



P2 GOLD INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited - Expressed in Canadian Dollars

	Note	June 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 7,942,937	\$ 7,796,236
Receivables and other	3	725,133	202,781
		<u>8,668,070</u>	<u>7,999,017</u>
Non-current assets			
Restricted cash	4	-	146,603
Property, plant and equipment	5	235,622	306,493
Total assets		<u>\$ 8,903,692</u>	<u>\$ 8,452,113</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 933,514	\$ 418,825
Current portion of lease obligations	7	125,336	117,620
Current portion of acquisition liabilities - Gabbs Project	8	10,729,001	4,885,095
Flow-through share ("FTS") premium liability		1,462,859	1,425,728
		<u>13,250,710</u>	<u>6,847,268</u>
Non-current liabilities			
Lease obligations	7	68,384	133,446
Acquisition liabilities - Gabbs Project	8	-	5,918,567
		<u>13,319,094</u>	<u>12,899,281</u>
SHAREHOLDERS' EQUITY			
Share capital	10	32,124,867	28,196,973
Other reserves	10	3,315,332	2,285,635
Accumulated other comprehensive income ("AOCI")		(16,642)	154,430
Deficit		(39,838,959)	(35,084,206)
		<u>(4,415,402)</u>	<u>(4,447,168)</u>
Total liabilities and shareholders' equity		<u>\$ 8,903,692</u>	<u>\$ 8,452,113</u>
Nature of operations and going concern	1		
Commitments	13		

Approved on behalf of the Board of Directors:

"Ron MacDonald"

Ron MacDonald
Chair of the Audit Committee

"Joseph Ovsenek"

Joseph Ovsenek
Chair of the Board, President and CEO

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited - Expressed in Canadian dollars, except for share data

	Note	For the three months ended		For the six months ended	
		June 30,	June 30,	June 30,	June 30,
		2022	2021	2022	2021
Exploration and evaluation ("E&E") expenditures	8	\$ 2,346,991	\$ 20,632,000	\$ 3,813,627	\$ 20,879,737
Administrative expenses					
Share-based compensation	10	357,811	437,937	722,033	569,253
General and administrative		245,330	196,915	490,787	293,874
Investor relations and travel		159,624	52,046	251,426	58,758
Professional fees		41,197	80,969	78,673	169,347
Depreciation	5	35,436	31,628	70,871	62,298
Shareholder information		31,071	19,853	64,755	41,478
Total administrative expenses		870,469	819,348	1,678,545	1,195,008
Operating loss		(3,217,460)	(21,451,348)	(5,492,172)	(22,074,745)
Interest and finance expense	9	(291,795)	(96,105)	(492,306)	(104,752)
Gain on sale exploration property		-	10	-	10
Foreign exchange gain		2,895	5,814	1,242	5,814
Interest and finance income		7,705	713	10,634	1,919
Gain on modification of acquisition liabilities	8	729,012	-	729,012	-
Loss before taxes		(2,769,643)	(21,540,916)	(5,243,590)	(22,171,754)
Current income tax expense		(199)	-	(199)	-
FTS premium recovery		434,423	56,717	489,036	56,717
Net loss for the period		\$ (2,335,419)	\$ (21,484,199)	\$ (4,754,753)	\$ (22,115,037)
Other comprehensive loss, net of tax					
Items that may be subsequently reclassified to earnings or loss:					
Currency translation adjustments		(330,657)	214,072	(171,072)	214,072
Comprehensive loss for the period		\$ (2,666,076)	\$ (21,270,127)	\$ (4,925,825)	\$ (21,900,965)
Loss per share - basic and diluted		\$ (0.03)	\$ (0.49)	\$ (0.07)	\$ (0.60)
Weighted average number of shares		71,938,703	43,770,182	71,177,853	36,683,626

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited - Expressed in Canadian dollars

