjective measures including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects and financial ratios and discounted cash flows are techniques used to determine fair value;
- Management has applied judgements in the assessment of the Company's ability to recover from the exploration prepayment and estimates in the recoverable amount.

New Standards, Amendments and Interpretations

New standards and interpretations adopted

There are no accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

4 Prepaid expense and deposits

The prepaid expenses for the Company are comprised of the following:

	2022	2021
	\$	\$
Insurance prepaid	12,052	6,887
Management fee (note 11)	19,520	-
	<u>31,572</u>	<u>6,887</u>
Exploration prepaid (note 11)	<u>1,100,000</u>	<u>900,000</u>

During the year ended December 31, 2022, the Company made additional prepayments of \$200,000 (2021: \$900,000) to a related entity controlled by a director of the Company for future drilling services. As at December 31, 2022, total exploration prepaid is \$1,100,000 (2021: \$900,000) (note 11). The amount is recoverable through receiving future drilling services.

5 Receivables

The receivables of the Company are comprised of the following:

	2022	2021
	\$	\$
Goods and service tax receivable	115,507	71,468
Receivable (note 7)	-	57,271
Loan receivable (note 7)	-	10,500
Other receivable	8,337	-
	<u>123,844</u>	<u>139,239</u>

The loan receivable is due by December 1, 2022 and is only subject to interest if payments are delayed.

6 Marketable securities

On February 25, 2021, the Company received 1,400,499 common shares of Tudor Gold Corp (“Tudor Shares”) with a fair value of \$4,453,587 pursuant to the Plan of Arrangement (note 16).

At December 31, 2022, the shares had decreased in value to \$1.04 (2021 - \$2.11) per share to a total fair value of \$1,456,520 (2021 - \$2,955,054) resulting in an unrealized loss of \$1,498,534 (2021 - \$1,498,533).

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

7 Property and equipment

	Computer equipment \$	Exploration equipment \$	Furniture and fixtures \$	Vehicles \$	Land and Buildings \$	Total \$
Cost – December 31, 2020	-	-	-	-	-	-
Additions per Plan of Arrangement (note 16)	14,021	90,306	13,784	198,065	350,000	666,176
Additions	2,091	79,072	-	61,555	-	142,718
Disposal	-	-	-	-	(65,500)	(65,500)
Cost – December 31, 2021	16,112	169,378	13,784	259,620	284,500	743,394
Additions	6,186	39,877	2,837	-	-	48,900
Disposal	-	-	-	-	-	-
Cost – December 31, 2022	22,298	209,255	16,621	259,620	284,500	792,294
Accumulated depreciation – December 31, 2020	-	-	-	-	-	-
Additions per Plan of Arrangement (note 16)	6,481	72,493	13,784	60,628	16,188	169,574
Additions	2,314	12,264	-	50,250	11,913	76,741
Disposals	-	-	-	-	(2,275)	(2,275)
Accumulated depreciation – December 31, 2021	8,795	84,757	13,784	110,878	25,826	244,040
Additions	2,981	32,645	95	44,623	11,434	91,778
Disposals	-	-	-	-	-	-
Accumulated depreciation – December 31, 2022	11,776	117,402	13,879	155,501	37,260	335,818
Net carrying amounts – December 31, 2021	7,317	84,621	-	148,743	258,674	499,354
December 31, 2022	10,522	91,853	2,742	104,119	247,240	456,476

On February 25, 2021 the Company completed the Plan of Arrangement with American Creek pursuant to which property and equipment was transferred to the Company (note 16).

During the year ended December 31, 2021, the Company sold land and property with net book value of \$63,225 for \$75,500, resulting in a gain of \$12,275. The Company incurred costs of \$7,729 in relation to the transaction. As at December 31, 2021, the Company had total a receivable of \$57,271 and loan receivable of \$10,500 (note 5). During the year ended December 31, 2022, the loan receivable was fully collected.

