



P2 GOLD INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



Independent auditor's report

To the Shareholders of P2 Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of P2 Gold Inc. and its subsidiaries (together, 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 as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806



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 for the year ended December 31, 2022. 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.

Key audit matter

How our audit addressed the key audit matter

Measurement of Gabbs acquisition liability

Refer to note 3 – Significant accounting policies and note 11 – Acquisition liabilities Gabbs Project to the consolidated financial statements.

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. Management determined that the amendment did not meet debt extinguishment criteria under accounting standards and, as a result, management remeasured the acquisition liability as at that date at a revised amortized cost of US\$8.1 million, resulting in a gain on modification of US\$0.6 million (\$0.7 million).

Under the amended terms, the Company was required to pay (a) US\$0.5 million on May 31, 2022; (b) US\$0.5 million on December 31, 2022, if the Company completed an equity financing in the second half of 2022; and (c) US\$8.0 million or US\$8.5 million on May 14, 2023 (depending on whether US\$0.5 million is paid on December 31, 2022), provided that if the Company announced the results of a preliminary economic assessment 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.

The revised amortized cost as at April 28, 2022, was calculated based on the present value of the expected cash flows using the original effective interest rate. In order to determine the revised

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

- Evaluated how management remeasured the Gabbs acquisition liability, which included the following:
 - reading the Amended Agreement for the purchase of the Gabbs Project and agreeing the amended payment terms to management's revised amortized cost calculation;
 - evaluating management's judgment for the expected timing of the second US\$8.0 million or US\$8.5 million payment by considering the Company's working capital on-hand at the time of the amendment; the likelihood of the Company completing an equity financing; and exploration progress on the Gabbs project at the time of the amendment;
 - testing the mathematical accuracy of management's revised amortized cost calculation and the gain on modification recognized; and
 - evaluating the disclosures made in the consolidated financial statements.



Key audit matter

How our audit addressed the key audit matter

present value, management applied judgment in determining the timing of the expected cash flows of the second US\$8.0 million or US\$8.5 million payment. To estimate the expected timing of the cash flows, management considered the Company's working capital on-hand at the time of the amendment; its ability to complete an equity financing; and exploration progress on the Gabbs project at the time of the amendment.

We considered this a key audit matter due to (i) the significance of the Gabbs acquisition liability and gain on modification recognized and (ii) the judgment made by management in estimating the timing of the cash flows. This, in turn, resulted in significant audit effort and subjectivity in performing procedures to test the modification of the Gabbs acquisition liability.

Other information

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

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 identified above 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 16, 2023

P2 GOLD INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,474,424	\$ 7,796,236
Receivables and other	6	686,928	202,781
		2,161,352	7,999,017
Non-current assets			
Restricted cash	7	-	146,603
Property, plant and equipment	8	252,062	306,493
Total assets		\$ 2,413,414	\$ 8,452,113
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 392,650	\$ 418,825
Current portion of lease obligations	10	133,446	117,620
Current portion of acquisition liabilities - Gabbs Project	11	11,681,066	4,885,095
Flow-through share ("FTS") premium liability		40,687	1,425,728
		12,247,849	6,847,268
Non-current liabilities			
Lease obligations	10	-	133,446
Acquisition liabilities - Gabbs Project	11	-	5,918,567
		12,247,849	12,899,281
SHAREHOLDERS' EQUITY			
Share capital	13	34,710,050	28,196,973
Other reserves	13	4,000,283	2,285,635
Accumulated other comprehensive income (loss) ("AOCI")		(522,441)	154,430
Deficit		(48,022,327)	(35,084,206)
		(9,834,435)	(4,447,168)
Total liabilities and shareholders' equity		\$ 2,413,414	\$ 8,452,113
Nature of operations and going concern	1		
Commitments	17		
Subsequent events	18		

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 consolidated financial statements.

P2 GOLD INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

Expressed in Canadian dollars, except for share data

	Note	For the year ended	
		December 31, 2022	December 31, 2021
Exploration and evaluation ("E&E") expenditures	11	\$ 11,410,978	\$ 24,669,173
Administrative expenses			
Share-based compensation	13	1,334,591	1,013,248
General and administrative		893,020	837,690
Investor relations and travel		458,833	240,254
Professional fees		220,454	248,729
Depreciation	8	150,940	128,842
Shareholder information		121,472	104,038
Total administrative expenses		3,179,310	2,572,801
Operating loss		(14,590,288)	(27,241,974)
Interest and finance expense	12	(1,057,811)	(500,771)
Gain on sale exploration property		-	10
Foreign exchange (loss) gain		(1,674)	447
Interest and finance income		20,883	4,536
Gain on modification of acquisition liabilities	11	729,012	-
Loss before taxes		(14,899,878)	(27,737,752)
Current income tax expense		(199)	-
FTS premium recovery		1,961,956	350,416
Net loss for the year		\$ (12,938,121)	\$ (27,387,336)
Other comprehensive loss, net of tax			
Items that may be subsequently reclassified to earnings or loss:			
Currency translation adjustments		(676,871)	154,430
Comprehensive loss for the year		\$ (13,614,992)	\$ (27,232,906)
Loss per share - basic and diluted		\$ (0.17)	\$ (0.56)
Weighted average number of shares outstanding		76,123,304	49,268,191