	Note	For the three months ended		For the six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flows used in operating activities					
Net loss for the period		\$ (2,335,419)	\$ (21,484,199)	\$ (4,754,753)	\$ (22,115,037)
Items not affecting cash:					
Current income tax expense		199	-	199	-
Depreciation	5	35,436	31,628	70,871	62,298
FTS premium recovery		(434,423)	(56,717)	(489,036)	(56,717)
Gain on modification of acquisition liabilities	8	(729,012)	-	(729,012)	-
Interest and finance expense, net		283,600	95,392	481,182	102,833
Share-based compensation	10	357,811	437,937	722,033	569,253
Shares issued for acquisition of Gabbs Project and property option payments	8, 10	84,000	7,600,000	84,000	7,600,000
Unrealized foreign exchange loss (gain)		1,182	(4,258)	678	(4,258)
Changes in non-cash working capital items:					
Receivables and other assets		(204,777)	(4,226)	(353,912)	123,750
Accounts payable and accrued liabilities		495,473	263,399	403,276	285,795
Acquisition liabilities - Gabbs Project		-	10,310,108	-	10,310,108
Income taxes paid		(199)	-	(199)	-
Net cash used in operating activities		(2,446,129)	(2,810,936)	(4,564,673)	(3,121,975)
Cash flows used in investing activities					
Interest received		7,705	713	10,634	1,919
Purchase of property, plant and equipment		-	(27,239)	-	(50,029)
Restricted cash		(22,000)	(76,603)	(22,000)	(146,603)
Net cash used in investing activities		(14,295)	(103,129)	(11,366)	(194,713)
Cash flows generated by financing activities					
Payment of lease obligations	7	(34,358)	(33,521)	(68,716)	(67,041)
Proceeds from exercise of share options		223,000	6,250	243,400	6,250
Proceeds from exercise of warrants		-	-	19,500	-
Proceeds from FTS private placement	10	3,157,000	1,750,302	3,157,000	1,750,302
Proceeds from private placements	10	1,441,900	5,949,030	1,441,900	5,949,030
Share issuance costs		(17,412)	(212,759)	(72,086)	(212,759)
Net cash generated by financing activities		4,770,130	7,459,302	4,720,998	7,425,782
Increase in cash and cash equivalents for the period		2,309,706	4,545,237	144,959	4,109,094
Cash and cash equivalents, beginning of period		5,629,253	1,198,821	7,796,236	1,634,964
Effect of foreign exchange rate changes on cash and cash equivalents		3,978	4,258	1,742	4,258
Cash and cash equivalents, end of period		\$ 7,942,937	\$ 5,748,316	\$ 7,942,937	\$ 5,748,316

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited - Expressed in Canadian dollars, except for share data

	Note	Number of common shares	Share capital	Other reserves	AOCI	Deficit	Total
Balance - December 31, 2020		29,518,331	\$ 8,490,458	\$ 948,771	\$ -	\$ (7,696,870)	\$ 1,742,359
Private placement		11,898,060	5,949,030	-	-	-	5,949,030
FTS private placement		2,917,170	1,458,585	-	-	-	1,458,585
Share issuance costs		-	(228,505)	-	-	-	(228,505)
Share issuance costs - brokers warrants		-	(81,983)	81,983	-	-	-
Shares issued for acquisition of Gabbs Project		15,000,000	7,500,000	-	-	-	7,500,000
Shares issued for property option payments		200,000	100,000	-	-	-	100,000
Issuance of warrants		-	(87,515)	87,515	-	-	-
Exercise of share options		20,834	11,012	(4,762)	-	-	6,250
Value assigned to share options vested	10	-	-	569,253	-	-	569,253
Currency translation adjustments		-	-	-	214,072	-	214,072
Loss for the period		-	-	-	-	(22,115,037)	(22,115,037)
Balance - June 30, 2021		59,554,395	\$ 23,111,082	\$ 1,682,760	\$ 214,072	\$ (29,811,907)	\$ (4,803,993)
Balance - December 31, 2021		70,347,882	\$ 28,196,973	\$ 2,285,635	\$ 154,430	\$ (35,084,206)	\$ (4,447,168)
Private placements	10	2,883,800	1,441,900	-	-	-	1,441,900
FTS private placement	10	5,261,667	2,630,834	-	-	-	2,630,834
Share issuance costs		-	(184,076)	-	-	-	(184,076)
Share issuance costs - brokers warrants	10	-	(37,131)	37,131	-	-	-
Shares issued for property option payments	8, 10	200,000	84,000	-	-	-	84,000
Issuance of warrants	10	-	(466,367)	466,367	-	-	-
Exercise of share options	10	660,000	439,234	(195,834)	-	-	243,400
Exercise of warrants	10	30,000	19,500	-	-	-	19,500
Value assigned to share options vested	10	-	-	722,033	-	-	722,033
Currency translation adjustments		-	-	-	(171,072)	-	(171,072)
Loss for the period		-	-	-	-	(4,754,753)	(4,754,753)
Balance - June 30, 2022		79,383,349	\$ 32,124,867	\$ 3,315,332	\$ (16,642)	\$ (39,838,959)	\$ (4,415,402)