8 Exploration and evaluation assets

As at December 31, 2022, the Company's exploration and evaluation assets are located in British Columbia, Canada. Expenditures incurred on exploration and evaluation assets are as follows:

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

8 Exploration and evaluation assets (continued)

	Gold Hill, B.C., Canada \$	Dunwell, B.C., Canada \$	Ample Goldmax, B.C., Canada \$	Other Properties, B.C. Canada \$	Total \$
Acquisition costs – December 31, 2021	336,100	803,475	217,500	284,513	1,641,588
Additions	-	-	10,000	10,000	20,000
Disposals	-	-	-	(6,513)	(6,513)
Acquisition costs – December 31, 2022	336,100	803,475	227,500	288,000	1,655,075
Exploration costs – December 31, 2021	467,927	1,870,075	53,671	29,539	2,421,212
Additions	-	(2,388)	42,119	20,760	60,491
Exploration costs – December 31, 2022	467,927	1,867,687	95,790	50,299	2,481,703
Total December 31, 2022	804,027	2,671,162	323,290	338,299	4,136,778

As at December 31, 2021, the Company's exploration and evaluation assets are located in British Columbia, Canada. Expenditures incurred on exploration and evaluation assets are as follows:

	Gold Hill, B.C., Canada \$	Dunwell, B.C., Canada \$	Ample Goldmax, B.C., Canada \$	Other Properties, B.C. Canada \$	Total \$
Acquisition costs – December 31, 2020	-	-	-	-	-
Additions per Plan of Arrangement (note 16)	336,100	803,475	200,000	239,514	1,579,089
Additions	-	-	17,500	45,000	62,500
Acquisition costs – December 31, 2021	336,100	803,475	217,500	284,513	1,641,588
Exploration costs – December 31, 2020	-	-	-	-	-
Additions per Plan of Arrangement (note 16)	467,927	1,121,659	53,671	29,539	1,672,796
Additions	-	748,416	-	-	748,416
Exploration costs – December 31, 2021	467,927	1,870,075	53,671	29,539	2,421,212
Total December 31, 2021	804,027	2,673,550	271,171	314,053	4,062,801

On February 25, 2021, the Company completed the Plan of Arrangement with American Creek in which American Creek transferred Gold Hill, Dunwell, Ample Goldmax, the Glitter King, the Silverside and the D-1 McBride properties to the Company (note 16).

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

8 Exploration and evaluation assets (continued)

Gold Hill Property, British Columbia, Canada

The Gold Hill property is located near Fort Steele, British Columbia. The Company owns 100% interest in the property.

The Company incurred exploration costs on the property to date of \$nil in 2021 on the property.

Dunwell Property, British Columbia, Canada

The Dunwell property is located near Stewart, British Columbia. The Company owns 100% interest in the property.

The Company incurred exploration costs on the property to date of \$748,416 in 2021.

Ample Goldmax Property, British Columbia, Canada

The Ample Goldmax property located near Lillooet, British Columbia and is subject to an option agreement to earn 100% interest (note 15). The Ample Goldmax claims are subject to a 25% net profit royalty associated with any bulk sample as defined in the agreement.

The Company paid a cash payment under the option agreement of \$10,000 (2021 -\$17,500) and incurred exploration costs on the property to date of \$42,119 (2021 - \$Nil).

Other Properties, British Columbia, Canada

The Silverside Property is located near Clearwater, British Columbia. The Glitter King Property is located on Pitt Island, British Columbia. These properties are under separate option agreements (note 15) to acquire 100% interest subject to a 3% Net Smelter Royalty (“NSR”) royalty interest that can be purchased for \$500,000 for each 1% interest purchased.

The Company made a cash payment under the option agreement of \$5,000 (2021 - \$22,500) per property and incurred combined exploration costs on the properties of \$20,760 (2021 - \$Nil).

The Company owned 100% of the D-1 McBride Property located near Dease Lake, British Columbia but considered the property impaired in 2022 as the management decided not to proceed with the property and expensed exploration and evaluation costs in the amount of \$6,513. As at December 31, 2022, the carrying value of D-1 McBride Property is \$nil.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

9 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities for the Company are comprised of the following:

	2022	2021
	\$	\$
Trade payables (note 11)	2,025	61,874
Accrued liabilities	67,405	24,000
	<u>69,430</u>	<u>85,874</u>

10 Share capital and reserves

Share capital

a) Authorized

Unlimited number of common shares; and
Unlimited number of preferred shares.

b) Issued and outstanding

Share issuances

During the year ended December 31, 2022, the Company did not issue any shares.

