



INFINITUM COPPER CORP.

(Formerly Bayshore Petroleum Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Infnitum Copper Corp. (formerly Bayshore Petroleum Corp.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Infnitum Copper Corp. (formerly Bayshore Petroleum Corp.) (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of net loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the 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 (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 in the consolidated financial statements, which indicates that the Company’s ability to continue as a going concern is dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets. These matters, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are the following key audit matters to communicate in our auditor’s report.

Key audit matter:	How our audit addressed the key audit matter:
Assessment of impairment indicators of Exploration and evaluation assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to Note 3 – Accounting policy Exploration and evaluation assets and Significant estimates and assumptions, and Note 6 Exploration and evaluation assets</i> Management assesses at each reporting period whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether	Evaluated the reasonableness of management’s assessment of impairment indicators, which included the following: <ul style="list-style-type: none"> • Assessed the Company’s market capitalization in comparison to the Company’s net assets, which may be an indication of impairment.

indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the property; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation asset balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit.
- Confirmed that the Company's right to explore the property had not expired.
- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets.
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

Key audit matter:

How our audit addressed the key audit matter:

Valuation of common shares given up pursuant to the reverse takeover transaction ("RTO")

Our approach to addressing the matter included the following procedures, among others:

Refer to Note 3 Significant estimates and assumptions, and Note 4 Reverse Takeover Transaction

Management was required to assess the valuation of the common shares considered to be issued to existing Bayshore Petroleum Corp. shareholders on completion of the RTO. The common shares considered to be issued consisted of those shares of Bayshore Petroleum Corp. that were outstanding immediately prior to the completion of the RTO. At the time of the RTO, the common shares of Bayshore Petroleum Corp. were halt-traded and therefore did not have a readily available fair market value.

Evaluated the accuracy of management's valuation of the common shares given up pursuant to the RTO, which included the following:

- Assessing the basis for the valuation of the common shares, being the most recently completed private placement by Infinitum Copper Mining Corp.
- Assessing the alternative approaches that could be considered when estimating the fair value of the common shares given up.
- Assessing the fairness and completeness of the Company's financial statement disclosure regarding the RTO.

We considered this a key audit matter due to (i) the significance of the RTO costs recorded on the statement of net loss and comprehensive loss, and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its valuation of these common shares, which required significant management judgement.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
March 24, 2023

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(Formerly Bayshore Petroleum Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars, unless otherwise stated)

	Note	2022	2021
ASSETS		\$	\$
Current assets			
Cash		170,822	2,812,783
Restricted cash	5	28,750	-
GST receivable		7,285	7,098
Prepaid expenses		109,354	40,883
Deferred costs	4, 8 (b)	-	89,435
		316,211	2,950,199
Non-current assets			
Exploration and evaluation assets	6	3,236,062	198,334
VAT receivable		253,261	46,423
		3,489,323	244,757
TOTAL ASSETS		3,805,534	3,194,956
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		377,460	141,300
Due to related parties	4, 8 (b)	94,719	-
		472,179	141,300
SHAREHOLDERS' EQUITY			
Share capital	7	10,685,291	4,244,906
Reserves	7	605,729	56,952
Deficit		(7,957,665)	(1,248,202)
		3,333,355	3,053,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,805,534	3,194,956

Nature of operations and continuance of operations (Note 1)

Subsequent event (Note 6(b))

Approved by the Board of Directors:

(Signed) *Mahendra Naik* Director

(Signed) *Garrick Mendham* Director

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

INFINITUM COPPER CORP.

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CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars, unless otherwise stated)

	Note	2022	2021
		\$	\$
Exploration expenses	6	2,034,647	437,638
Administrative expenses			
Accounting and audit		55,992	56,919
Consulting	8	336,928	120,597
Foreign exchange loss		30,541	11,231
Investor relations and travel		347,195	99,666
Legal		276,259	4,050
Listing, filing and regulatory		147,218	20,000
Management fees	8	425,000	348,258
Office and general expense		87,454	48,925
Property investigation cost		-	25,918
RTO transaction costs	4	2,465,818	-
Share-based compensation	7(f), 7(b)	502,838	75,000
		4,675,243	810,564
Other items			
Write-off of exploration and evaluation assets	6(c)	(1)	-
Interest income		428	-
Net loss for the year		(6,709,463)	(1,248,202)
Other comprehensive income			
Exchange differences on translation to reporting currency		27,249	7,276
Total comprehensive loss for the year		(6,682,214)	(1,240,926)
Loss per share, basic and diluted		(0.16)	(0.08)
Weighted average number of common shares outstanding			
- basic and diluted		41,983,145	15,621,311

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

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars, unless otherwise stated)

