



## **P2 GOLD INC.**

**UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**

## P2 GOLD INC.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited - Expressed in Canadian Dollars

	Note	June 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,062,751	\$ 1,474,424
Receivables and other	3	868,876	686,928
		1,931,627	2,161,352
<b>Non-current assets</b>			
Property, plant and equipment	4	178,723	252,062
<b>Total assets</b>		\$ 2,110,350	\$ 2,413,414
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	\$ 812,155	\$ 392,650
Current portion of lease obligations	6	68,384	133,446
Current portion of acquisition liabilities - Gabbs Project	7	184,046	11,681,066
Flow-through share ("FTS") premium liability		84,841	40,687
		1,149,426	12,247,849
<b>Non-current liabilities</b>			
Acquisition liabilities - Gabbs Project	7	9,165,410	-
		10,314,836	12,247,849
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	39,047,548	34,710,050
Other reserves	10	4,431,529	4,000,283
Accumulated other comprehensive income (loss) ("AOCI")		(550,224)	(522,441)
Deficit		(51,133,339)	(48,022,327)
		(8,204,486)	(9,834,435)
<b>Total liabilities and shareholders' equity</b>		\$ 2,110,350	\$ 2,413,414
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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Exploration and evaluation ("E&E") expenditures	8	\$ 1,887,401	\$ 2,346,991	\$ 3,423,221	\$ 3,813,627
Administrative expenses					
Investor relations and travel		271,495	159,624	438,149	251,426
General and administrative		162,033	245,330	336,661	490,787
Share-based compensation	10	167,325	357,811	316,963	722,033
Professional fees		106,908	41,197	229,355	78,673
Shareholder information		45,381	31,071	81,495	64,755
Depreciation	4	40,824	35,436	81,286	70,871
Total administrative expenses		793,966	870,469	1,483,909	1,678,545
<b>Operating loss</b>		<b>(2,681,367)</b>	<b>(3,217,460)</b>	<b>(4,907,130)</b>	<b>(5,492,172)</b>
Interest and finance expense	9	(262,195)	(291,795)	(515,651)	(492,306)
(Loss) gain on financial instruments at fair value	7	184,983	-	(147,774)	-
Interest and finance income		3,502	7,705	7,295	10,634
Foreign exchange gain		68,648	2,895	120,558	1,242
Gain on modification/extinguishment of acquisition liabilities	7	-	729,012	2,056,201	729,012
<b>Loss before taxes</b>		<b>(2,686,429)</b>	<b>(2,769,643)</b>	<b>(3,386,501)</b>	<b>(5,243,590)</b>
Current income tax expense		(207)	(199)	(207)	(199)
FTS premium recovery		240,563	434,423	275,696	489,036
<b>Net loss for the period</b>		<b>\$ (2,446,073)</b>	<b>\$ (2,335,419)</b>	<b>\$ (3,111,012)</b>	<b>\$ (4,754,753)</b>
<b>Other comprehensive loss, net of tax</b>					
Items that may be subsequently reclassified to earnings or loss:					
Currency translation adjustments		91,559	(330,657)	(27,783)	(171,072)
<b>Comprehensive loss for the period</b>		<b>\$ (2,354,514)</b>	<b>\$ (2,666,076)</b>	<b>\$ (3,138,795)</b>	<b>\$ (4,925,825)</b>
Loss per share - basic and diluted		\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.07)
Weighted average number of shares outstanding		102,446,761	71,938,703	95,933,809	71,177,853

