# AUSTIN GOLD CORP.

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

*(Expressed in United States dollars)*

**To the shareholders of Austin Gold Corp.**

The accompanying consolidated financial statements of Austin Gold Corp. have been prepared by management which is responsible for the integrity and fairness of the information presented, including responsibility for significant accounting estimates and judgments. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In fulfilling its responsibilities, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of these consolidated financial statements.

The Board of Directors oversees the responsibilities of management for financial reporting through an Audit Committee, which is composed entirely of independent directors. The Audit Committee reviews the consolidated financial statements and recommends them to the Board of Directors for approval. The Audit Committee meets regularly with management to review internal control procedures and advise directors on auditing and financial reporting matters.

The consolidated financial statements have been audited by Manning Elliott LLP on behalf of the shareholders and their report follows.

| | |
|---|---|
| *"Dennis Higgs"* | *"Grant Bond"* |
| **Dennis Higgs** | **Grant Bond** |
| President | Chief Financial Officer |

March 15, 2023

manning elliott

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Austin Gold Corp.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of financial position of Austin Gold Corp. and its subsidiary (the "Company"), as of December 31, 2022, December 31, 2021 and January 1, 2021, the related consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, December 31, 2021 and January 1, 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Explanatory Paragraph – Change in Presentation Currency**

As discussed in Note 3(b) to the consolidated financial statements, the Company has elected to change the presentation currency used in preparing the consolidated financial statements.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/S/Manning Elliott LLP*

Chartered Professional Accountants

Vancouver, Canada

March 15, 2023

We have served as the Company's auditor since 2020.

**AUSTIN GOLD CORP.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in United States dollars

| | Note | | December 31, 2022 | | Restated (Note 3b) December 31, 2021 | | Restated (Note 3b) January 1, 2021 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | $ | 630,623 | $ | 1,094,550 | $ | 1,902,133 |
| Short-term investments | 6 | | 11,649,079 | | - | | - |
| Receivables and other | 7 | | 211,285 | | 12,737 | | 2,952 |
| | | | 12,490,987 | | 1,107,287 | | 1,905,085 |
| **Non-current assets** | | | | | | | |
| Marketable securities | 8 | | 16,473 | | 196,847 | | 334,676 |
| Exploration and evaluation ("E&E") assets | 9 | | 2,369,034 | | 1,286,156 | | 686,737 |
| Property and equipment | 10 | | 1,181 | | 1,803 | | 2,564 |
| **Total assets** | | $ | 14,877,675 | $ | 2,592,093 | $ | 2,929,062 |
| **LIABILITIES** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Accounts payable and accrued liabilities | 11 | $ | 97,825 | $ | 60,773 | $ | 29,800 |
| | | | 97,825 | | 60,773 | | 29,800 |
| **SHAREHOLDERS' EQUITY** | | | | | | | |
| Share capital | 12 | | 16,329,958 | | 2,714,755 | | 2,703,053 |
| Other reserves | 12 | | 2,044,692 | | 1,624,053 | | 1,624,053 |
| Accumulated other comprehensive income (loss) ("AOCI") | | | (574,949) | | 143,972 | | 122,511 |
| Deficit | | | (3,019,851) | | (1,951,460) | | (1,550,355) |
| | | | 14,779,850 | | 2,531,320 | | 2,899,262 |
| **Total liabilities and shareholders' equity** | | $ | 14,877,675 | $ | 2,592,093 | $ | 2,929,062 |
| Nature of operations and going concern | 1 | | | | | | |
| Commitments | 17 | | | | | | |

Approved on behalf of the Board of Directors:

*"Benjamin D. Leboe"*
Benjamin D. Leboe
Chair of the Audit Committee and Director

*"Joseph J. Ovsenek"*
Joseph J. Ovsenek
Chairman and Director

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

**AUSTIN GOLD CORP.**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Expressed in United States dollars, except for share data

| | Note | For the year ended December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| | | | *Restated (Note 3b)* |
| Administrative expenses | | | |
| Management and consulting fees | | $ 634,169 | $ 18,350 |
| Professional fees | | 295,193 | 236,149 |
| Insurance | | 262,315 | 7,397 |
| Listing and filing fees | | 164,837 | 9,061 |
| Share-based compensation | 12 | 162,628 | - |
| Marketing | | 139,655 | 2,607 |
| Investor relations | | 34,294 | 2,073 |
| General and administrative | | 12,299 | 12,851 |
| Travel expenses | | 11,377 | - |
| Depreciation | 10 | 527 | 780 |
| **Operating loss** | | (1,717,294) | (289,268) |
| Unrealized fair value loss on marketable securities | 8 | (174,634) | (108,653) |
| Realized gain on marketable securities | 8 | - | 6,443 |
| Interest and finance income | | 183,213 | - |
| Foreign exchange gain (loss) | | 640,324 | (9,627) |
| **Net loss for the year** | | $ (1,068,391) | $ (401,105) |
| **Other comprehensive income (loss), net of tax** | | | |
| Items that may be subsequently reclassified to earnings or loss: | | | |
| Currency translation adjustments | | (718,921) | 21,461 |
| **Comprehensive loss for the year** | | $ (1,787,312) | $ (379,644) |
| Loss per share - basic and diluted | | $ (0.09) | $ (0.04) |
| Weighted average number of shares | | 11,985,877 | 9,516,560 |