	Note	Common Shares		Reserves			Total	Deficit	Total share holders' equity
		Number of shares	Amount	Foreign exchange reserve	Finder's warrants	Share based compensation			
		#	\$	\$	\$	\$	\$	\$	
Balance as at December 31, 2020		1	1	-	-	-	-	-	1
Cancellation of seed share		(1)	(1)	-	-	-	-	-	(1)
Shares issued:									
Asset Purchase Agreement	7(b)	10,000,000	170,277	-	-	-	-	-	170,277
Option agreement	7(b)	533,334	80,000	-	-	-	-	-	80,000
Executive management compensation	7(b)	500,000	75,000	-	-	-	-	-	75,000
Private placements	7(b)	17,305,847	4,089,006	-	-	-	-	-	4,089,006
Share issue costs	7(b)	-	(169,377)	-	49,676	-	49,676	-	(119,701)
Net loss for the year		-	-	7,276	-	-	7,276	(1,248,202)	(1,240,926)
Balance as at December 31, 2021		28,339,181	4,244,906	7,276	49,676	-	56,952	(1,248,202)	3,053,656
Shares issued per:									
Reverse takeover ("RTO")	7(b)	5,766,361	2,306,544	-	-	-	-	-	2,306,544
Shares issued per exploration and evaluation assets	7(b)	7,328,515	2,681,185	-	-	-	-	-	2,681,185
Private placement	7(b)	6,897,082	1,295,548	-	-	-	-	-	1,295,548
Share issue costs	7(b)	-	(74,246)	-	18,690	-	18,690	-	(55,556)
Debt settlement	7(b)	1,156,770	231,354	-	-	-	-	-	231,354
Share-based compensation	7(d)(e)	-	-	-	-	502,838	502,838	-	502,838
Net loss for the year		-	-	27,249	-	-	27,249	(6,709,463)	(6,682,214)
Balance as at December 31, 2022		49,487,909	10,685,291	34,525	68,366	502,838	605,729	(7,957,665)	3,333,355

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars, unless otherwise stated)

	2022	2021
	\$	\$
Operating activities		
Net loss for the year	(6,709,463)	(1,248,202)
Items not affecting cash:		
Write-off of exploration and evaluation assets	1	-
Foreign exchange loss	461	-
Interest income	(427)	-
Exploration expenses paid in common shares	231,354	-
Share-based compensation	502,838	75,000
RTO transaction costs	2,465,818	-
Changes in items of working capital:		
Restricted cash	(28,750)	-
GST receivable	4,977	(7,098)
Prepaid expenses	(68,472)	(40,883)
Due to related parties	41,219	-
Accounts payable and accrued liabilities	203,136	141,300
Net cash used in operating activities	(3,357,308)	(1,079,883)
Investing activities		
Cash received from Asset Purchase Agreement	-	170,276
Cash received on the acquisition of BSH	1,394	-
Cash paid in connection with the acquisition of BSH	(10,565)	(89,435)
Expenditures on exploration and evaluation assets	(356,544)	(118,333)
VAT receivable	(187,452)	(46,423)
Net cash used in investing activities	(553,167)	(83,915)
Financing activities		
Repayment of seed share	-	(1)
Net proceeds from issuance of common shares	1,239,992	3,969,305
Net cash generated from financing activities	1,239,992	3,969,304
Effect of foreign exchange on cash	28,522	7,276
Net (decrease) increase in cash	(2,641,961)	2,812,782
Cash - beginning of the year	2,812,783	1
Cash - end of the year	170,822	2,812,783
Supplemental disclosure with respect to cash flows:		
Common shares issuance pursuant to exploration expenses	231,354	-
Common shares issued pursuant to the RTO transaction	2,306,544	-
Common shares issued for exploration and evaluation asset	2,681,185	80,000

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Infinitum Copper Corp. (formerly Bayshore Petroleum Corp.) (the “Company” or “INFI”) was incorporated in Alberta, Canada under the Business Corporations Act on October 16, 2003 under the name of Bayshore Petroleum Corp. (“Bayshore” or “BSH”). The Company changed its name to Infinitum Copper Corp. on February 18, 2022 and continued into British Columbia on February 25, 2022. The Company’s registered office is located at 1700-1055 Hastings Street West, Vancouver, BC, V6E 2E9.

Infinitum Copper Mining Corp. (formerly Infinitum Copper Corp.) (“Infinitum Copper” or “ICC”) was incorporated on April 21, 2020 under the name of Arabian Shield Resources Inc. and changed its name to Infinitum Copper Corp. on March 18, 2021. The Company is domiciled in Canada under the Business Corporations Act (British Columbia). Its registered office is located at 1700-1055 Hastings Street West, Vancouver, BC, V6E 2E9.

On February 25, 2022, BSH completed the acquisition of ICC pursuant to an amalgamation agreement dated June 25, 2021 (and amended on August 27, 2021, October 25, 2021 and February 2, 2022) (the “Transaction”). For accounting purposes, the Transaction constitutes a reverse takeover (“RTO”) (see Note 4).

The Company continues to be a reporting issuer in British Columbia and Alberta, and the Company’s common shares were re-listed on the TSX Venture Exchange (the “Exchange”) under the new symbol “INFI”, effective March 16, 2022. On May 31, 2022, the Company commenced trading on the OTCQB market under the ticker symbol “INUMF”.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

A summary of the Company’s working capital and its accumulated deficit is as follows:

	2022	2021
	\$	\$
Working capital (deficiency)	(155,968)	2,808,899
Deficit	(7,957,665)	(1,248,202)

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date, the Company has not generated revenues and is considered to be in the exploration stage. There are material uncertainties that cast significant doubt on the Company’s ability to continue as a going concern.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS *(Continued)*

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

Since February 2020, the coronavirus (“COVID-19”) has caused a slowdown in the global economy and volatility in the global financial markets. Continuing rapid spread of COVID-19 may adversely affect the Company’s financial position, results of operations and cash flows in future periods.