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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Cash flows used in operating activities</b>					
Net loss for the period		\$ (2,446,073)	\$ (2,335,419)	\$ (3,111,012)	\$ (4,754,753)
Items not affecting cash:					
Current income tax expense		207	199	207	199
Depreciation	4	40,824	35,436	81,286	70,871
FTS premium recovery		(240,563)	(434,423)	(275,696)	(489,036)
Gain on modification/extinguishment of acquisition liabilities	7	-	(729,012)	(2,056,201)	(729,012)
Interest and finance expense, net		258,693	283,600	508,356	481,182
Loss (gain) on financial instruments at fair value	7	(184,983)	-	147,774	-
Share-based compensation	10	167,325	357,811	316,963	722,033
Shares issued for acquisition of mineral projects	8, 10	-	-	900,000	-
Shares issued for property option payments	8, 10	176,000	84,000	176,000	84,000
Unrealized foreign exchange (gain) loss		(67,955)	1,182	(120,820)	678
Changes in non-cash working capital items:					
Receivables and other assets		(360,172)	(204,777)	(184,536)	(353,912)
Accounts payable and accrued liabilities		473,353	495,473	402,884	403,276
Income taxes paid		(207)	(199)	(207)	(199)
Net cash used in operating activities		(2,183,551)	(2,446,129)	(3,215,002)	(4,564,673)
<b>Cash flows used in investing activities</b>					
Interest received		3,502	7,705	7,295	10,634
Purchase of property, plant and equipment	4	(7,947)	-	(7,947)	-
Restricted cash		-	(22,000)	-	(22,000)
Net cash used in investing activities		(4,445)	(14,295)	(652)	(11,366)
<b>Cash flows generated by financing activities</b>					
Payment of lease obligations	6	(35,196)	(34,358)	(70,392)	(68,716)
Proceeds from exercise of share options		-	223,000	-	243,400
Proceeds from exercise of warrants		-	-	-	19,500
Proceeds from FTS private placement	10	2,047,040	3,157,000	2,047,040	3,157,000
Proceeds from private placements	10	975,220	1,441,900	975,220	1,441,900
Debt issuance costs		(7,828)	-	(41,198)	-
Share issuance costs		(103,506)	(17,412)	(103,696)	(72,086)
Net cash generated by financing activities		2,875,730	4,770,130	2,806,974	4,720,998
<b>(Decrease) increase in cash and cash equivalents for the period</b>					
		<b>687,734</b>	<b>2,309,706</b>	<b>(408,680)</b>	<b>144,959</b>
Cash and cash equivalents, beginning of period		378,021	5,629,253	1,474,424	7,796,236
Effect of foreign exchange rate changes on cash and cash equivalents		(3,004)	3,978	(2,993)	1,742
<b>Cash and cash equivalents, end of period</b>		<b>\$ 1,062,751</b>	<b>\$ 7,942,937</b>	<b>\$ 1,062,751</b>	<b>\$ 7,942,937</b>

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, 2021		70,347,882	\$ 28,196,973	\$ 2,285,635	\$ 154,430	\$ (35,084,206)	\$ (4,447,168)
Private placements		2,883,800	1,441,900	-	-	-	1,441,900
FTS private placements		5,261,667	2,630,834	-	-	-	2,630,834
Share issuance costs		-	(184,076)	-	-	-	(184,076)
Share issuance costs - brokers warrants		-	(37,131)	37,131	-	-	-
Shares issued for property option payments		200,000	84,000	-	-	-	84,000
Issuance of warrants		-	(466,367)	466,367	-	-	-
Exercise of share options		660,000	439,234	(195,834)	-	-	243,400
Exercise of warrants		30,000	19,500	-	-	-	19,500
Value assigned to share options vested		-	-	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)
Balance - December 31, 2022		88,742,452	\$ 34,710,050	\$ 4,000,283	\$ (522,441)	\$ (48,022,327)	\$ (9,834,435)
Private placements	10	3,611,927	975,220	-	-	-	975,220
FTS private placement	10	6,397,000	1,727,190	-	-	-	1,727,190
Share issuance costs	10	-	(123,640)	-	-	-	(123,640)
Share issuance costs - brokers warrants	10	-	(25,701)	25,701	-	-	-
Shares issued for acquisition of mineral projects	8, 10	4,000,000	900,000	-	-	-	900,000
Shares issued for restructuring of acquisition liabilities - Gabbs Project	7, 10	3,320,534	797,011	-	-	-	797,011
Shares issued for property option payments	8, 10	800,000	176,000	-	-	-	176,000
Issuance of warrants	10	-	(258,080)	258,080	-	-	-
Expiry of warrants	10	-	169,498	(169,498)	-	-	-
Value assigned to share options vested	10	-	-	316,963	-	-	316,963
Currency translation adjustments		-	-	-	(27,783)	-	(27,783)
Loss for the period		-	-	-	-	(3,111,012)	(3,111,012)
Balance - June 30, 2023		106,871,913	\$ 39,047,548	\$ 4,431,529	\$ (550,224)	\$ (51,133,339)	\$ (8,204,486)