During the year ended December 31, 2021, the Company:

- i) Issued 45,000,388 shares with a fair value of \$10,702,074 pursuant to the plan of arrangement (note 16).
- ii) Issued 4,636,030 common shares with an assigned value of \$2,896,439 from the exercise of warrants. Warrant proceeds were allocated based on the Plan of Arrangement and were issued as a results of American Creek warrants being exercised (note 16).
- iii) Issued 11,324 common shares with a fair value of \$566 from the exercise of stock options.

c) Stock options and warrants

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by the market value of the common shares on the date of the grant.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital and reserves (continued)

Stock options transactions and the number of stock options outstanding are summarized as follows:

	Number of options	Weighted average exercise price \$
Balance – December 31, 2020	-	-
Options granted per Plan of Arrangement (note 16)	3,782,213	0.05
Options granted	717,000	0.27
Options exercised	(11,324)	0.05
Balance – December 31, 2021	<u>4,487,889</u>	<u>0.07</u>
Options expired	(328,396)	0.05
Balance – December 31, 2022	<u>4,159,493</u>	<u>0.08</u>
Number of options exercisable	<u>4,159,493</u>	<u>0.08</u>

The average share price on the date of exercise was \$0.24.

The following incentives stock options were outstanding and exercisable as at December 31, 2022:

Expiry Date	Exercise Price \$	Number Outstanding
March 10, 2025	0.05	402,002
April 23, 2025	0.05	54,354
March 2, 2026	0.05	849,300
May 19, 2026	0.05	324,998
November 2, 2026	0.05	215,156
May 29, 2027	0.05	124,564
July 18, 2027	0.05	135,888
February 5, 2028	0.05	67,944
January 18, 2029	0.05	260,452
August 20, 2029	0.05	328,396
September 5, 2029	0.05	317,072
May 24, 2030	0.05	101,915
August 27, 2030	0.05	260,452
March 18, 2031	0.20	<u>717,000</u>
		<u>4,159,493</u>
Weighted average remaining contractual life (years)		<u>5.21</u>

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital and reserves (continued)

During the year ended December 31, 2022, the Company issued no options.

During the year ended December 31, 2021, the Company:

- i) Pursuant to the Plan of Arrangement, the number of options granted upon the date of the transaction were 3,782,213. All options were calculated to have a minimum exercise price allowed under TSX Venture Exchange policy of \$0.05.
- ii) Granted 717,000 options to directors and officers and consultants at \$0.27 per share expiring on March 18, 2031. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.27. All options vested on the grant date.

The fair value of the common share purchase options was determined to be \$191,109 in total using the Black-Scholes Option Pricing Model, assuming a 0% dividend yield, 156% volatility, a risk-free interest rate of 1.55%, and a term of 10 years.

- iii) On November 9, 2021, the Company announced the repricing of previously issued common share purchase options under the Company's option incentive plan. A total of 717,000 common share purchase options were repriced from the original issue price of \$0.27 to the market price on the announcement date of \$0.195 per common share. The repricing of the options did not result in an incremental increase in the fair value of the options. Consequently, no additional compensation was recorded.

- d) Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	Weighted average exercise price \$
Balance – December 31, 2020	-	-
Granted per Plan of Arrangement (note 16)	4,636,030	0.07
Exercised	(4,636,030)	0.07
Balance – December 31, 2021	-	-
Balance – December 31, 2022	-	-

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

10 Share capital and reserves (continued)

Reserve

The share-based payment reserve includes stock-based compensation expense related to fair value of stock options granted and also the fair value of warrants issued for services.

11 Related party transactions

The Company has identified its directors and certain senior officers as its key management personnel.

During year ended December 31, 2022, the Company incurred the following related party transactions:

- a) Incurred management fees in the amount of \$340,000 (2021 - \$180,000) to companies controlled by the Company's Chief Executive Officer.
- b) Incurred management fees in the amount of \$280,000 (2021 - \$135,000) to companies controlled by the Company's Chief Financial Officer.

For the year ended December 31, 2021, the total remuneration of key management personnel was \$620,000 (2021 - \$315,000) of management fees and \$Nil (2021 - \$147,930) of stock-based compensation.

Exploration expenses of \$Nil (2021 - \$631,582) were paid and a retainer balance in the amount of \$1,100,000 (2021 - \$900,000) was paid to a company controlled by a director of the Company (note 4).

Included in trade payable is \$Nil (2021 - \$52,526) due to companies controlled by officers of the Company.

Included in prepaids and deposit is \$19,520 of management fee to a company controlled by the Company's Chief Executive Officer.

12 Financial Instruments

Fair value

IFRS 9 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

13 Financial Instruments (continued)

As at December 31, 2022, the Company's financial instruments are comprised of cash, marketable securities, receivables, and accounts payable. The carrying value of cash, marketable securities, and accounts payable approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and receivables.