In February 2022, Russian military forces invaded Ukraine. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. The Company does not have operations within Russia or Ukraine and it is not expected that the conflict will directly impact the Company’s operations. However, the long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and could adversely affect the Company’s business, operation costs, and financial condition including our ability to access capital.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements were approved by the board of directors to issue on March 24, 2023.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2022 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Presentation of financial statements

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

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3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its “subsidiaries”). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

The Company’s subsidiaries are:

	% Of Ownership	Jurisdiction	Principle Activity
Exploraciones Margaritas, S.A.P.I de C.V.	100%	Mexico	Exploration
Infinitum Copper Mining Corp.	100%	Canada	Exploration
Infinitum Mining LLC.	100%	USA	Holding Company

Effective on July 31, 2022, the Company has become the sole member of Infinitum Mining LLC. On May 19, 2022, Bayshore Oil Technology Corp., the Company’s 100% owned subsidiary, was voluntarily dissolved.

Inter-company balances and transactions

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currencies

The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rate of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its subsidiary in Mexico is the Mexican peso and the functional currency of its subsidiary in USA is the US dollar. Exchange differences arising from the translation of the subsidiary’s functional currency into the Company’s presentation currency are taken directly into the foreign exchange reserve.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Equity is translated using historical rates; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in the foreign entity are taken to the foreign exchange reserve included in Reserves. When a foreign operation is sold, such exchange differences are recognized in the statement of loss as part of the gain or loss on sale.

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. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Share-based payment transactions

Warrants with the right to acquire common shares in the Company are typically issued through the Company's equity financing activities. Where finders' warrants are issued on a stand-alone basis, their fair values are measured on their issuance date using the Black-Scholes option pricing model and are recorded as both an increase to reserves and as a share issue cost.

When warrants are exercised, the cash proceeds along with the amount previously recorded in reserves are recorded as share capital.

Basic loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the years presented and accordingly, basic and diluted losses per share are the same.

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(Expressed in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statement of comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where they are considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of non-financial assets

The carrying amount of the Company's long-lived assets (which include exploration and evaluation assets) is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as a charge in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a recovery in the statement of comprehensive loss for the period.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant estimates and assumptions

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. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these 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, if the revision affects only that period, or in the period of the revision and further periods if 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 consolidated 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, but are not limited to, the following:

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its subsidiary in Mexico is the Mexican peso and the functional currency of its subsidiary in USA is the US dollar. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable;
- The determination of the value of the common shares issued pursuant to RTO transaction;
- The determination of the value of the common shares issued to Minaurum Gold Inc pursuant to the La Adelita option agreement; and
- The determination that the Company will continue as a going concern for the next year.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

Deferred income tax:

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Financial instruments

Financial Assets - Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss (“FVTPL”), and
- Those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The Company has classified cash and restricted cash as subsequently measured at amortized cost.

Financial Assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. These are the measurement categories under which the Company classifies its financial assets:

- Subsequently measured at amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial Assets – Measurement (Continued)

- Fair value through OCI (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

Impairment of Financial Assets at Amortized Cost

The Company recognizes 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 of the credit risk on the financial asset if it has increased significantly since initial recognition. If at the reporting date, the financial asset 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 statements loss and 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.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities and due to related parties as financial liabilities held at amortized cost.

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4. REVERSE TAKEOVER TRANSACTION

Effective February 25, 2022, BSH completed its acquisition of ICC and issued 28,339,181 common shares to acquire all of the issued and outstanding common shares of ICC.

For accounting purposes, the Transaction constitutes a reverse takeover, as the shareholders of ICC acquired control of the consolidated entity upon the completion of the Transaction. The reverse takeover does not constitute a business combination under IFRS 3 and is being accounted for as a capital transaction in accordance with IFRS 2, *Share-based payments*. ICC is treated as the accounting parent (legal subsidiary), and BSH is treated as the accounting subsidiary (legal parent) on closing of the Transaction, subject to a deemed issuance of shares and re-capitalization of the Company's equity.

As ICC was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. BSH's results of operations have been included from February 25, 2022, the date of completion of the Transaction.

Pursuant to the terms and conditions of the Transaction, BSH consolidated its common shares on the basis of 20:1 to have 5,918,536 common shares outstanding immediately prior to the closing of the Transaction; of which 152,175 common shares were subsequently cancelled. Thus effectively, ICC will have been deemed to have issued 5,766,361 common shares to acquire BSH.

The acquisition of BSH is accounted for as 5,766,361 common shares issued at the fair value of \$0.40 per share to acquire the net identifiable assets and liabilities of BSH. This \$2,306,544 equity consideration is allocated to BSH's net identifiable assets and liabilities with the residual accounted for as a listing expense on the consolidated statement of net loss and comprehensive loss.

Pursuant to the terms of the Transaction, ICC advanced \$100,000 to BSH to pay towards the expenses in connection with the closing of the RTO.