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



1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

P2 Gold Inc. (the “Company”) was incorporated under the laws of the Canada Business Corporations Act on November 10, 2017. The Company’s common shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “PGLD”. The address of the Company’s head office is Suite 1100 – 355 Burrard Street, Vancouver, British Columbia (“BC”), Canada, V6C 2G8.

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral resource properties primarily in BC, Canada and the western United States of America (“USA”). Currently, the Company is focused on acquiring ownership rights to these properties and financing exploration programs to identify potential mineral reserves.

The Company has not yet determined whether its mineral resource properties contain mineral reserves that are economically recoverable. The continued operation of the Company is dependent upon the preservation of its interest in its properties, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

(b) Going concern assumption

These condensed consolidated interim financial statements are prepared on a going concern basis, which contemplates that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for at least twelve months from June 30, 2022. The Company has incurred ongoing losses and expects to incur further losses in the advancement of its business activities. For the six months ended June 30, 2022, the Company incurred a net loss of \$4,754,753 and used cash in operating activities of \$4,564,673. As at June 30, 2022, the Company had cash and cash equivalents of \$7,942,937, a working capital (current assets less current liabilities) deficit of \$4,582,640 and an accumulated deficit of \$39,838,959. The Company is committed to spend \$4,196,124 prior to December 31, 2022 and \$3,157,000 prior to December 31, 2023 on qualifying exploration expenditures in accordance with the terms of its FTS financings.

The Company continues to incur losses, has limited financial resources and has no current source of revenue or cash flow generated from operating activities. To address its financing requirements, the Company plans to seek financing through, but not limited to, debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of or eliminate one or more of its exploration programs or relinquish some or all of its rights under its existing option and acquisition agreements.

The above factors give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.



P2 GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

Expressed in Canadian dollars, except for share data and as otherwise noted

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The Company’s significant accounting policies applied in these condensed consolidated interim financial statements are the same as those disclosed in note 3 of the Company’s annual consolidated financial statements as at and for the years ended December 31, 2021 and 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements.

The functional currency of the parent company is the Canadian dollar (“CAD”) and the functional currency of each of the Company’s subsidiaries is the United States dollar (“USD” or “US\$”). The presentation currency of these condensed consolidated interim financial statements is CAD.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 8, 2022.

(b) Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates. It also requires management to exercise judgment in the process of applying its accounting policies. Estimates and policy judgments are regularly evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant accounting policy judgments aside from the ability to continue as a going concern (refer to note 1b) and there are no sources of material estimation uncertainty which could result in material changes within the next twelve months on the carrying amounts of assets and liabilities.

3. RECEIVABLES AND OTHER

	June 30, 2022	December 31, 2021
Prepaid expenses and deposits	\$ 453,446	\$ 165,506
Other receivables	168,603	-
Tax receivables	86,164	37,275
FTS private placement receivable	16,920	-
	\$ 725,133	\$ 202,781



4. RESTRICTED CASH

As at June 30, 2022, the Company has nil of restricted cash (December 31, 2021 - \$146,603). The Company replaced its restricted cash (i.e. reclamation security deposits) with surety bonds of \$136,103 in favour of the BC Ministry of Energy, Mines and Low Carbon Innovation in support of the reclamation requirements for the BAM Project and Silver Reef Property. Subsequent to June 30, 2022, the reclamation security deposits were returned to the Company.