The Company's cash is held by a Canadian chartered bank which is a high-credit quality financial institution. The Company's receivables primarily consist of harmonized sales tax rebates due from the Government of Canada. The Company believes credit risk to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$1,664,918 and short-term receivables of \$123,844 to settle current liabilities of \$69,430. The Company forecasts its cash needs on a regular basis and seeks additional financing based on those forecasts. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. See note 1 for further discussion on going concern and its impact on liquidity. The Company believes liquidity risk to be moderate.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk

The Company's current policy is to hold deposits in highly rated banking institutions. Interest on short and long-term debt arrangements are fixed and are specifically disclosed. Interest earned is negligible and therefore interest rate risk is low.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

12 Financial Instruments (continued)

Foreign currency rate risk

The Company is domiciled in Canada and its capital is raised in Canadian dollars and does not conduct regular business in any foreign country. Therefore, foreign currency rate risk is considered low.

13 Capital management

The Company's working capital as at December 31, 2022 was \$3,207,424 (2021 – \$6,905,603). The Company's capital management objectives, policies and processes have not been changed over the periods presented. The Company is not subject to any externally imposed capital requirements.

The Company manages its cash and common shares as capital. The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities or further discussed in note 1 going concern. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment.

14 Segmented information

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada.

15 Commitments

Mineral Property Acquisitions

The Company acquired the Ample Goldmax Property, the Glitter King Property and the Silverside Property subject to option agreements pursuant to the Plan of Arrangement and assumed the obligations under those agreements (note 16). The agreements were in default however amended terms were agreed to in 2022 and are as follows:

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

15 Commitments (continued)

Ample Goldmax Property

Year 1 - \$10,000 cash payment prior to August 5, 2022 and conduct enough exploration work to keep the property claims in good standing until at least August 1, 2023 (completed).

Year 2 - Conduct enough exploration work to keep the property claims in good standing until at least August 1, 2024.

Year 3 - \$30,000 cash payment on or before August 1, 2024.

The optionor will also retain a 25% bulk sample royalty on any net profits the Company receives from the extraction of a bulk sample as well as a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

Glitter King Property

Year 1 - \$5,000 cash payment prior to August 5, 2022 and conduct enough exploration work to keep the property claims in good standing until at least August 1, 2023 (completed).

Year 2 - Conduct enough exploration work to keep the property claims in good standing until at least August 1, 2024.

Year 3 - \$30,000 cash payment on or before August 1, 2024.

The optionor will also retain a 25% bulk sample royalty on any net profits the Company receives from the extraction of a bulk sample as well as a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

Silverside Property

Year 1 - \$5,000 cash payment prior to August 5, 2022 and conduct enough exploration work to keep the property claims in good standing until at least August 1, 2023 (completed).

Year 2 - Conduct enough exploration work to keep the property claims in good standing until at least August 1, 2024.

Year 3 - \$30,000 cash payment on or before August 1, 2024.

The optionor will also retain a 25% bulk sample royalty on any net profits the Company receives from the extraction of a bulk sample as well as a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

All cash payments, share payments and work commitment amounts in each of the agreements may be accelerated at the Company's discretion.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

16 Plan of Arrangement

On February 25, 2021, a Plan of Arrangement spin out transaction was completed by the Company.

The amended and restated Arrangement Agreement dated October 2, 2020, entered into between the Company and American Creek, was approved by the shareholders of the Company on December 3, 2020, by a Final Order granted by the Supreme Court of British Columbia on December 7, 2020, in accordance with Part 9 of the Business Corporations Act (British Columbia), and accepted by the TSX Venture Exchange.

The carrying values of the net assets transferred and acquired in consideration for 45,000,389 common shares of the Company pursuant to the Plan of Arrangement consisted of the following:

	\$
Assets Acquired:	
Cash	2,500,000
Exploration and evaluation assets (Dunwell Property, Gold Hill Property, D1 McBride Property and optioned interests in Silverside Property, Ample Goldmax Property, Glitter King Property) (note 8)	3,251,885
Property and Equipment (note 7)	496,602
Marketable securities (1,400,499 common shares Tudor Gold Corp.) (note 6)	<u>4,453,587</u>
Total assets assumed	<u>10,702,074</u>

As part of the Plan of Arrangement, stock options and warrants outstanding in the American Creek are exercisable into 0.11973 common share of the Company and one common share of American Creek. Upon exercise, the Company must issue common shares to the option holders and American Creek must pay 80% of the proceeds calculated based on the exchange ratio of 0.11973. 4,636,030 warrants were exercised in the American Creek subsequent to closing of the Plan of Arrangement and \$2,896,439 of the total proceeds received of \$3,479,727 was allocated to the Company.