The total purchase price has been allocated as follows:

	\$
Fair value of consideration – 5,766,361 common shares	2,306,544
Amounts advanced to BSH by ICC	100,000
	<hr/> 2,406,544
Identifiable net liabilities of BSH acquired by ICC:	
Cash	1,394
GST receivable	4,737
Accounts payable and accrued liabilities	(65,405)
Total fair value of identifiable net liabilities acquired by ICC	<hr/> (59,274)
Listing expense	<hr/> 2,465,818

In addition, the Company incurred \$30,000 of filing fees and \$205,515 of legal fees in connection with the reverse takeover Transaction which have been recognized in the consolidated statements of net loss and comprehensive loss during the year ended December 31, 2022.

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5. RESTRICTED CASH

The Company has an Electronic Data Interchange (“EDI”) account with a major financial institution. As at December 31, 2022, the financial institution holds \$28,750 in a Guaranteed Investment Certificate (December 31, 2021 - \$Nil) as a collateral on the EDI account.

6. EXPLORATION AND EVALUATION ASSETS (“E&E”)

(a) La Adelita Property, Mexico

On February 22, 2021, the Company signed an option agreement (the “Option Agreement”) with Minaurum Gold Inc. (“MGG”) where the Company can option into 80% interest of the La Adelita Property.

Pursuant to the Option Agreement, the Company is required to:

- a) issue 200,000 common shares to the original owner of the La Adelita Property (issued; see Note 7(b));
- b) issue to MGG common shares totaling 16% of its post-initial public offering shares outstanding while raising a minimum of \$4,000,000. (6,105,438 common shares were issued to MGG at a deemed share price of \$0.40 per share on February 25, 2022);
- c) make the following cash payments:
 - i. \$50,000 upon signing the Option Agreement (paid);
 - ii. \$43,333 reimbursement for the mining taxes (paid);
 - iii. \$25,000 by August 22, 2021 (paid); and
- d) incur \$3 million in work expenditures over five years (an aggregate total of \$2,355,401 was spent as of December 31, 2022).

Pursuant to the Option Agreement, the Company also made a cash payment of \$100,000 in February 2022 to MGG as the Company extended the timeframe of completing its RTO by six months.

MGG's 20% retained interest will be carried until the Company carries out a total of \$4.75 million in work expenditures, along with completing both a mineral resource calculation, in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects, and a preliminary economic assessment.

The original owner retains a 2% net smelter royalty on the La Adelita Property.

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6. EXPLORATION AND EVALUATION ASSETS (“E&E”) (Continued)

(b) Hot Breccia Project, USA

On April 19, 2022, the Company entered into an Assignment and Amending Agreement (the “Agreement”) whereby the Company assumed the rights and obligations of an option agreement to acquire a 100% interest in the Hot Breccia Project in exchange for a cash payment of \$256,544 (US \$203,153) (paid).

On November 29, 2022, the Company amended the Agreement. To exercise the option agreement, and acquire a 100% interest in the Hot Breccia Project, the Company is required to:

- a) make cash payments in the aggregate of \$540,000:
 - i. \$65,000 on or before June 6, 2023;
 - ii. \$100,000 on or before December 6, 2023;
 - iii. \$100,000 on or before December 6, 2024; and
 - iv. \$275,000 on or before December 6, 2025.
- b) issue and deliver an aggregate of 3,598,077 of the Company’s common shares as follows:
 - i. 625,000 shares upon the TSX-V approval (issued on May 9, 2022);
 - ii. 598,077 shares on December 6, 2022 (issued on December 6, 2022);
 - iii. 250,000 shares on December 6, 2023;
 - iv. 500,000 shares on December 6, 2024;
 - v. 875,000 shares on December 6, 2025; and
 - vi. 750,000 shares on December 6, 2026.
- c) incur exploration expenditures in the aggregate of \$5,500,000 over the period of five years.

The vendor will retain a 2% net smelter return (“NSR”) on the Hot Breccia Project.

Subsequently, on January 28, 2023, the Company signed a property option agreement with Prismo Metals Inc. (“Prismo”) granting Prismo the option to acquire up to a 75% interest in the Hot Breccia Project by assuming all the cash payments and work commitment obligations remaining under the Agreement. Upon entering this option agreement, Prismo would pay \$350,000 in cash (received on February 2, 2023) and issue 500,000 Prismo shares (received on February 1, 2023) to the Company. On the completion of the required work commitment and cash payments by Prismo, and share issuance by the Company, Prismo and the Company will form a 75:25 participating joint venture to hold a 100% interest in the Hot Breccia Project, subject to the 2% NSR.

(c) Saudi Arabia mining investment license, Saudi Arabia

On March 19, 2021, the Company signed an asset purchase agreement (the “Asset Purchase Agreement”) with Arabian Shield Resources Limited (“ASRL”) whereby the Company issued 10,000,000 common shares to the shareholders of ASRL in exchange for \$170,276 (US\$135,000) and a Saudi Arabia Mining Investment License (the “License”) valued at \$1. During the year ended December 31, 2022, the Company decided to not renew the License and \$1 of carrying value was written off.

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6. EXPLORATION AND EVALUATION ASSETS (“E&E”) (Continued)

(d) E&E expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statement of comprehensive loss.