The reclamation security deposit for the Natlan Property, in the amount of \$32,500, was returned due to the termination of the option agreement.

5. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment		Right-of-use ("ROU") asset		Total
Period ended June 30, 2022					
Cost					
Balance - December 31, 2021	\$	80,976	\$	354,359	\$ 435,335
Additions		-		-	-
Balance - June 30, 2022	\$	80,976	\$	354,359	\$ 435,335
Accumulated depreciation					
Balance - December 31, 2021	\$	10,722	\$	118,120	\$ 128,842
Depreciation		11,811		59,060	70,871
Balance - June 30, 2022	\$	22,533	\$	177,180	\$ 199,713
Net book value - June 30, 2022	\$	58,443	\$	177,179	\$ 235,622

The ROU asset consists of the Company's corporate head office lease which is depreciated over the term of the lease (36 months).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2022		December 31, 2021
Trade payables	\$	865,139	\$	386,548
Payroll liabilities		54,465		8,737
Accrued liabilities		13,910		23,540
	\$	933,514	\$	418,825



7. LEASE OBLIGATIONS

As at June 30, 2022, the Company's undiscounted lease obligations consisted of the following:

	June 30, 2022	December 31, 2021
Gross lease obligations - minimum lease payments		
1 year	\$ 139,108	\$ 137,432
2-3 years	70,392	140,784
	\$ 209,500	\$ 278,216
Future interest expense on lease obligations	(15,780)	(27,150)
Total lease obligations	\$ 193,720	\$ 251,066
Current portion of lease obligations	(125,336)	(117,620)
Non-current portion of lease obligations	\$ 68,384	\$ 133,446

For the six months ended June 30, 2022, interest expense on the lease obligations was \$11,370 (2021 – \$16,679). Total cash payments on lease obligations were \$68,716 (2021 – \$67,041).

8. E&E EXPENDITURES

The E&E expenditures of the Company, by property, for the three and six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
BAM Project	\$ 1,814,231	\$ 721,936	\$ 2,004,000	\$ 755,743
Gabbs Project	524,323	19,281,137	1,784,408	19,281,137
Lost Cabin Property	4,928	17,461	18,036	57,397
Silver Reef Property	3,109	512,046	5,583	524,826
Natlan Property	400	-	1,200	-
Todd Creek Property	-	82,441	400	112,907
Stockade Property	-	37,641	-	62,574
Timmins Property	-	2,698	-	37,468
Prospective exploration properties	-	(23,360)	-	47,685
	\$ 2,346,991	\$ 20,632,000	\$ 3,813,627	\$ 20,879,737

(a) Gabbs Project

On February 22, 2021, the Company entered into an asset purchase agreement with Borealis Mining Company, LLC ("Borealis"), an indirect, wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP ("Waterton") to acquire all the assets that comprise the Gabbs Project located on the Walker-Lane Trend in the Fairplay Mining District of Nye County, Nevada.



8. E&E EXPENDITURES (Continued)

On May 4, 2021, the Company and Borealis agreed to amend the terms of the asset purchase agreement (“Amended Agreement”). Under the Amended Agreement, the Company paid \$1,216,600 (US\$1,000,000) and issued 15,000,000 common shares (\$7,500,000 in fair value) in its capital to Waterton at closing of the transaction. In addition, the Company was required to pay Waterton Nevada Splitter LLC (“Splitter”) (a) US\$4,000,000 on the twelve-month anniversary of closing and (b) US\$5,000,000 on the earlier of the announcement of results of a Preliminary Economic Assessment (“PEA”) and the 24-month anniversary of closing. Borealis has reserved for itself a 2% net smelter returns royalty on production from the Gabbs Project, of which one percent may be repurchased at any time by the Company for US\$1,500,000 and the remaining one percent of which may be repurchased for US\$5,000,000.

On April 28, 2022, the Company and Splitter agreed to amend the terms of the milestone payments under the Amended Agreement for the purchase of the Gabbs Project.