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

P2 GOLD INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars

	Note	For the year ended	
		December 31, 2022	December 31, 2021
Cash flows used in operating activities			
Net loss for the year		\$ (12,938,121)	\$ (27,387,336)
Items not affecting cash:			
Current income tax expense		199	-
Depreciation	8	150,940	128,842
FTS premium recovery		(1,961,956)	(350,416)
Gain on modification of acquisition liabilities	11	(729,012)	-
Interest and finance expense, net		1,009,126	496,235
Share-based compensation	13	1,334,591	1,013,248
Shares issued for acquisition of Gabbs Project and property option payments	11, 13	379,000	7,730,000
Unrealized foreign exchange loss		7,264	2,104
Changes in non-cash working capital items:			
Receivables and other assets		(480,899)	22,623
Accounts payable and accrued liabilities		60,894	244,147
Acquisition liabilities - Gabbs Project		(128,560)	10,488,107
Income taxes paid		(199)	-
Net cash used in operating activities		(13,296,733)	(7,612,446)
Cash flows generated by (used in) investing activities			
Interest received		20,883	4,536
Purchase of property, plant and equipment	8	(96,509)	(80,976)
Restricted cash	7	146,603	(146,603)
Net cash generated by (used in) investing activities		70,977	(223,043)
Cash flows generated by financing activities			
Payment of lease obligations	10	(137,432)	(134,080)
Proceeds from exercise of share options		447,400	56,783
Proceeds from exercise of warrants		19,500	-
Proceeds from FTS private placement	13	3,892,850	7,284,687
Proceeds from private placements	13	3,000,256	7,353,319
Share issuance costs		(322,716)	(564,755)
Net cash generated by financing activities		6,899,858	13,995,954
(Decrease) increase in cash and cash equivalents for the year		(6,325,898)	6,160,465
Cash and cash equivalents, beginning of year		7,796,236	1,634,964
Effect of foreign exchange rate changes on cash and cash equivalents		4,086	807
Cash and cash equivalents, end of year		\$ 1,474,424	\$ 7,796,236

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

P2 GOLD INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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 placements	13	14,319,248	7,353,319	-	-	-	7,353,319
FTS private placements	13	10,855,719	5,508,543	-	-	-	5,508,543
Share issuance costs	13	-	(618,514)	-	-	-	(618,514)
Share issuance costs - brokers warrants	13	-	(284,289)	284,289	-	-	-
Shares issued for acquisition of Gabbs Project	11, 13	15,000,000	7,500,000	-	-	-	7,500,000
Shares issued for property option payments	11, 13	500,000	230,000	-	-	-	230,000
Issuance of warrants	13	-	(87,515)	87,515	-	-	-
Exercise of share options	13	154,584	104,971	(48,188)	-	-	56,783
Value assigned to share options vested	13	-	-	1,013,248	-	-	1,013,248
Currency translation adjustments		-	-	-	154,430	-	154,430
Loss for the year		-	-	-	-	(27,387,336)	(27,387,336)
Balance - December 31, 2021		70,347,882	\$ 28,196,973	\$ 2,285,635	\$ 154,430	\$ (35,084,206)	(4,447,168)
Private placements	13	8,655,489	3,000,256	-	-	-	3,000,256
FTS private placement	13	7,799,081	3,315,936	-	-	-	3,315,936
Share issuance costs	13	-	(268,958)	-	-	-	(268,958)
Share issuance costs - brokers warrants	13	-	(57,678)	57,678	-	-	-
Shares issued for property option payments	11, 13	850,000	379,000	-	-	-	379,000
Issuance of warrants	13	-	(688,511)	688,511	-	-	-
Exercise of share options	13	1,060,000	813,532	(366,132)	-	-	447,400
Exercise of warrants	13	30,000	19,500	-	-	-	19,500
Value assigned to share options vested	13	-	-	1,334,591	-	-	1,334,591
Currency translation adjustments		-	-	-	(676,871)	-	(676,871)
Loss for the year		-	-	-	-	(12,938,121)	(12,938,121)
Balance - December 31, 2022		88,742,452	\$ 34,710,050	\$ 4,000,283	\$ (522,441)	\$ (48,022,327)	(9,834,435)

The accompanying notes are an integral part of these consolidated 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” and the OTCQB Venture Market under the symbol “PGLDF”. 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 consolidated 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 December 31, 2022. For the year ended December 31, 2022, the Company incurred a net loss of \$12,938,121 and used cash in operating activities of \$13,296,733. As at December 31, 2022, the Company had cash and cash equivalents of \$1,474,424, a working capital (current assets less current liabilities) deficit of \$10,086,497 and an accumulated deficit of \$48,022,327. The Company is committed to spend \$877,927 prior to December 31, 2023 on qualifying exploration expenditures in accordance with the terms of its FTS financings.