Exploration and evaluation assets	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
Acquisition costs	\$	\$	\$	\$
Balance, as of January 1, 2021	-	-	-	-
Addition	198,333	-	1	198,334
Balance, as of December 31, 2021	198,333	-	1	198,334
Addition	2,542,175	495,554	-	3,037,729
Disposal	-	-	(1)	(1)
Balance, as of December 31, 2022	2,740,508	495,554	-	3,236,062

A summary of exploration and evaluation expenditures expensed during the years ended December 31, 2022 and 2021 is as follows:

Mineral exploration expenses for the year ended December 31, 2022	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
	\$	\$	\$	\$
Assay and analyses	208,126	-	-	208,126
Consulting and reporting	42,480	2,541	-	45,021
Claim, land and license fees	64,636	56,992	20,729	142,357
Drilling	516,721	-	-	516,721
Equipment rental	25,883	-	-	25,883
Freight and transportation	15,530	-	-	15,530
Geophysical	170,253	-	-	170,253
Mineral taxes	144,461	-	-	144,461
Geology and exploration	729,549	36,622	-	766,171
Other property related expenses	124	-	-	124
	1,917,763	96,155	20,729	2,034,647

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6. EXPLORATION AND EVALUATION ASSETS (“E&E”) (Continued)

(d) E&E expenditures (Continued)

Mineral exploration expenses for the year ended December 31, 2021	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
Mineral exploration expenses for the	\$	\$	\$	\$
Assay and analyses	25,586	-	-	25,586
Consulting and reporting	23,894	-	-	23,894
Mineral taxes	55,017	-	-	55,017
Surface access	38,900	-	-	38,900
Geology and exploration	280,994	-	-	280,994
Other property related expenses	13,247	-	-	13,247
	437,638	-	-	437,638

Cumulative mineral exploration expenses up to December 31, 2022	La Adelita (Mexico)	Hot Breccia (USA)	Saudi Arabia License	Total
	\$	\$	\$	\$
Assay and analyses	233,712	-	-	233,712
Consulting and reporting	66,374	2,541	-	68,915
Claim and land fees	103,536	56,992	20,729	181,257
Drilling	516,721	-	-	516,721
Equipment rental	25,883	-	-	25,883
Freight and transportation	15,530	-	-	15,530
Geophysical	170,253	-	-	170,253
Mineral taxes	199,478	-	-	199,478
Geology and exploration	1,010,543	36,622	-	1,047,165
Other property related expenses	13,371	-	-	13,371
	2,355,401	96,155	20,729	2,472,285

7. SHARE CAPITAL

(a) Authorized

As of December 31, 2022 and 2021, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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7. SHARE CAPITAL (Continued)

(b) Share issuances

For the year ended December 31, 2022

Common shares issued pursuant to private placements

On July 19, 2022 and August 5, 2022, the Company closed its non-brokered private placement financing by issuing 5,698,953 units at a price of \$0.20 per unit for gross proceeds of \$1,139,791. Each unit consisted of one common share of the Company and one transferable common share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one additional common share for a period of two years from closing at a price of \$0.45.

In connection with this financing, the Company paid finders’ fee consisting of cash fee of \$37,100 and 185,500 non-transferable share purchase warrants (“finder’s warrants”). Each finder’s warrant entitles the holder to purchase of one common share at a price of \$0.20 until July 19, 2024. The value of the finder’s warrants was determined to be \$18,550 and was calculated using the Black-Scholes option pricing model. The Company incurred additional share issue costs of \$12,886 in connection with this financing.

On December 12, 2022, the Company closed its first tranche of a non-brokered private placement financing by issuing 1,198,129 units at a price of \$0.13 for gross proceeds of \$155,757. Each unit consisted of one common share of the Company and one-half of a transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of \$0.22 until December 12, 2024.

In connection with this financing, the Company paid finder's fee consisting of cash fee of \$1,820 and 14,000 non-transferable share purchase warrants (“finder’s warrants”). Each finder’s warrant entitles the holder to purchase of one common share at a price of \$0.13 until December 12, 2024. The value of the finder’s warrants was determined to be \$140 and was calculated using the Black-Scholes option pricing model. The Company incurred additional share issue costs of \$3,750 in connection with this financing.

Common shares issued for debt settlement

In August 2022, the Company entered into a share for debt settlement agreement with an arm’s length contractor, pursuant to which the Company issued 1,156,770 common shares at a deemed value of \$0.20 per share in full satisfaction of drilling expenses of \$231,354 (US \$180,000).

Common shares issued in connection with RTO

Pursuant to the terms and conditions of the Transaction, BSH consolidated its common shares on a basis of 20:1, so as to have 5,918,536 common shares outstanding immediately prior to closing of the Transaction, of which 152,175 common shares were subsequently cancelled. Thus effectively, ICC was deemed to have issued 5,766,361 common shares at \$0.40 per share to acquire net identifiable liabilities of BSH.