Under the amended terms, the Company will now pay Splitter (a) US\$500,000 on May 31, 2022; (b) US\$500,000 on December 31, 2022, if the Company completes an equity financing in the second half of 2022; and (c) US\$8,000,000 or US\$8,500,000 on May 14, 2023 (depending on whether US\$500,000 is paid on December 31, 2022), provided that if the Company announces the results of a PEA prior to May 14, 2023, all outstanding payments will be due on the earlier of 60 days following the announcement of such results and May 14, 2023, and if the Company sells an interest in the Gabbs Project at any time, including without limitation, a royalty or stream, the proceeds of such sale shall be paid to Splitter up to the amount remaining outstanding. The other terms in respect of the acquisition of the Gabbs Project remain unchanged.

As of June 30, 2022, the initial payment to Splitter under the amended terms remains outstanding. As a result of challenging market conditions, the Company and Splitter have been in negotiations to address potential options to defer this payment to later in 2022. Subsequent to June 30, 2022, the Company made a payment of US\$100,000 to Splitter as part of the ongoing negotiations.

Under the amended terms, the financial liability associated with the acquisition of the Gabbs Project was remeasured and recognized at a fair value of US\$8,148,511, using a discount rate of 10.0%. This resulted in a gain on modification of acquisition liabilities of US\$573,348 (C\$729,012). As at June 30, 2022, the remaining amounts payable under the Amended Agreement were recorded on the statement of financial position and the Company’s undiscounted acquisition liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Gross acquisition liabilities - Gabbs Project		
1 year	\$ 11,597,400	\$ 5,071,200
2-3 years	-	6,339,000
	\$ 11,597,400	\$ 11,410,200
Future accretion expense on acquisition liabilities	(868,399)	(606,538)
Total acquisition liabilities - Gabbs Project	\$ 10,729,001	\$ 10,803,662
Current portion of acquisition liabilities - Gabbs Project	(10,729,001)	(4,885,095)
Non-current portion of acquisition liabilities - Gabbs Project	\$ -	\$ 5,918,567

**8. E&E EXPENDITURES (Continued)**

For the six months ended June 30, 2022, accretion of acquisition liabilities related to the Gabbs Project was \$480,446 (2021 – \$88,073) which was recorded in the statement of loss.

(b) Option agreements

For the six months ended June 30, 2022 and year ended December 31, 2021, the Company paid in cash and issued in common shares the following amounts under the option agreements for its mineral projects:

	For the six months ended			For the year ended		
	June 30, 2022			December 31, 2021		
	Cash paid	Common shares issued	Fair value of shares issued	Cash paid	Common shares issued	Fair value of shares issued
BAM Project	\$ 200,000	200,000	\$ 84,000	\$ 150,000	200,000	\$ 90,000
Lost Cabin Property	12,708	-	-	18,651	-	-
Silver Reef Property	-	-	-	200,000	200,000	100,000
Todd Creek Property	-	-	-	150,000	-	-
Stockade Property	-	-	-	25,139	-	-
Natlan Property	-	-	-	25,000	100,000	40,000
	\$ 212,708	200,000	\$ 84,000	\$ 568,790	500,000	\$ 230,000

Amendment to option agreement – Silver Reef

On June 20, 2022, the Company entered into an agreement amending the terms of the option agreement by which the Company can acquire up to a 100% interest in the Silver Reef Property.

Under the terms of the amended option agreement, in place of paying the vendor \$500,000 and 800,000 common shares on the second anniversary (June 10, 2022) of the option agreement, the Company will now pay the vendor:

- \$175,000 (in cash or common shares valued at \$0.50 per share) and 300,000 common shares following the approval of the amended option agreement by the Exchange;
- \$175,000 (in cash or common shares valued at the greater of the closing price of the common shares on the Exchange on June 9, 2023, and the discounted market price, as defined in Exchange policy 1.1) and 300,000 common shares on June 12, 2023; and
- \$200,000 (in cash or common shares valued at the greater of the closing price of the common shares on the Exchange on June 7, 2024, and the discounted market price) and 200,000 common shares on June 10, 2024.

In addition, the Company has until September 30, 2024 to incur any remaining exploration expenditures at the property. The other terms in respect of the option agreement for the Silver Reef Property remain unchanged.