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 Canada Business Corporations Act on November 10, 2017 and continued under the British Columbia (“BC”) Business Corporations Act on August 31, 2020. The Company’s common shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “PGLD” and the OTCQB Venture Market under the symbol “PGLDF”. The address of the Company’s head office is Suite 1100 – 355 Burrard Street, Vancouver, 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. 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, 2023. For the six months ended June 30, 2023, the Company incurred a net loss of \$3,111,012 and used cash in operating activities of \$3,215,002. As at June 30, 2023, the Company had cash and cash equivalents of \$1,062,751, a positive working capital (current assets less current liabilities) of \$782,201 (December 31, 2022 – deficit of \$10,086,497) and an accumulated deficit of \$51,133,339. The Company is committed to spend \$901,306 prior to December 31, 2024 on qualifying exploration expenditures in accordance with the terms of its FTS financings.

The Company has incurred losses to date, 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 the 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance and basis of presentation

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, 2022 and 2021. 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 10, 2023.

### (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.

The following discusses the most significant accounting judgments and accounting estimates that the Company has made in the preparation of the condensed consolidated interim financial statements including those that could result in material changes within the next twelve months in the carrying amounts of assets and liabilities:

#### *Key instances of accounting policy judgment*

- The assessment of the Company’s ability to continue as a going concern requires judgment related to future funding available to continue exploring and developing its properties and meet working capital requirements, the outcome of which is uncertain (refer to note 1b).



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Estimation uncertainty

- The valuation of the debt portion of the convertible note at inception was completed using a discounted cash flow analysis that required various estimates and assumptions, including the discount rate for a similar non-convertible instrument. Refer to note 7 for further details on the methods and assumptions associated with the measurement of the debt portion of convertible note.
- The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Management uses its judgment to select a method of valuation and makes estimates of specific model inputs that are based on conditions existing at the end of each reporting period. Refer to note 7 for further details on the methods and assumptions associated with the measurement of the embedded derivative associated with the convertible note.

## 3. RECEIVABLES AND OTHER

		June 30, 2023		December 31, 2022
Prepaid expenses and deposits	\$	771,894	\$	342,293
Tax receivables		81,831		335,461
Other receivables		15,151		9,174
	\$	868,876	\$	686,928

## 4. PROPERTY, PLANT AND EQUIPMENT

		Property, plant and equipment		Right-of-use ("ROU") asset		Total
<b>Period ended June 30, 2023</b>						
<b>Cost</b>						
Balance - December 31, 2022	\$	177,485	\$	354,359	\$	531,844
Additions		7,947		-		7,947
Balance - June 30, 2023	\$	185,432	\$	354,359	\$	539,791
<b>Accumulated depreciation</b>						
Balance - December 31, 2022	\$	43,543	\$	236,239	\$	279,782
Depreciation		22,226		59,060		81,286
Balance - June 30, 2023	\$	65,769	\$	295,299	\$	361,068
<b>Net book value - June 30, 2023</b>	\$	119,663	\$	59,060	\$	178,723

As at June 30, 2023, the ROU asset consists of the Company's corporate head office lease which is depreciated over the term of the lease.





P2 GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

Expressed in Canadian dollars, except for share data

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2023	December 31, 2022
Trade payables	\$ 585,129	\$ 356,205
Accrued liabilities	173,594	30,344
Payroll liabilities	53,432	6,101
	\$ 812,155	\$ 392,650

## 6. LEASE OBLIGATIONS

As at June 30, 2023, the Company's undiscounted lease obligations consisted of the following:

	June 30, 2023	December 31, 2022
Gross lease obligations - minimum lease payments		
1 year	\$ 70,392	\$ 140,784
	\$ 70,392	\$ 140,784
Future interest expense on lease obligations	(2,008)	(7,338)
Total lease obligations	\$ 68,384	\$ 133,446
Current portion of lease obligations	(68,384)	(133,446)
Non-current portion of lease obligations	\$ -	\$ -

For the six months ended June 30, 2023, interest expense on the lease obligations was \$5,330 (2022 – \$11,370). Total cash payments on lease obligations were \$70,392 (2022 – \$68,716).