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7. SHARE CAPITAL (Continued)

(b) Share issuances (Continued)

For the year ended December 31, 2022 (Continued)

Common shares issued pursuant to exploration and evaluation assets

On February 25, 2022, pursuant to the Option Agreement (Note 6(a)), ICC issued 6,105,438 shares to MGG (equating to 16% of the outstanding shares of ICC on closing of the RTO) at a deemed market value of \$0.40 per share for a total of \$2,442,175. Such shares are subject to resale restrictions expiring as to 20% on closing and an additional 20% every three months thereafter over 12 months.

On May 9, 2022, pursuant to the option agreement to acquire a 100% interest in the Hot Breccia project (Note 6(b)), the Company issued 625,000 shares to the Optionors at a deemed market value of \$0.325 per share for a total of \$203,125. On December 6, 2022, the Company issued another 598,077 shares at a deemed market value of \$0.06 per share for a total of \$35,885.

For the year ended December 31, 2021

Common shares issued pursuant to exploration and evaluation assets

On March 19, 2021, the Company issued 10,000,000 common shares in exchange for \$170,276 (US\$135,000) and a Saudi Arabia Mining Investment License valued at \$1 pursuant to the Asset Purchase Agreement (Note 6(c)).

On April 6, 2021, the Company issued 200,000 common shares at a value of \$30,000 pursuant to the Option Agreement (Note 6(a)) and issued 333,334 common shares at a value of \$50,000 as a finder's fee to a former director for his effort in locating the La Adelita property.

Common shares issued pursuant to executive management compensation

On May 13, 2021, the Company issued 500,000 common shares to its Chief Executive Officer at a value of \$75,000 pursuant to the Executive Management Agreement dated May 13, 2021.

Common shares issued pursuant to private placements

On July 5, 2021, the Company completed a non-brokered private placement by issuing 7,600,070 common shares at a price of \$0.15 per common share for gross proceeds of \$1,140,011.

On July 15, 2021, the Company completed another non-brokered private placement by issuing 3,733,263 common shares at a price of \$0.15 per common share for gross proceeds of \$559,989.

On September 20, 2021, the Company completed the first tranche of a non-brokered private placement by issuing 1,087,500 units ("Units") at a price of \$0.40 per Unit for gross proceeds of \$435,000. Each Unit consists of one common share and one-half of one warrant. Each whole warrant is exercisable into a common share at \$0.60 for two years until September 20, 2023. In connection of this first tranche of the private placement, the Company paid \$6,650 cash finder's fees and issued 16,625 finder's warrants, whereby each finder's warrant is exercisable into a common share at \$0.60 until September 20, 2023. The value of the finder's warrants was determined to be \$2,760 and was calculated using the Black-Scholes option pricing model.

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7. SHARE CAPITAL (Continued)

(b) Share issuances (Continued)

For the year ended December 31, 2021 (Continued)

Common shares issued pursuant to private placements (Continued)

On September 24, 2021, the Company completed the second tranche of the private placement by issuing 2,487,500 Units at a price of \$0.40 per Unit for gross proceeds of \$995,000. The warrants associated with this tranche expire on September 24, 2023. In connection of this second tranche, the Company paid \$69,650 cash finder's fees and issued 174,125 finder's warrants, whereby each finder's warrant is exercisable into a common share at \$0.60 until September 24, 2023. The value of the finder's warrants was determined to be \$28,905 and was calculated using the Black-Scholes option pricing model.

On October 7, 2021, the Company completed the third tranche of the private placement by issuing 2,072,500 Units at a price of \$0.40 per Unit for gross proceeds of \$829,000. The warrants associated with this tranche expire on October 7, 2023. In connection of this third tranche, the Company paid \$37,590 cash finder's fees and issued 93,975 finder's warrants, whereby each finder's warrant is exercisable into a common share at \$0.60 until October 7, 2023. The value of the finder's warrants was determined to be \$15,600 and was calculated using the Black-Scholes option pricing model.

On October 25, 2021, the Company completed the fourth tranche of the private placement by issuing 325,014 Units at a price of \$0.40 per Unit for gross proceeds of \$130,006. The warrants associated with this tranche expire on October 25, 2023. In connection of this fourth tranche, the Company paid \$5,810 cash finder's fees and issued 14,525 finder's warrants, whereby each finder's warrant is exercisable into a common share at \$0.60 until October 25, 2023. The value of the finder's warrants was determined to be \$2,411 and was calculated using the Black-Scholes option pricing model.

(c) Escrow shares

8,792,602 common shares are subject to surplus escrow (of which 2,109,266 common shares have not been deposited into escrow), to be released as to 5% on March 16, 2022, 5% after six months, an additional 10% after 12 and 18 months, an additional 15% after 24 and 30 months, and the remaining 40% after 36 months. As of December 31, 2022, 6,015,002 shares remained in escrow with the transfer agent.

Another 7,150,000 common shares are subject to value escrow, to be released as to 10% on March 16, 2022 and an additional 15% every six months thereafter over 36 months. As of December 31, 2022, 5,362,500 shares remained in escrow.

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7. SHARE CAPITAL (Continued)

(d) New equity incentive plan

On March 14, 2022, the Board of Directors of ICC approved the adoption of a new equity incentive plan (the "New Plan") based on the new share-based compensation policy adopted by the TSXV. The New Plan is a 10% rolling plan for purposes of Exchange rules and contemplates the award of additional share-based compensation beyond stock options, including Deferred Share Units, Restricted Share Units, Performance Share Units, Share Appreciation Rights and Stock Purchase Rights. The New Plan was approved by the Company's shareholders and the Exchange in October 2022.