Subsequent to June 30, 2022, the Exchange approved the amended option agreement with the discounted market price set at \$0.33 per common share. On July 11, 2022, the Company issued 650,000 common shares to meet the requirements under the amended option agreement.

**8. E&E EXPENDITURES (Continued)***Amendment to option agreement – Lost Cabin*

Subsequent to June 30, 2022, the Company entered into an agreement amending the terms of the option agreement for the Lost Cabin Property. Under the terms of the amended option agreement, the Company has until September 2023 to complete a minimum of 2,000 meters of drilling on the property. The other terms in respect of the option agreement for the Lost Cabin Property remain unchanged.

Future requirements under option agreements

The Company has the following cash and share requirements under its existing option agreements:

Project	Ownership under option	Form	2022	2023	2024	Total
BAM Project ⁽¹⁾	70%	Cash	\$ -	\$ 550,000	\$ -	\$ 550,000
		Shares	-	800,000	-	800,000
Silver Reef Property ⁽²⁾	70%	Cash or shares	\$ 175,000	\$ 175,000	\$ 200,000	\$ 550,000
		Shares	300,000	300,000	200,000	800,000
Lost Cabin Property ⁽³⁾	100%	Cash	\$ 19,329	\$ 51,544	\$ 51,544	\$ 122,417

⁽¹⁾ Following exercise of the option for the BAM Project, the Company has the right for a period of 120 days to acquire the remaining 30% interest, for a total of 100%, on payment of \$7,500,000, of which, up to \$4,000,000 may be paid in shares of the Company. If the Company elects not to purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator. In the first three years of the joint venture, if the vendor fails to sell its interest, the vendor's interest will convert to a 2% net smelter returns royalty with the Company having the opportunity to purchase the vendor's interest prior to conversion for \$7,500,000.

⁽²⁾ Following exercise of the option for the Silver Reef Property, the Company has the right for a period of 120 days to acquire the remaining 30% interest, for a total of 100%, on payment of \$7,500,000, of which, up to \$4,000,000 may be paid in shares of the Company. If the Company elects not to purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator. In the first three years of the joint venture, if the vendor fails to sell its interest, the vendor's interest will convert to a 3% net smelter returns royalty with the Company having the opportunity to purchase the vendor's interest prior to conversion for \$7,500,000.

⁽³⁾ Pre-production payments of US\$20,000 are required every six months after March 10, 2023.

In addition to the cash and share requirements under the existing option agreements, there are minimum cumulative spending requirements on the properties as follows:

Project	2021	2022	2023	2024	Status
BAM Project	\$ 150,000	\$ 400,000	\$ 750,000	\$ -	Completed
Silver Reef Property	250,000	750,000	-	2,000,000	In progress
Lost Cabin Property ⁽¹⁾	30,000	-	-	-	Completed

⁽¹⁾ The spending requirements for the Lost Cabin Property are in USD. The option agreement for the Lost Cabin Property also requires a minimum of 2,000 meters of drilling by September 2023, which remains in progress.



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8. E&E EXPENDITURES (Continued)

(c) E&E expenditures – Nature of expense

The E&E expenditures of the Company, by nature of expense, for the three and six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Drilling	\$ 245,530	\$ 198,912	\$ 764,002	\$ 198,912
Helicopters	542,627	333,405	542,627	333,405
Technical and assessment reports	216,488	30,026	477,429	56,020
Camp costs	372,147	178,081	435,164	178,081
Assays	210,947	57,569	352,818	57,569
Acquisition costs	285,720	19,506,290	319,282	19,553,432
Salaries and benefits	157,858	-	270,071	-
Geophysical and other surveys	123,899	137,760	269,673	137,760
Consulting	85,656	105,531	165,338	255,406
Equipment rentals	59,195	36,036	101,906	36,036
Government payments	3,579	(3,496)	46,539	9,087
Travel expenses	28,894	18,993	46,441	18,993
Other E&E expenditures	14,451	32,893	22,337	45,036
	\$ 2,346,991	\$ 20,632,000	\$ 3,813,627	\$ 20,879,737

9. INTEREST AND FINANCE EXPENSE

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Accretion of acquisition liabilities -				
Gabbs Project	\$ 285,977	\$ 88,073	\$ 480,446	\$ 88,073
Interest expense on leases	5,328	8,032	11,370	16,679
Interest expense - other	490	-	490	-
	\$ 291,795	\$ 96,105	\$ 492,306	\$ 104,752

10. SHARE CAPITAL AND OTHER RESERVES

(a) Share capital

At June 30, 2022, the authorized share capital of the Company consisted of an unlimited number of common shares without par value.