The Company has incurred 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 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 consolidated 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. BASIS OF PREPARATION

(a) Statement of compliance and basis of presentation

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

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value.

These consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company, its subsidiaries, listed in the following table:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
P2 Gabbs Inc.	Nevada, USA	100%	Owns the Gabbs Project
P2 Oregon Inc.	Nevada, USA	100%	Holding company

Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give the Company the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a subsidiary’s share capital. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

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 consolidated financial statements is CAD.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency. These gains (losses) are recognized in the statement of loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

Translation of foreign operations into the presentation currency

The results of operations and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated into CAD using the exchange rate at the statement of financial position date;
- Income and expenses are translated into CAD using the average exchange rate for the period; and
- All resulting exchange differences are recognized as a currency translation adjustment in the statement of comprehensive loss.

(c) Financial instruments

Financial assets – Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual terms which give rise to the cash flows.

For assets measured at fair value, gains (losses) will either be recorded in earnings (loss) or other comprehensive income. For investments in debt instruments, this will depend on the business model for which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when, and only when, its business model for managing those assets changes.

Cash and cash equivalents

Cash and cash equivalents comprise cash holdings in business and savings accounts held at major financial institutions with an original maturity date of three months or less. Cash and cash equivalents are classified at amortized cost. Interest income is recognized by applying the effective interest rate method.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

Restricted cash is held by federal, provincial or local governments as collateral for reclamation bonds. Restricted cash is classified at amortized cost.

Accounts payable and accrued liabilities and acquisition liabilities – Gabbs Project

Accounts payable and accrued liabilities and the acquisition liabilities related to the Gabbs Project are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are held at amortized cost using the effective interest method.

(d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated future cost of dismantling and removing the asset at the end of its useful life. The purchase price or construction cost is the fair value of consideration to acquire the asset.

Depreciation of property, plant and equipment commences when the asset has been fully commissioned and is available for its intended use.

Depreciation is calculated using the straight-line method to allocate cost over the estimated useful lives, as follows:

Asset class	Estimated useful life
Light vehicles	3 – 5 years
Office and information technology related assets	3 – 5 years
Exploration equipment	5 years
Leasehold improvements	Term of lease

Depreciation methods and estimated useful lives and residual values are reviewed annually and when facts and circumstances indicate that a review should be performed. Changes in estimates are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of loss.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) E&E expenditures

All E&E expenditures are expensed to the statement of loss, including the costs of acquiring exploration stage properties.

Exploration expenditures are costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other work involved in searching for Mineral Resources, as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”).

Evaluation expenditures are the costs incurred to establish the technical feasibility and commercial viability of developing mineral deposits identified through exploration activities, business combinations or asset acquisitions. Evaluation expenditures include the cost of: (i) further defining the volume and grade of deposits through drilling of core samples and other sampling techniques, trenching and sampling activities in an ore body or other forms or data acquisition; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development or mineralized material is commercially justified including preliminary economic assessments (“PEA”), pre-feasibility and final feasibility studies.

E&E expenditures are expensed until it has been determined that a property is technically feasible and commercially viable, in which case, subsequent evaluation expenditures incurred to develop a mineral property are capitalized to property, plant and equipment.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves and mineral resources as defined by NI 43-101 have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Upon the achievement of commercial production, a mineral property is depleted using the units-of-production method. Units-of-production depletion rates are determined using gold ounces mined over the estimated proven and probable mineral reserves of the mine.

(f) Government incentive tax credits

The Company incurs expenditures where government tax credits are available to offset specific expenditures incurred. These tax credits are recorded as a receivable when the amount is reliably measurable, and it is considered probable that the tax credit will be recovered.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The right of use (“ROU”) asset is initially measured based on the initial amount of the lease obligation plus any initial direct costs incurred less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method to reflect the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company’s incremental borrowing rate. The lease obligation is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company’s estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss, if the carrying amount of the ROU asset has been reduced to zero.

(h) Decommissioning and restoration provision

Decommissioning and restoration provisions are recognized when there is a significant disturbance to the areas in which E&E activities have occurred and when the provision can be estimated reliably.

Decommissioning and restoration costs are estimated and discounted to their net present value and capitalized to the carrying amount of the related asset along with the recording of a corresponding liability, as soon as the obligation to incur such costs arises. The discount rate used to calculate the net present value is a pre-tax rate of similar maturity that reflects current market assessments of time value of money and the risks specific to the liability.