(e) Deferred share units ("DSUs") and restricted share units ("RSUs")

During the year ended December 31, 2022, the Company granted an aggregate of 975,000 DSUs (2021 - Nil) to the Company's directors and 600,000 RSUs (2021 - Nil) to certain officers and advisors of the Company in accordance with the New Plan. The DSUs vest 24 months and RSUs vest 36 months plus one day from the grant date. Upon vesting, the DSUs and RSUs will be payable in common shares, or the cash equivalent, or any combination of common shares and cash, as determined by the Company.

The compensation expense was calculated using the fair value method based on the trading price of the Company's shares on the grant date. As such, these DSUs and RSUs were valued at \$0.40 per RSU and/or DSU. During the year ended December 31, 2022, the Company recorded the share-based compensation of \$154,720 (2021 - \$Nil) in connection with DSUs and \$61,485 (2021 - \$Nil) in connection with RSUs.

(f) Stock options

During the year ended December 31, 2022, the Company granted an aggregate of 2,075,000 stock options to purchase common shares in the Company to certain directors, officers, employees, consultants, and advisors of the Company in accordance with the Company's New Plan. The stock options are exercisable at a price of \$0.40 per common share for a term of five years, vesting over 36 months with 1/3 every 12 months. As of December 31, 2022, there were no options exercisable.

For the year ended December 31, 2022, the Company recorded \$286,633 (2021 - \$Nil) of the share-based compensation in connection with stock options using the Black-Scholes pricing model. The continuity of options for the years ended December 31, 2022 and 2021 is as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average value assigned	Weighted average remaining life	Number of options Exercisable
	#	\$	\$	years	#
Balance, December 31, 2021 and 2020	-	-	-	-	-
Granted:					
Expiry date: March 16, 2027	1,975,000	0.40	0.29	4.21	-
Expiry date: May 9, 2027	100,000	0.40	0.29	4.36	-
Balance, December 31, 2022	2,075,000	0.40	0.29	4.22	-

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7. SHARE CAPITAL (Continued)

(g) Warrants

During the years ended December 31, 2022 and 2021, there were no warrants exercised or that expired. The continuity of warrants for the years ended December 31, 2022 and 2021 is as follows:

	Number of warrants #	Weighted average exercise price \$
Balance, as of December 31, 2020	-	-
Issued	2,986,256	0.60
Balance, as of December 31, 2021	2,986,256	0.60
Issued	6,298,016	0.43
Balance, as of December 31, 2022	9,284,272	0.48

As of December 31, 2022, a summary of the outstanding warrants is as below:

Expiry date	Exercise price \$	Number of warrants #	Wighted average remaining contractual life years
September 20, 2023	0.60	543,750	0.72
September 24, 2023	0.60	1,243,750	0.73
October 7, 2023	0.60	1,036,250	0.77
October 25, 2023	0.60	162,506	0.82
July 19, 2024	0.45	5,180,175	1.55
August 5, 2024	0.45	518,778	1.60
December 12, 2024	0.22	599,063	1.95
Balance, as of December 31, 2022		9,284,272	1.32

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7. SHARE CAPITAL (Continued)

(h) Finder's warrants

The continuity of finder's warrants for the years ended December 31, 2022 and 2021 is as follows:

	Number of finder's warrants #	Weighted average exercise price \$
Balance, as of December 31, 2020	-	-
Issued	299,250	0.60
Balance, as of December 31, 2021	299,250	0.60
Issued	199,500	0.20
Balance, as of December 31, 2022	498,750	0.44

As of December 31, 2022, a summary of the outstanding finder's warrants is as follows:

Expiry date	Exercise price \$	Number of finder's warrants #	Wighted average remaining contractual life years
September 20, 2023	0.60	16,625	0.72
September 24, 2023	0.60	174,125	0.73
October 7, 2023	0.60	93,975	0.77
October 25, 2023	0.60	14,525	0.82
July 19, 2024	0.20	185,500	1.55
December 12, 2024	0.13	14,000	1.95
Balance, as of December 31, 2022		498,750	1.08

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7. SHARE CAPITAL (Continued)

(i) Fair value assumptions

The fair value of options and finder's warrants granted was estimated on the date of grant using the Black-Scholes pricing model. The Company estimated the volatility of the underlying common shares by analyzing the Company's volatility as well as the volatility of peer group public companies with similar corporate structure, E&E assets and size. The weighted average assumptions used to estimate the fair value of options and finder's warrants granted during the years ended December 31, 2022 and 2021 are as follows:

	Options		Finder's Warrants	
	2022	2021	2022	2021
Risk-free interest rate	2.02% - 2.76%	-	3.25% - 3.29%	0.43% - 0.49%
Expected life (in years)	5.0	-	2.0	2.0
Annualized volatility	92.38% - 92.99%	-	86.06% - 87.29%	98.08%
Share price (\$)	\$0.325 - \$0.40	-	\$0.19 - \$0.20	\$0.40
Exercise price (\$)	\$0.40	-	\$0.13 - \$0.20	\$0.60
Fair value of options/warrants assigned (\$)	\$0.22 - \$0.29	-	\$0.05 - \$0.10	\$0.17
Forfeiture rate and dividend	-	-	-	-