## 7. ACQUISITION LIABILITIES – 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.

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”), an affiliate of Borealis, (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 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.



## 7. ACQUISITION LIABILITIES – GABBS PROJECT (Continued)

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 would pay Splitter (a) US\$500,000 on May 31, 2022; (b) US\$500,000 on December 31, 2022, if the Company completed 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 was paid on December 31, 2022), provided that if the Company announced the results of a PEA prior to May 14, 2023, all outstanding payments would be due on the earlier of 60 days following the announcement of such results and May 14, 2023, and if the Company sold 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.

On March 3, 2023, the Company and Splitter agreed to restructure the outstanding payment terms for the acquisition of the Gabbs Project. As part of the restructuring, the Company entered into an amending agreement (the “Second Amended Agreement”) with Splitter pursuant to which the Company will pay to Splitter (a) US\$150,000 on or before December 31, 2023, (b) US\$250,000 on or before December 31, 2024, (c) US\$2,000,000 on or before December 31, 2025 and (d) US\$2,400,000 on or before December 31, 2026. Under the Second Amended Agreement, if the Company raises, through the issuance of debt or equity, in excess of \$7,500,000 (excluding flow-through funds), 10% of the funds raised will be paid to Splitter against the longest dated milestone payment and on the sale of an interest in, or of, the Gabbs Project, the proceeds will be paid to Splitter up to the amount outstanding at the time.

In addition, on March 3, 2023, the Company issued to Splitter a US\$4,000,000, zero coupon convertible note with a four-year term convertible at a price of C\$0.30 per share provided that the convertible note cannot be converted if all payments due under the Second Amended Agreement have been made at the time the convertible note is called (other than if a change of control is to occur prior to repayment of the convertible note). The convertible note can be called at any time on payment of 115% in the first year, 130% in the second year and 150% thereafter and is due on maturity, an event of default or a change of control.

Under the terms of the convertible note, approval by the shareholders of the Company is required if conversion of the convertible note would make Waterton (including affiliated entities) a control person (as defined in the Exchange’s Corporate Finance Manual).

In consideration for the restructuring, the Company issued 3,320,534 common shares (\$797,011 in fair value) in the capital of the Company following Exchange approval of the Second Amended Agreement.

The components of the acquisition liabilities for the Gabbs Project consist of the following:

	June 30, 2023	December 31, 2022
Contractual cash obligations under agreements	4,255,185	11,681,066
Debt portion of convertible note	3,143,194	-
Embedded derivative associated with convertible note	1,951,077	-
Total acquisition liabilities - Gabbs Project	9,349,456	11,681,066
Current portion of acquisition liabilities - Gabbs Project	(184,046)	(11,681,066)
Non-current portion of acquisition liabilities - Gabbs Project	\$ 9,165,410	\$ -



## 7. ACQUISITION LIABILITIES – GABBS PROJECT (Continued)

Under the terms of the Second Amended Agreement, the contractual cash obligations were initially recognized at amortized cost, net of transaction costs, in the amount of US\$3,094,246 (C\$4,258,610) using a discount rate of 14.2%. The amortized cost was calculated based on the present value of the expected cash flows using a discount rate that reflects the risk-free rate and the Company specific credit spread.

Under the terms of the Second Amended Agreement, the fair value of the debt portion of the convertible note was estimated using a discounted cash flow model method based on an expected life of four years and a discount rate of 14.8%. The debt portion has been designated a financial liability at amortized cost and is accreted over the expected life using an effective interest rate of 14.3%. The debt portion of the convertible note was initially recognized at fair value, net of transaction costs, in the amount of US\$2,284,284 (C\$3,144,047) and subsequently measured at amortized cost. For the six months ended June 30, 2023, \$120,652 of accretion of acquisition liabilities was expensed to the statement of loss.