Pursuant to the Arrangement Agreement:

- a) American Creek transferred the following assets to the Company in consideration for 45,000,389 common shares of the Company (the "Stinger Shares"):
 - i) the 3 mineral properties commonly referred to as the Dunwell Property, the Gold Hill Property and the D1 McBride Property;
 - ii) optioned interests in the 3 mineral properties commonly referred to as the Silver Side Property, the Ample Goldmax Property and the Glitter King Property;
 - iii) 1,400,499 common shares of Tudor Gold Corp;

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

16 Plan of Arrangement (continued)

- iv) \$2,500,000 cash;
 - v) the right to receive additional cash in the event previously issued share purchase warrants of American Creek are exercised after the Effective Date;
 - vi) the real property located at #92 - 2nd Avenue West, Cardston, Alberta, and all leasehold improvements related thereto and office furniture, computers and other equipment therein; and
 - vii) vehicles, an assortment of exploration equipment.
- b) the existing common shares of American Creek were re-designated as Class A Shares (the "AMK Class A Shares") and American Creek created a new class of common shares known as the "New AMK Common Shares";
 - c) each AMK Class A Share was exchanged for one New AMK Common Share and 0.11973 of one share of the Company;
 - d) the AMK Class A Shares were cancelled;
 - e) all outstanding American Creek warrants were adjusted to allow holders to acquire, upon exercise, one New AMK Common Share and 0.11973 of one share of the Company, such that an aggregate of 4,636,030 shares of the Company may be issued if all outstanding warrants are exercised;
 - f) all holders of the outstanding options of American Creek received 0.11973 of one option of the Company with one whole option entitling the holder therefore to purchase one share of the Company, such that an aggregate of 3,782,213 shares of the Company may be issued if all such options are exercised;
 - e) The Company became a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario; and
 - f) American Creek retained its interests in the Treaty Creek Property and the Austruck-Bonanza Property and approximately \$2 million cash for working capital, and remains listed on the TSX Venture Exchange and continues to trade under the trading symbol "AMK" as a junior exploration company.

Following the plan of arrangement transaction, there were amounts outstanding that were paid and received by American Creek on behalf of the Company. The net amount resulted in a short-term loan receivable amount of \$Nil (2021 – payable \$23,953). This amount has no set payment terms, is unsecured and bears no interest.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

17 Income taxes

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate to the income for the year, and is reconciled as follows:

	2022	2021
	\$	\$
Income (loss) before income taxes	(2,567,080)	(2,322,430)
Statutory rate	<u>27.00%</u>	<u>27.00%</u>
Anticipated income tax (recovery) at the combined basic federal and provincial tax rate	(693,112)	(627,056)
Increases resulting from		
Effect of items not deductible for tax purposes	202,302	253,901
True up of prior year losses	(1,019,602)	-
Unrecognized tax asset	<u>1,510,412</u>	<u>373,155</u>
Total income tax recovery	<u>-</u>	<u>-</u>

The components of the deferred income tax balance are as follows:

	2022	2021
	\$	\$
Non-capital loss carry forwards	821,774	150,133
Capital loss	415	-
Exploration and evaluation assets	614,360	-
Equipment	42,414	20,720
Marketable securities	<u>404,604</u>	<u>202,302</u>
	1,833,567	373,155
Less: Deferred tax asset not recorded	<u>(1,833,567)</u>	<u>(373,155)</u>
	<u>-</u>	<u>-</u>

The Company has not recorded its deferred income tax asset because of its history of net operating losses since inception.

Stinger Resources Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

17 Income taxes (continued)

The Company has incurred losses of \$3,043,608 for tax purposes which are available to reduce future taxable income. The losses will expire as follows:

	\$
2041	2,066,840
2042	<u>976,768</u>
	<u>3,043,608</u>

The Company also has Canadian exploration expenditures and Canadian development expenditures, available to reduce future years' taxable income, in the amount of \$6,412,204, which has no expiry date.

18 Events after the reporting period

The Company made \$100,000 advance to the Chief Executive Officer and \$100,000 to Chief Financial Officer for future management fees.