Each period, the Company reviews cost estimates and other assumptions used in the valuation of the provision to reflect events, changes in circumstances and new information available. The liability is adjusted each reporting period for the unwinding of the discount, changes to the current market-based discount rate and for the amount or timing of the underlying cash flows needed to settle the provision.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes

Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable earnings. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates at the end of the reporting year applicable to the year of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable earnings will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Share capital

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

If common shares are issued as consideration for the acquisition of a mineral project, the common shares are measured at their fair value based on the quoted share price of the Company on the date the transaction is executed.

(k) Flow-through shares (“FTS”)

The issuance of FTS results in the obligation to transfer the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares to the purchasers of the shares. On the issuance of such shares, the Company bifurcates the FTS into: a FTS premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. As the related E&E expenditures are incurred, the Company derecognizes the premium liability and recognizes a related deferred income tax recovery.

(l) Share-based payment transactions

Options granted under the Company’s equity settled share-based option plan are measured at fair value at the date of grant and recognized as an expense with a corresponding increase to other reserves in equity. An individual is classified as an employee when the individual is an employee for legal and tax purposes (direct employee) or provides services similar to those performed by a direct employee. Equity settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instrument granted at the date the non-employee receives the goods or the services.

Fair value is determined using the Black-Scholes option pricing model, which relies on estimates of the risk-free interest rate, expected share price volatility, future dividend payments and the expected average life of the options. The fair value determined at the grant date is recognized as an expense over the vesting period in accordance with the vesting terms and conditions (graded vesting method), with a corresponding increase to other reserves in equity.

When share options are exercised, the applicable amounts of other reserves are transferred to share capital.

(m) Loss per share

The Company presents loss per share data, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, including share options and warrants.

4. 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 in the carrying amounts of assets and liabilities.

5. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

There are no other IFRS standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have any impact on the Company.



6. RECEIVABLES AND OTHER

	December 31,		December 31,	
	2022		2021	
Prepaid expenses and deposits	\$	342,293	\$	165,506
Tax receivables		335,461		37,275
Other receivables		9,174		-
	\$	686,928	\$	202,781

7. RESTRICTED CASH

As at December 31, 2022, the Company has no 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. The reclamation security deposits were returned to the Company.

As at December 31, 2022, the Company holds total surety bonds of \$55,189 (US\$40,748) in favour of the United States Department of the Interior Bureau of Land Management in support of the reclamation requirements for the Gabbs Project.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment		ROU asset		Total
Year ended December 31, 2021					
Cost					
Balance - December 31, 2020	\$	-	\$	-	\$ -
Additions		80,976		354,359	435,335
Balance - December 31, 2021	\$	80,976	\$	354,359	\$ 435,335
Accumulated depreciation					
Balance - December 31, 2020	\$	-	\$	-	\$ -
Depreciation		10,722		118,120	128,842
Balance - December 31, 2021		10,722		118,120	128,842
Net book value - December 31, 2021		70,254		236,239	306,493



8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Property, plant and equipment	ROU asset	Total
Year ended December 31, 2022			
Cost			
Balance - December 31, 2021	\$ 80,976	\$ 354,359	\$ 435,335
Additions	96,509	-	96,509
Balance - December 31, 2022	\$ 177,485	\$ 354,359	\$ 531,844
Accumulated depreciation			
Balance - December 31, 2021	\$ 10,722	\$ 118,120	\$ 128,842
Depreciation	32,821	118,119	150,940
Balance - December 31, 2022	\$ 43,543	\$ 236,239	\$ 279,782
Net book value - December 31, 2022	\$ 133,942	\$ 118,120	\$ 252,062

As at December 31, 2022, the ROU asset consists of the Company's corporate head office lease which is depreciated over the term of the lease.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Trade payables	\$ 356,205	\$ 386,548
Accrued liabilities	30,344	23,540
Payroll liabilities	6,101	8,737
	\$ 392,650	\$ 418,825

10. LEASE OBLIGATIONS

As at December 31, 2022, the Company's undiscounted lease obligations consisted of the following:

	December 31, 2022	December 31, 2021
Gross lease obligations - minimum lease payments		
1 year	\$ 140,784	\$ 137,432
2-3 years	-	140,784
	\$ 140,784	\$ 278,216
Future interest expense on lease obligations	(7,338)	(27,150)
Total lease obligations	\$ 133,446	\$ 251,066
Current portion of lease obligations	(133,446)	(117,620)
Non-current portion of lease obligations	\$ -	\$ 133,446



10. LEASE OBLIGATIONS (Continued)

For the year ended December 31, 2022, interest expense on the lease obligations was \$19,812 (2021 – \$30,787). Total cash payments on lease obligations were \$137,432 (2021 – \$134,080). To determine the ROU asset and lease obligation, the Company estimated its incremental borrowing rate to be 10.0% at inception of the lease agreement.