The conversion option associated with the convertible note was determined to be an embedded derivative as the value of the conversion option changes in response to the Company's share price due to foreign exchange movements and due to the prepayment options. The fair value of the embedded derivative associated with the convertible note was estimated using the partial differential equation valuation method with key inputs used including: the discount rate, share price volatility and foreign exchange rate. At initial recognition, the embedded derivative associated with the convertible note was US\$1,310,254 (C\$1,803,303). The embedded derivative associated with the convertible note is a financial liability at fair value through profit or loss ("FVTPL"). For the six months ended June 30, 2023, the change in fair value of the embedded derivative associated with the convertible note was a loss on financial instruments at fair value of \$147,774.

Sensitivities for the key assumptions in the valuation model were as follows:

- With other variables unchanged, a 10% decrease in foreign exchange rate would change the fair value of the embedded derivative associated with the convertible note by \$195,433;
- With other variables unchanged, a 10% increase in share price would change the fair value of the embedded derivative associated with the convertible note by \$147,122;
- With other variables unchanged, a 1% increase in discount rate would change the fair value of the embedded derivative associated with the convertible note by \$58,054; and
- With other variables unchanged, a 10% increase in share price volatility would change the fair value of the embedded derivative associated with the convertible note by \$44,873.

The initial measurement of the acquisition liabilities under the terms of the Second Amended Agreement resulted in a gain on extinguishment of the pre-existing acquisition liabilities of \$2,056,201.



P2 GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

Expressed in Canadian dollars, except for share data

## 7. ACQUISITION LIABILITIES – GABBS PROJECT (Continued)

The movement in the acquisition liabilities associated with the Gabbs Project during the period comprised the following:

	For the six months ended		For the year ended	
	June 30,		December 31,	
	2023		2022	
Opening balance	\$	11,681,066	\$	10,803,662
Accretion of acquisition liabilities - Gabbs Project		510,321		1,010,197
Gain on modification/extinguishment of acquisition liabilities		(2,056,201)		(729,012)
Payment of acquisition liabilities		-		(128,560)
Loss on financial instruments at fair value		147,774		-
Shares issued for restructuring of acquisition liabilities		(797,011)		-
Debt issuance costs		(41,198)		-
Foreign exchange movements		(95,295)		724,779
Ending balance	\$	9,349,456	\$	11,681,066

## 8. E&E EXPENDITURES

The E&E expenditures of the Company, by property, for the three and six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended		For the six months ended					
	June 30,	June 30,	June 30,	June 30,				
	2023	2022	2023	2022				
BAM Project	\$	1,780,073	\$	1,814,231	\$	3,204,561	\$	2,004,000
Gabbs Project		106,225		524,323		190,313		1,784,408
Lost Cabin Property		-		4,928		27,244		18,036
Silver Reef Property		1,103		3,109		1,103		5,583
Natlan Property		-		400		-		1,200
Todd Creek Property		-		-		-		400
	\$	1,887,401	\$	2,346,991	\$	3,423,221	\$	3,813,627

### (a) Acquisition of the Ball Creek Claims

On March 5, 2023, the Company entered into an agreement with a wholly-owned subsidiary of Orogen Royalties Inc. (“Orogen”) for the acquisition of certain mineral claims (the “Ball Creek Claims”) that comprise the western portion of Orogen’s Ball Creek Property.

Under the terms of the agreement, in return for the transfer of the Ball Creek Claims, the Company issued 4,000,000 common shares in the capital of the Company to Orogen and granted Orogen a one percent net smelter returns royalty in respect of production from the Ball Creek Claims. The acquisition cost was measured based on the fair value of common share consideration at the date of issuance in the amount of \$900,000.

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

In addition, the Ball Creek Property is subject to an underlying agreement with Sandstorm Gold Ltd. (“Sandstorm”) pursuant to which Sandstorm holds a two percent net smelter returns royalty (the “Sandstorm Royalty”), one percent of which may be repurchased for \$1,000,000, and is entitled to a payment of \$1,000,000 on the announcement of a one-million-ounce Mineral Resource and \$3,000,000 on the announcement of a positive feasibility study. Under the agreement, the Company assigned Orogen the right to repurchase one percent of the Sandstorm Royalty and assumed the obligations to Sandstorm on the announcement of a one-million-ounce Mineral Resource and a positive feasibility study in respect of the portion of the Ball Creek Property being acquired by the Company.