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8. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes the Company's directors and senior management. During the years ended December 31, 2022 and 2021, the following compensation and benefit were paid to or accrued for the key management personnel and entities over which they have control or significant influence:

	2022	2021
	\$	\$
Senior management remuneration ⁽¹⁾	425,000	348,258
Consulting fees ⁽²⁾	50,906	108,000
Share-based compensation ⁽³⁾	309,234	125,000
	<u>785,140</u>	<u>581,258</u>

(1) Included in the senior management remuneration during the year ended December 31, 2022, there were \$295,000 (2021 - \$202,258) incurred to a private company controlled by the Company's chief executive officer (the "CEO"), \$30,000 (2021 - \$90,000) paid to a private company controlled by the Company's former chief financial officer (the "CFO") and \$100,000 (2021 - \$Nil) paid to a private company controlled by the Company's CFO. In 2021, the Company also paid \$56,000 to its former CEO.

(2) During the year ended December 31, 2022, there were \$45,000 (2021 - \$108,000) of consulting and rent paid to a private company related to certain directors and \$5,906 (2021 - \$Nil) of consulting fees paid to a director.

(3) Fair value assigned to granted options, DSUs and RSUs during the year ended December 31, 2022. During the year ended December 31, 2021, the CEO received 500,000 of the Company's common shares valued at \$75,000 pursuant to the Executive Management Agreement and a former director received 333,334 of the Company's common shares valued at \$50,000 as a finder's fee of La Adelita project (Note 7(b)).

All related party transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due from (to) related parties

Deferred costs

Pursuant to the Amalgamation Agreement with BSH (see Notes 1 and 4), ICC advanced \$100,000 as of February 25, 2022 (December 31, 2021 - \$89,435) to pay towards the expenses of BSH in connection with the closing of the Transaction. As of December 31, 2022, this amount is included within the intercompany loans of ICC and BSH.

Due to related parties

Pursuant to the Amalgamation Agreement (see Notes 1 and 4), certain shareholders of BSH were permitted to retain loans of \$53,500 under certain terms and conditions. In addition, as of December 31, 2022, there was a total of \$41,219 due to the senior management for the remuneration and expense reimbursements.

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8. RELATED PARTY TRANSACTIONS (Continued)

(c) Vancouver Office

The Company, Cassiar Gold Corp. (“Cassiar”) and Reyna Silver Corp. have certain directors in common. These companies have shared office space and certain office expenditures since June 1, 2022. During the year ended December 31, 2022, the Company shared \$22,977 (2021 - \$Nil) of rent and \$5,177 (2021 - \$Nil) of office furniture and other expenses.

9. SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment, being the acquisition and exploration of mineral properties (Note 6). Geographic information is as follows:

	December 31, 2022	December 31, 2021
Balance as at	\$	\$
Non-current assets		
Mexico	2,993,769	244,756
USA	495,554	-
Saudi Arabia	-	1
	<u>3,489,323</u>	<u>244,757</u>

	Year ended December 31, 2022	Year ended December 31, 2021
Mineral exploration expenses	\$	\$
Mexico	1,917,763	437,638
USA	96,155	-
Saudi Arabia	20,729	-
	<u>2,034,647</u>	<u>437,638</u>

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada and Mexico; accordingly, the Company believes it is not exposed to significant credit risk.

(b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due. As of December 31, 2022, the Company had a cash balance of \$170,822 (December 31, 2021 - \$2,812,783), current liabilities of \$472,179 (December 31, 2021 - \$141,300) and a working capital deficit of \$155,968 (December 31, 2021 - working capital of \$2,808,899). The Company is exposed to liquidity risk as of December 31, 2022.

(d) Currency risk

The Company's property interests in Mexico and USA make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and the Mexican pesos as well as the US dollar. The Company does not invest in foreign currency contracts to mitigate the risks. As of December 31, 2022, the Company has net monetary liabilities of approximately 3,761,000 in Mexican pesos and \$26,000 in US dollars. A 1% change in the absolute rate of exchange in Mexican pesos and US dollar, respectively, would affect its net loss by approximately \$3,000.

(e) Fair value measurement

IFRS 7 establishes that financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

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

The Company does not have any financial assets measured at fair value.

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11. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
	\$	\$
Net loss for the period	(6,709,463)	(1,248,202)
Statutory tax rate	27.78%	27.96%
Expected income tax recovery	(1,863,947)	(348,978)
Effect of deductible and non-deductible amounts	789,084	(31,922)
Change in valuation allowance	1,074,863	380,900
Income tax recovery	-	-

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

Balance as at	2022	2021
	\$	\$
Loss carry-forwards	1,424,371	355,045
Share issuance costs	31,392	25,855
Valuation allowance	(1,455,763)	(380,900)
Net deferred income tax assets	-	-

The Company's Canadian non-capital loss carry-forwards of \$2,891,926 expire between 2041 and 2042. The Company also has loss carry-forwards in Mexico of \$2,145,172.