10. SHARE CAPITAL AND OTHER RESERVES (Continued)

For the six months ended June 30, 2022, the Company issued 200,000 common shares (2021 – 200,000) with a fair value in the amount of \$84,000 (2021 – \$100,000) related to obligations under option agreements. For by-property details related to common shares issued under option agreements, refer to note 8b.

On June 30, 2022, the Company completed the following private placements:

- A private placement of 5,261,667 flow-through units at a price of \$0.60 per unit for gross proceeds of \$3,157,000. Each unit consisted of one flow-through common share in the capital of the Company and one non-flow through common share purchase warrant. Using the residual method, the warrants were valued at \$447,242. The Company bifurcated the remaining gross proceeds between share capital of \$2,183,592 and flow-through share premium of \$526,166 based on the observable market premium.
- A private placement of 225,000 non-flow-through units at a price of \$0.50 per unit for gross proceeds of \$112,500. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant. Using the residual method, the warrants were valued at \$19,125.

For the completed private placements, each warrant entitles the holder to purchase one additional non-flow through common share in the capital of the Company at an exercise price of \$0.95 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than \$1.90 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Total share issuance costs associated with the private placements were \$209,093 including finder's fees of \$191,996 consisting of \$156,060 in cash and \$35,936 related to 260,100 brokers warrants issued.

On June 2, 2022, the Company completed a private placement for 2,658,800 units at a price of \$0.50 per unit for gross proceeds of \$1,329,400. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at an exercise price of \$0.95 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than \$1.90 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Using the residual method, the warrants were valued at nil. Total share issue costs associated with the private placement were \$11,592 including finder's fees of \$4,195 consisting of \$3,000 in cash and \$1,195 related to 6,000 brokers warrants issued.

(b) Other reserves

The Company's other reserves consisted of the following:

	June 30, 2022	December 31, 2021
Other reserve - Share options	\$ 2,430,541	\$ 1,904,342
Other reserve - Warrants	884,791	381,293
	<u>\$ 3,315,332</u>	<u>\$ 2,285,635</u>

**10. SHARE CAPITAL AND OTHER RESERVES (Continued)****(c) Share options**

The following table summarizes the changes in share options for the six months ended June 30:

	2022		2021	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, January 1,	4,684,166	\$ 0.50	2,660,000	\$ 0.48
Granted	2,600,000	0.62	1,920,000	0.51
Exercised	(660,000)	0.37	(20,834)	0.30
Expired	(125,000)	0.34	-	-
Outstanding, June 30,	6,499,166	\$ 0.56	4,559,166	\$ 0.49

For the options exercised during the period, the related weighted average share price at the time of exercise was \$0.67 (2021 – \$0.49).

The following table summarizes information about share options outstanding and exercisable at June 30, 2022:

Exercise prices	Share options outstanding		Share options exercisable	
	Number of share options outstanding	Weighted average years to expiry	Number of share options exercisable	Weighted average exercise price
\$0.26 - \$0.50	1,637,500	1.58	849,167	\$ 0.41
\$0.51 - \$0.75	4,861,666	1.06	3,789,166	0.57
	6,499,166	1.19	4,638,333	\$ 0.54

The total share-based compensation expense for the six months ended June 30, 2022 was \$722,033 (2021 – \$569,253) which was expensed in the statement of loss.

The following are the weighted average assumptions used to estimate the fair value of share options granted for the six months ended June 30, 2022 and 2021 using the Black-Scholes pricing model:

	For the six months ended	
	June 30, 2022	June 30, 2021
Expected life	2 years	2 years
Expected volatility	127.92%	196.32%
Risk-free interest rate	1.86%	0.29%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

**10. SHARE CAPITAL AND OTHER RESERVES (Continued)**

Option pricing models require the input of subjective assumptions including the expected price volatility and expected share option life. Changes in these assumptions would have a significant impact on the fair value calculation.