11. E&E EXPENDITURES

The E&E expenditures of the Company, by property, for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended	
	December 31, 2022	December 31, 2021
BAM Project	\$ 8,957,021	\$ 1,866,472
Gabbs Project	2,168,581	21,442,501
Silver Reef Property	302,833	780,390
Lost Cabin Property	61,155	104,119
Prospective exploration properties	30,099	15,000
Natlan Property	1,200	186,718
Todd Creek Property	400	444,062
Stockade Property	-	192,571
Timmins Property	-	39,128
British Columbia Mineral Exploration Tax Credit ("BCMETS") recovery	(110,311)	(401,788)
	\$ 11,410,978	\$ 24,669,173

(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.

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 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.



11. E&E EXPENDITURES (Continued)

On May 17, 2021, the Company closed a private placement for gross proceeds of \$5,949,030 (note 13) to fund the initial payment under the Amended Agreement.

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 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.

On August 2, 2022, the Company made a payment of US\$100,000 to Splitter with the remaining US\$400,000 owing of the May 31, 2022 amount and US\$500,000 of the December 31, 2022 amount, still outstanding, as of December 31, 2022. Subsequent to December 31, 2022, the Company and Splitter agreed to restructure the asset purchase agreement for the Gabbs Project. Refer to note 18 for further details.

Under the terms of the April 28, 2022 amendment, the financial liability associated with the acquisition of the Gabbs Project was remeasured and recognized at a revised amortized cost of US\$8,148,511, using a discount rate of 10.0%. The revised amortized cost was calculated based on the present value of the expected cash flows using the original effective interest rate. In order to determine the revised present value, management applied judgment in determining the timing of the expected cash flows of the second US\$8,000,000 or US\$8,500,000 payment. To estimate the expected timing of the cash flows, management considered the Company's working capital on-hand at the time of the amendment; its ability to complete an equity financing; and exploration progress on the Gabbs Project at the time of the amendment.

The remeasured liability resulted in a gain on modification of acquisition liabilities of US\$573,348 (C\$729,012). As at December 31, 2022, the remaining amounts payable under the Amended Agreement were recorded on the statement of financial position and consisted of the following:

	December 31, 2022	December 31, 2021
Opening balance	\$ 10,803,662	\$ -
Acquisition liabilities on closing of Gabbs acquisition agreement	-	9,841,055
Accretion of acquisition liabilities	1,010,197	469,984
Payment of acquisition liabilities	(128,560)	-
Gain on modification of acquisition liabilities	(729,012)	-
Foreign exchange movements	724,779	492,623
Ending balance	\$ 11,681,066	\$ 10,803,662
Current portion of acquisition liabilities - Gabbs Project	(11,681,066)	(4,885,095)
Non-current portion of acquisition liabilities - Gabbs Project	\$ -	\$ 5,918,567



11. E&E EXPENDITURES (Continued)

(b) Option agreements

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

	For the year ended December 31, 2022			For the year ended 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	32,114	-	-	18,651	-	-
Silver Reef Property	-	650,000	295,000	200,000	200,000	100,000
Todd Creek Property	-	-	-	150,000	-	-
Stockade Property	-	-	-	25,139	-	-
Natlan Property	-	-	-	25,000	100,000	40,000
	\$ 232,114	850,000	\$ 379,000	\$ 568,790	500,000	\$ 230,000

During the year ended December 31, 2021, the Company terminated the mineral leases and option agreements for the Stockade Property, the Todd Creek Property and the Natlan Property.

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 is contractually obligated to 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.

On July 8, 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 (\$295,000 in fair value) to meet the contractual obligations under the amended option agreement.

11. E&E EXPENDITURES (Continued)

Amendment to option agreement – Lost Cabin

On July 7, 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 contractual obligations under option agreements

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

Project	Ownership under option	Form	2023	2024	2025	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	\$ 200,000	\$ -	\$ 375,000
		Shares	300,000	200,000	-	500,000
Lost Cabin Property ⁽³⁾	100%	Cash	\$ 54,176	\$ 54,176	\$ 54,176	\$ 162,528

⁽¹⁾ 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.

⁽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 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 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 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.



11. E&E EXPENDITURES (Continued)

(d) E&E expenditures – Nature of expense

The E&E expenditures of the Company, by nature of expense, for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended	
	December 31,	December 31,
	2022	2021
Drilling	\$ 2,962,285	\$ 995,226
Helicopters	2,155,759	663,045
Camp costs and access road	1,325,821	514,895
Assays	1,308,689	493,670
Salaries and benefits	745,738	394,883
Technical and assessment reports	661,419	248,253
Acquisition costs	636,444	20,069,919
Geophysical and other surveys	456,863	435,200
Consulting	442,267	616,020
Equipment rentals	421,074	187,513
Government payments	216,330	213,242
Travel expenses	137,935	145,315
Other E&E expenditures	50,665	93,780
BCMETS recovery	(110,311)	(401,788)
	\$ 11,410,978	\$ 24,669,173

12. INTEREST AND FINANCE EXPENSE

	For the year ended	
	December 31,	December 31,
	2022	2021
Accretion of acquisition liabilities - Gabbs Project	\$ 1,010,197	\$ 469,984
Interest expense - other	27,802	-
Interest expense on leases	19,812	30,787
	\$ 1,057,811	\$ 500,771

13. SHARE CAPITAL AND OTHER RESERVES

(a) Share capital

At December 31, 2022, the authorized share capital of the Company consisted of an unlimited number of common shares without par value.