**(b) Option agreements**

For the six months ended June 30, 2023 and the year ended December 31, 2022, 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, 2023			December 31, 2022		
	Cash paid	Common shares issued	Fair value of shares issued	Cash paid	Common shares issued	Fair value of shares issued
BAM Project	\$ -	800,000	\$ 176,000	\$ 200,000	200,000	\$ 84,000
Lost Cabin Property	27,244	-	-	32,114	-	-
Silver Reef Property	-	-	-	-	650,000	295,000
	\$ 27,244	800,000	\$ 176,000	\$ 232,114	850,000	\$ 379,000

*Amendment to option agreement – BAM*

On May 5, 2023, the Company entered into the Amending Agreement amending the terms of the option agreement pursuant to which the Company can acquire a 100% interest in the BAM Property. Under the option agreement, the Company was required to issue 800,000 common shares in its capital and pay \$550,000 to the vendor on June 29, 2023 to acquire an initial 70% interest in the BAM Property. Under the Amending Agreement, the Company issued 800,000 common shares (\$176,000 in fair value) in its capital on June 29, 2023 and will pay \$200,000 on September 30, 2023 and issue 200,000 common shares in its capital and pay \$550,000 on June 29, 2024 to acquire an initial 70% interest in the BAM Property. The other terms in respect of the option agreement for the BAM Property remain unchanged.

*Amendment to option agreement – Silver Reef*

On June 14, 2023, the Company agreed to defer the cash payment and share issuance due on June 12, 2023, under the option agreement dated June 12, 2020 as amended by an amending agreement dated June 20, 2022, to June 10, 2024.

**8. E&E EXPENDITURES (Continued)***Future contractual obligations under option agreements*

As at June 30, 2023, the Company has the following cash and share contractual obligations to maintain its existing option agreements:

Project	Ownership under option	Form	2023	2024	2025	Total
BAM Property <sup>(1)</sup>	70%	Cash	\$ 200,000	\$ 550,000	\$ -	\$ 750,000
		Shares	-	200,000	-	200,000
Silver Reef Property <sup>(2)</sup>	70%	Cash or shares	\$ -	\$ 375,000	\$ -	\$ 375,000
		Shares	-	500,000	-	500,000
Lost Cabin Property <sup>(3)</sup>	100%	Cash	\$ 26,480	\$ 52,960	\$ 52,960	\$ 132,400

<sup>(1)</sup> Following exercise of the option for the BAM 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 2% net smelter returns royalty with the Company having the opportunity to purchase the vendor's interest prior to conversion for \$7,500,000.

<sup>(2)</sup> 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.

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

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

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

<sup>(1)</sup> The spending obligations 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.

**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, 2023 and 2022 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Acquisition costs	\$ 176,000	\$ 285,720	\$ 1,107,619	\$ 319,282
Camp costs and access road	342,492	372,147	487,934	435,164
Helicopters	466,471	542,627	466,273	542,627
Drilling	345,994	245,530	383,970	764,002
Salaries and benefits	212,774	157,858	354,019	270,071
Consulting	119,041	85,656	268,410	165,338
Technical and assessment reports	88,005	216,488	101,575	477,429
Geophysical and other surveys	3,850	123,899	78,276	269,673
Assays	50,899	210,947	76,374	352,818
Travel expenses	36,803	28,894	38,212	46,441
Other E&E expenditures	15,512	14,451	29,621	22,337
Equipment rentals	26,162	59,195	26,162	101,906
Government payments	3,398	3,579	4,776	46,539
	\$ 1,887,401	\$ 2,346,991	\$ 3,423,221	\$ 3,813,627

**9. INTEREST AND FINANCE EXPENSE**

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Accretion of acquisition liabilities -				
Gabbs Project	\$ 259,935	\$ 285,977	\$ 510,321	\$ 480,446
Interest expense on leases	2,260	5,328	5,330	11,370
Interest expense - other	-	490	-	490
	\$ 262,195	\$ 291,795	\$ 515,651	\$ 492,306

**10. SHARE CAPITAL AND OTHER RESERVES****(a) Share capital**

At June 30, 2023, 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, 2023, the Company issued 800,000 common shares (2022 – 200,000) with a fair value in the amount of \$176,000 (2022 – \$84,000) related to obligations under option agreements. For by-property details related to common shares issued under option agreements, refer to note 8b.