(d) Warrants

The following table summarizes the changes in warrants for the six months ended June 30:

	2022		2021	
	Number of warrants	Warrant reserve	Number of warrants	Warrant reserve
Outstanding, January 1,	31,441,832	\$ 381,293	8,176,666	\$ 9,489
Transactions during the period:				
Warrants issued -				
private placement	2,883,800	19,125	11,898,060	-
Warrants issued - FTS				
private placement	5,261,667	447,242	2,917,170	87,515
Broker's warrants issued -				
private placements	266,100	37,131	187,140	81,983
Warrants exercised	(30,000)	-	-	-
Outstanding, June 30,	39,823,399	\$ 884,791	23,179,036	\$ 178,987

At June 30, 2022, the weighted average exercise price for the outstanding warrants is \$0.85 (2021 – \$0.80).

For the six months ended June 30, 2022, brokers warrants issued in connection with the private placements were valued at \$37,131 (2021 – \$81,983) using the Black-Scholes pricing model. The following are the weighted average assumptions used to estimate the fair value of brokers warrants issued for the six months ended June 30, 2022 and 2021 using the Black-Scholes pricing model:

	For the six months ended	
	June 30, 2022	June 30, 2021
Expected life	2.00	2.00
Expected volatility	99.49%	196.15%
Risk-free interest rate	3.09%	0.31%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil



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11. RELATED PARTIES

Key management includes the Company's directors and officers including its President and Chief Executive Officer, Chief Exploration Officer, Executive Vice President and Chief Financial Officer. It also includes the Company's former directors and officers.

Directors and key management compensation:

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Share-based compensation	\$ 265,893	\$ 387,823	\$ 549,178	\$ 522,929
Salaries and benefits	140,008	8,638	283,068	8,638
Management and consulting fees	-	26,468	-	76,995
	\$ 405,901	\$ 422,929	\$ 832,246	\$ 608,562

As at June 30, 2022, accounts payable and accrued liabilities include \$5,368 (December 31, 2021 – \$16,850) owed to one officer (December 31, 2021 – four officers) of the Company for reimbursement of transactions incurred in the normal course of business.

A total of 480,000 units were purchased in the flow-through share private placement completed on June 30, 2022 by two officers and directors of the Company. A total of 200,000 units were purchased in the non-flow-through share private placement completed on June 30, 2022 by one officer of the Company.

A total of 1,600,000 units were purchased in the private placement completed on June 2, 2022 by three officers of the Company.

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk from its use of financial instruments.

(a) Market risk

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

(i) Currency risk

The Company is subject to currency risk on financial instruments that are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses would impact the statement of loss.

The Company is exposed to currency risk through cash and cash equivalents and accounts payable and accrued liabilities held in the parent entity which are denominated in USD.



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12. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Company's current policy is to invest cash at floating rates of interest with cash reserves to be maintained in cash and cash equivalents in order to maintain liquidity. Fluctuations in interest rates when cash and cash equivalents mature impact interest and finance income earned.

(b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-credit quality financial institutions. Management believes there is a nominal expected credit loss associated with its financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Cash flow forecasting is performed regularly to try to ensure that there is sufficient liquidity in order to meet short-term business requirements.

Refer to note 1b for further discussion regarding the Company's ability to continue as a going concern.

(d) Fair value estimation

The Company's financial assets and liabilities are initially measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables and other and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The acquisition liabilities for the Gabbs Project were initially recognized at fair value and subsequently measured at amortized cost. The carrying value is considered to approximate their fair value.



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13. COMMITMENTS

The following table provides the Company's gross contractual obligations as of June 30, 2022:

	1 year	2 -3 years	More than 3 years	Total
Acquisition liabilities -				
Gabbs Project	\$ 11,597,400	\$ -	\$ -	\$ 11,597,400
Lease obligations	139,108	70,392	-	209,500
	\$ 11,736,508	\$ 70,392	\$ -	\$ 11,806,900