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

For the year ended December 31, 2022, the Company issued 850,000 common shares (2021 – 500,000) with a fair value of \$379,000 (2021 – \$230,000) related to obligations under option agreements. For by property details related to common shares issued under option agreements, refer to note 11b.

On December 20, 2022, the Company completed a private placement of 2,537,414 flow-through units at a price of \$0.29 per unit for gross proceeds of \$735,850. Each unit consisted of one flow-through common share of the Company and one non-flow through common share purchase warrant. 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. The Company bifurcated the remaining gross proceeds between share capital of \$608,980 and flow-through share premium of \$50,748 based on the observable market premium. Using the residual method, the warrants were valued at \$76,122. Total share issuance costs associated with the flow through private placement were \$9,639 including finder's fees of \$5,210 consisting of \$4,131 in cash and \$1,079 related to 14,245 brokers warrants issued.

On December 8, 2022 and December 19, 2022, the Company completed a private placement for 5,771,689 units at a price of \$0.27 per unit for gross proceeds of \$1,558,356. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional 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. Using the residual method, the warrants were valued at \$146,022. Total share issue costs associated with the private placement were \$95,590 including finder's fees of \$87,049 consisting of \$67,581 in cash and \$19,468 related to 250,298 brokers warrants issued.

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 of the Company and one non-flow through common share purchase warrant. 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. Using the residual method, the warrants were valued at \$447,242.
- 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 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 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 \$209,293 including finder's fees of \$191,996 consisting of \$156,060 in cash and \$35,936 related to 260,100 brokers warrants issued.



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

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 of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share 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.

On December 23, 2021, the Company completed the following private placements:

- A private placement of 3,959,933 flow-through units at a price of \$0.77 per unit for gross proceeds of \$3,049,148. 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 gross proceeds between share capital of \$2,296,761 and flow-through share premium of \$752,387.
- A private placement of 1,458,616 premium flow-through units at a price of \$0.84 per unit for gross proceeds of \$1,225,237. Each unit consisted of one premium flow-through common share of the Company and one non-flow through common share purchase warrant. The Company bifurcated the gross proceeds between share capital of \$845,997 and flow-through share premium of \$379,240.
- A private placement of 2,421,188 units at a price of \$0.58 per unit for gross proceeds of \$1,404,289. Each unit consisted of one common share of the Company and one common share purchase warrant.

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 \$0.90 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 \$1.75 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 issuance costs associated with the private placements were \$575,396 including finder's fees of \$511,781 consisting of \$309,475 in cash and \$202,306 related to 423,059 brokers warrants issued.

On September 29, 2021, the Company completed a non-brokered private placement of 2,520,000 flow-through shares at a price of \$0.50 per share for gross proceeds of \$1,260,000, before share issuance costs of \$19,750. The Company bifurcated the gross proceeds between share capital of \$907,200 and flow-through share premium of \$352,800.



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

On June 4, 2021, the Company completed a private placement of 2,917,170 flow-through units at a price of \$0.60 per unit for gross proceeds of \$1,750,302. Each unit consisted of one flow-through common share of the Company and one non-flow through common share purchase warrant. Each warrant entitles the holder to purchase one additional non-flow through common share of the Company at an exercise price of \$0.85 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 \$1.50 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. The Company bifurcated the remaining gross proceeds between share capital of \$1,371,070 and flow-through share premium of \$291,717. Using the residual method, the warrants were valued at \$87,515. Total share issuance costs associated with the flow through private placement were \$79,915, including finder's fees of \$54,780.

On May 17, 2021, the Company completed a private placement of 11,898,060 units at a price of \$0.50 per unit for gross proceeds of \$5,949,030. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.85 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 \$1.50 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 issuance costs associated with the private placement were \$227,742, including finder's fees of \$175,533 consisting of \$93,570 in cash and \$81,983 related to 187,140 brokers warrants issued.

On May 17, 2021, the Company issued 15,000,000 common shares (\$7,500,000 in fair value) related to the acquisition of the Gabbs Project (note 11a).