In May 2023, the Company completed the following private placements:

- A private placement of 6,397,000 flow-through units at a price of \$0.32 per unit for gross proceeds of \$2,047,040. Each unit consisted of one flow-through common share of the Company and one non-flow through common share purchase warrant. The Company bifurcated the remaining gross proceeds between share capital of \$1,567,265 and FTS premium of \$319,850 based on the observable market premium. Using the residual method, the warrants were valued at \$159,925.
- A private placement of 3,611,927 non-flow-through units at a price of \$0.27 per unit for gross proceeds of \$975,220. Each unit consisted of one common share of the Company and one common share purchase warrant. Using the residual method, the warrants were valued at \$98,155.

For the completed private placements, each warrant entitles the holder to purchase one additional non-flow through common share of the Company at an exercise price of \$0.40 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 \$0.80 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 \$149,341 including finders fees of \$125,403 consisting of \$99,702 in cash and \$25,701 related to 318,757 brokers warrants issued.

On March 28, 2023, the Company issued 4,000,000 common shares with a fair value of \$900,000 related to the acquisition of the Ball Creek Claims (refer to note 8a).

On March 21 and 24, 2023, the Company issued 3,320,534 common shares with a fair value of \$797,011 related to the Second Amended Agreement with Splitter associated with the Gabbs Project (refer to note 7).

### (b) Other reserves

The Company's other reserves consisted of the following:

	June 30, 2023	December 31, 2022
Other reserve - Share options	\$ 3,189,764	\$ 2,872,801
Other reserve - Warrants	1,241,765	1,127,482
	<u>\$ 4,431,529</u>	<u>\$ 4,000,283</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:

	2023		2022	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, January 1,	7,219,166	\$ 0.51	4,684,166	\$ 0.50
Granted	2,258,333	0.24	2,600,000	0.62
Exercised	-	-	(660,000)	0.37
Expired	(1,445,000)	0.51	(125,000)	0.34
Outstanding, June 30,	8,032,499	\$ 0.43	6,499,166	\$ 0.56

For the options exercised during the period, the related weighted average share price at the time of exercise was \$nil (2022 – \$0.67).

The following table summarizes information about share options outstanding and exercisable at June 30, 2023:

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
\$0.01 - \$0.25	3,038,333	1.79	1,290,433	\$ 0.24
\$0.26 - \$0.50	2,877,500	0.93	2,402,300	0.44
\$0.51 - \$0.75	2,116,666	0.63	2,116,666	0.68
	8,032,499	1.18	5,809,399	\$ 0.49

The total share-based compensation expense for the six months ended June 30, 2023 was \$316,963 (2022 – \$722,033) 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, 2023 and 2022 using the Black-Scholes pricing model:

	For the six months ended	
	June 30, 2023	June 30, 2022
Expected life	2 years	2 years
Expected volatility	81.93%	127.92%
Risk-free interest rate	3.69%	1.86%
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.

**(d) Warrants**

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

	2023		2022	
	Number of warrants	Warrant reserve	Number of warrants	Warrant reserve
Outstanding, January 1,	40,267,045	\$ 1,127,482	31,441,832	\$ 381,293
Transactions during the period:				
Warrants issued -				
private placements	3,611,927	98,155	2,883,800	19,125
Warrants issued - FTS				
private placement	6,397,000	159,925	5,261,667	447,242
Broker's warrants issued -				
private placements	318,757	25,701	266,100	37,131
Warrants exercised	-	-	(30,000)	-
Warrants expired	(15,002,370)	(169,498)	-	-
Outstanding, June 30,	35,592,359	\$ 1,241,765	39,823,399	\$ 884,791

At June 30, 2023, the weighted average exercise price for the outstanding warrants is \$0.65 (2022 – \$0.85).

Brokers warrants issued in connection with the private placements were valued at \$25,701 (2022 – \$37,131) 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, 2023 and 2022 using the Black Scholes pricing model:

	For the six months ended	
	June 30, 2023	June 30, 2022
Expected life	2 years	2 years
Expected volatility	83.12%	99.49%
Risk-free interest rate	3.55%	3.09%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

Brokers warrants pricing models require the input of subjective assumptions including the expected price volatility and expected warrant life. Changes in these assumptions would have a significant impact on the fair value.



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## 11. RELATED PARTIES

Key management consists of the Company's directors and officers including its President and Chief Executive Officer, Chief Exploration Officer, Executive Vice President and Chief Financial Officer ("CFO").

Directors and key management compensation:

	For the three months ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
Share-based compensation	\$ 139,360	\$ 265,893	\$ 257,788	\$ 549,178
Salaries and benefits	80,187	140,008	167,520	283,068
Management and consulting fees	30,316	-	60,685	-
	\$ 249,863	\$ 405,901	\$ 485,993	\$ 832,246

As at June 30, 2023, accounts payable and accrued liabilities include \$23,126 (December 31, 2022 – \$41,209) owed to two officers (December 31, 2022 – three officers) of the Company for consulting fees and reimbursement of transactions incurred in the normal course of business.

For the six months ended June 30, 2023, the Company charged \$78,952 (2022 – nil) to Austin Gold Corp., a related party of the Company, and Dynavat Gold Mining Technologies Inc. under financial services agreements. As at June 30, 2023, under the financial services agreements, \$15,151 (December 31, 2022 – \$9,174) is owed to the Company and included in receivables and other.

## 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, accounts payable and accrued liabilities, the debt portion of the convertible note and the embedded derivative associated with the convertible note held in the parent entity which are denominated in USD.



## 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 impact interest and finance income earned.

The Company is subject to interest rate risk with respect to the fair value of the embedded derivative associated with the convertible note, which is accounted for at FVTPL.

### (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 Canadian Tier 1 chartered 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 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.

The Company has issued surety bonds to support future decommissioning and restoration provisions.

The Company's financial obligations consist of accounts payable and accrued liabilities, lease obligations and acquisition liabilities related to the Gabbs Project.

### (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.



## 12. FINANCIAL RISK MANAGEMENT (Continued)

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 following tables present the Company's financial assets and liabilities by level within the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at June 30, 2023	Carrying value		Fair value		
	FVTPL	Amortized cost	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and cash equivalents	\$ -	\$ 1,062,751	\$ -	\$ -	\$ -
Receivables and other	-	868,876	-	-	-
	\$ -	\$ 1,931,627	\$ -	\$ -	\$ -
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ 812,155	\$ -	\$ -	\$ -
Acquisition liabilities - Gabbs Project:					
Contractual cash obligations under agreements	-	4,255,185	-	-	-
Debt portion of convertible note	-	3,143,194	-	3,143,194	-
Embedded derivative associated with convertible note	1,951,077	-	-	-	1,951,077
	\$ 1,951,077	\$ 8,210,534	\$ -	\$ 3,143,194	\$ 1,951,077
<b>As at December 31, 2022</b>					
As at December 31, 2022	Carrying value		Fair value		
	FVTPL	Amortized cost	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and cash equivalents	\$ -	\$ 1,474,424	\$ -	\$ -	\$ -
Receivables and other	-	686,928	-	-	-
	\$ -	\$ 2,161,352	\$ -	\$ -	\$ -
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ 392,650	\$ -	\$ -	\$ -
Acquisition liabilities - Gabbs Project:					
Contractual cash obligations under agreements	-	11,681,066	-	-	-
	\$ -	\$ 12,073,716	\$ -	\$ -	\$ -



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### 13. COMMITMENTS

The following table provides the Company's undiscounted contractual obligations as of June 30, 2023:

	1 year	2 -3 years	More than 3 years	Total
Acquisition liabilities - Gabbs Project:				
Contractual cash obligations				
under agreements	\$ 198,600	\$ 2,979,000	\$ 3,177,600	\$ 6,355,200
Convertible note	-	-	5,296,000	5,296,000
Lease obligations	70,392	-	-	70,392
	\$ 268,992	\$ 2,979,000	\$ 8,473,600	\$ 11,721,592