(b) Other reserves

The Company's other reserves consisted of the following:

	December 31, 2022	December 31, 2021
Other reserve - Share options	\$ 2,872,801	\$ 1,904,342
Other reserve - Warrants	1,127,482	381,293
	<u>\$ 4,000,283</u>	<u>\$ 2,285,635</u>



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

(c) Share options

The Company has adopted an incentive share option plan which provides that the Board of Directors of the Company may from time to time, in their discretion, and in accordance with Exchange requirements, grant to its directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issue does not exceed 10% of the number of then outstanding common shares. The term of each share option is set by the Board of Directors at the time of grant but cannot exceed a maximum term of ten years from the date of grant. The exercise price of each share option is set by the Board of Directors at the time of grant but cannot be less than the then market price of common shares.

The following table summarizes the changes in share options for the year ended December 31:

	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	4,820,000	0.50	2,270,000	0.50
Exercised	(1,060,000)	0.42	(154,584)	0.37
Forfeited	-	-	(57,750)	0.49
Expired	(1,225,000)	0.53	(33,500)	0.52
Outstanding, December 31,	7,219,166	\$ 0.51	4,684,166	\$ 0.50

For the options exercised during the year, the related weighted average share price at the time of exercise was \$0.52 (2021 – \$0.60).

The following table summarizes information about share options outstanding and exercisable at December 31, 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
\$0.01 - \$0.25	780,000	1.98	265,200	\$ 0.25
\$0.26 - \$0.50	2,877,500	1.43	1,605,350	0.44
\$0.51 - \$0.75	3,561,666	0.81	3,025,416	0.60
	7,219,166	1.18	4,895,966	\$ 0.53

The total share-based compensation expense for the year ended December 31, 2022 was \$1,334,591 (2021 – \$1,013,248) which was expensed in the statement of loss.



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

The following are the weighted average assumptions used to estimate the fair value of share options granted for the years ended December 31, 2022 and 2021 using the Black-Scholes pricing model:

	December 31, 2022	For the year ended December 31, 2021
Expected life	2 years	2 years
Expected volatility	109.88%	195.33%
Risk-free interest rate	2.55%	0.30%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

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 year ended December 31:

	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 placements	8,655,489	165,147	14,319,248	-
Warrants issued - FTS				
private placement	7,799,081	523,364	8,335,719	87,515
Broker's warrants issued -				
private placements	530,643	57,678	610,199	284,289
Warrants exercised	(30,000)	-	-	-
Warrants expired	(8,130,000)	-	-	-
Outstanding, December 31,	40,267,045	\$ 1,127,482	31,441,832	\$ 381,293

At December 31, 2022, the weighted average exercise price for the outstanding warrants is \$0.79 (2021 – \$0.83).



13. SHARE CAPITAL AND OTHER RESERVES (Continued)

Brokers warrants issued in connection with the private placements were valued at \$57,678 (2021 – \$284,289) 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 years ended December 31, 2022 and 2021 using the Black-Scholes pricing model:

	December 31, 2022	For the year ended December 31, 2021
Expected life	2 years	2 years
Expected volatility	90.61%	184.52%
Risk-free interest rate	3.40%	0.77%
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 share option life. Changes in these assumptions would have a significant impact on the fair value.

14. 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"). It also includes the Company's former directors and officers.

Directors and key management compensation:

	December 31, 2022	For the year ended December 31, 2021
Share-based compensation	\$ 1,027,098	\$ 852,476
Salaries and benefits	478,409	302,023
Management and consulting fees	40,865	76,995
	\$ 1,546,372	\$ 1,231,494

As at December 31, 2022, accounts payable and accrued liabilities include \$41,209 (2021 – \$16,850) owed to three officers (2021 – four officers) of the Company for reimbursement of transactions incurred in the normal course of business.

For the year ended December 31, 2022, the Company charged \$27,522 (2021 – nil) to Austin Gold Corp., a related party of the Company, under a CFO shared-services agreement. As at December 31, 2022, \$9,174 (2021 – nil) is included in receivables and other.



15. 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.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Risk management is the responsibility of management and is carried out under the oversight of and policies approved by the Board of Directors. Material risks are monitored and are regularly discussed with the Audit Committee and the Board of Directors.

(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.

The following table shows the impact on pre-tax loss of a 10% change in the USD:CAD exchange rate on financial assets and liabilities denominated in USD, as of December 31, 2022, with all other variables held constant:

	Impact of currency rate change on pre-tax loss	
	10% increase	10% decrease
Cash and cash equivalents	\$ 5,599	\$ (5,599)
Accounts payable and accrued liabilities	(4,757)	4,756

(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 impact on pre-tax loss of a 1% change in interest rates on financial assets and liabilities as of December 31, 2022, with all other variables held constant, would be nominal.



15. FINANCIAL RISK MANAGEMENT (Continued)

(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 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.

The maturity of financial liabilities as at December 31, 2022 is as follows:

	1 year	2 -3 years	More than 3 years	Total
Acquisition liabilities - Gabbs Project	12,054,160	-	-	12,054,160
Accounts payable and accrued liabilities	392,650	-	-	392,650
Lease obligations	140,784	-	-	140,784
	12,587,594	-	-	12,587,594

(d) Capital management

The Company's objectives in managing capital are to safeguard the ability to continue as a going concern and provide financial capacity to meet its strategic objectives. Management monitors the amount of cash and cash equivalents and equity in the capital structure and adjusts the capital structure, as necessary, to continue as a going concern and to support the acquisition, exploration and development of its mineral projects.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of share capital, other reserves, AOCI and deficit.

To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of mineral projects to facilitate the management of its capital requirements.



15. FINANCIAL RISK MANAGEMENT (Continued)

The Company prepares annual expenditure budgets and quarterly cash flow forecasts that are reviewed by the Board of Directors. Forecasts are regularly reviewed and updated for changes in circumstances so that appropriate capital allocation, investment and financing decisions are made for the Company.

(e) 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.

16. TAXATION

(a) Deferred income taxes

The tax effects of temporary differences between the amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes give rise to deferred income taxes as follows:

	For the year ended	
	December 31, 2022	December 31, 2021
E&E expenditures	\$ 6,820,819	\$ 5,834,225
Tax loss carry forwards	1,647,125	1,048,356
Share issuance costs	218,905	233,360
Property, plant and equipment	33,836	13,007
Deferred income taxes not recognized	(8,720,685)	(7,128,948)
	\$ -	\$ -



16. TAXATION (Continued)

The Company has tax losses in Canada of approximately \$5,978,432 (2021 – \$3,793,765) expiring in various amounts from 2037 to 2042. A deferred tax asset has not been recognized in respect of the temporary differences, as it is not probable that sufficient future taxable earnings will be available in the periods when deductions from such potential assets will be realized.

(b) Income tax recovery

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2021 – 27.0%) as follows:

	For the year ended	
	December 31, 2022	December 31, 2021
Expected income tax recovery	\$ (4,022,967)	\$ (7,489,193)
FTS premium	(1,961,956)	(350,416)
Share issuance costs	(72,618)	(243,757)
Share-based compensation	360,340	273,577
FTS	2,329,005	529,107
Impact of difference in tax rates and other	(185,268)	1,250,759
Deferred income taxes not recognized	1,591,707	5,679,507
	\$ (1,961,757)	\$ (350,416)

For the Company's subsidiaries, the USA statutory income tax rate is 21.0% (2021 – 21.0%) and the Nevada state statutory income tax rate is nil (2021 – nil).

17. COMMITMENTS

The following table provides the Company's gross contractual obligations as of December 31, 2022:

	1 year	2-3 years	More than 3 years	Total
Acquisition liabilities - Gabbs Project	\$ 12,054,160	\$ -	\$ -	\$ 12,054,160
Lease obligations	140,784	-	-	140,784
	\$ 12,194,944	\$ -	\$ -	\$ 12,194,944



18. SUBSEQUENT EVENTS

(a) Amended milestone payments – Gabbs Project

On March 3, 2023, the Company agreed to the restructuring of the outstanding payment terms for the acquisition of the Gabbs Project, subject to Exchange approval. As part of the restructuring, the Company has entered into an amending agreement (the “Second Amending Agreement”) with Splitter pursuant to which the Company will now issue or pay to Waterton (a) 2,659,748 common shares in the capital of the Company following Exchange approval of the Second Amending Agreement, (b) US\$150,000 on or before December 31, 2023, (c) US\$250,000 on or before December 31, 2024, (d) US\$2,000,000 on or before December 31, 2025 and (e) US\$2,400,000 on or before December 31, 2026. The Second Amending Agreement also contemplates, (x) 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 Waterton against the longest dated milestone payment and (y) on the sale of an interest in, or of, Gabbs, the proceeds will be paid to Waterton up to the amount outstanding at the time.

In addition, the Company will issue to Waterton a US\$4,000,000, zero coupon convertible note (the “Note”) with a four-year term convertible at a price of C\$0.30 per share provided that the Note cannot be converted if all payments due under the Second Amending Agreement have been made at the time the Note is called (other than if a change of control is to occur prior to repayment of the Note). The 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. Also, under the Note, approval by the shareholders of the Company is required if conversion of the Note would make Waterton a control person (as defined in the Exchange’s Corporate Finance Manual).

If the Exchange fails to provide approval of the Second Amending Agreement and the Note and the transactions contemplated thereunder in accordance with the applicable rules and policies of the Exchange by March 31, 2023, the Second Amending Agreement and the Note shall be deemed to be null and void.

(b) Acquisition of Ball Creek claims

Effective 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. The agreement remains subject to Exchange approval.

Under the terms of the agreement, in return for the transfer of the Ball Creek Claims, the Company will issue 4,000,000 common shares in the capital of the Company to Orogen and grant Orogen a one percent net smelter returns royalty in respect of production from the Ball Creek Claims.

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 has agreed to assign Orogen the right to repurchase one percent of the Sandstorm Royalty and assume 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.