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

**AUSTIN GOLD CORP.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in United States dollars

| | Note | December 31, 2022 | For the year ended December 31, 2021 Restated (Note 3b) |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Net loss for the year | | $ (1,068,391) | $ (401,105) |
| Items not affecting cash: | | | |
| Depreciation | 10 | 527 | 780 |
| Interest and finance income | | (183,213) | - |
| Share-based compensation | 12 | 162,628 | - |
| Realized gain on marketable securities | 8 | - | (6,443) |
| Unrealized foreign exchange gain | | (678,210) | - |
| Unrealized fair value loss on marketable securities | 8 | 174,634 | 108,653 |
| Changes in non-cash working capital items: | | | |
| Receivables and other | | (207,210) | (9,867) |
| Accounts payable and accrued liabilities | | 7,423 | 31,283 |
| Net cash used in operating activities | | (1,791,812) | (276,699) |
| **Cash flows used in investing activities** | | | |
| Expenditures on E&E assets | | (1,066,431) | (586,923) |
| Interest received | | 49,156 | - |
| Proceeds from sale of marketable securities | 8 | - | 38,632 |
| Purchase of short-term investments | | (14,000,000) | - |
| Redemption of short-term investments | | 2,500,000 | - |
| Net cash used in investing activities | | (12,517,275) | (548,291) |
| **Cash flows generated by financing activities** | | | |
| Proceeds from initial public offering ("IPO") | 12 | 15,019,000 | - |
| Share issuance costs | 12 | (1,165,580) | - |
| Net cash generated by financing activities | | 13,853,420 | - |
| **Decrease in cash and cash equivalents for the year** | | (455,667) | (824,990) |
| Cash and cash equivalents, beginning of year | | 1,094,550 | 1,902,133 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (8,260) | 17,407 |
| **Cash and cash equivalents, end of year** | | $ 630,623 | $ 1,094,550 |
| Supplemental cash flow information | 14 | | |

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

**AUSTIN GOLD CORP.**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in United States dollars, except for share data

| | Note | Number of common shares | | Share capital | | Other reserves | | AOCI | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance - December 31, 2020 *Restated (Note 3b)* | | 9,512,000 | $ | 2,703,053 | $ | 1,624,053 | $ | 122,511 | $ | (1,550,355) | $ | 2,899,262 |
| Shares issued for property option payments | 12 | 5,000 | | 11,702 | | - | | - | | - | | 11,702 |
| Currency translation adjustments | | - | | - | | - | | 21,461 | | - | | 21,461 |
| Loss for the year | | - | | - | | - | | - | | (401,105) | | (401,105) |
| Balance - December 31, 2021 *Restated (Note 3b)* | | 9,517,000 | $ | 2,714,755 | $ | 1,624,053 | $ | 143,972 | $ | (1,951,460) | $ | 2,531,320 |
| Shares issued pursuant to IPO | 12 | 3,754,750 | | 15,019,000 | | - | | - | | - | | 15,019,000 |
| Share issuance costs | 12 | - | | (1,403,797) | | 238,217 | | - | | - | | (1,165,580) |
| Value assigned to share options and warrants vested | 12 | - | | - | | 182,422 | | - | | - | | 182,422 |
| Currency translation adjustments | | - | | - | | - | | (718,921) | | - | | (718,921) |
| Loss for the year | | - | | - | | - | | - | | (1,068,391) | | (1,068,391) |
| Balance - December 31, 2022 | | 13,271,750 | $ | 16,329,958 | $ | 2,044,692 | $ | (574,949) | $ | (3,019,851) | $ | 14,779,850 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### (a) Nature of operations

Austin Gold Corp. (the "Company") was incorporated on April 21, 2020, in British Columbia ("BC"), Canada. The Company is a reporting issuer in BC and its common shares are traded on the NYSE American stock exchange under the symbol "AUST". The Company's registered office is the 9th Floor, 1021 West Hastings Street, Vancouver, BC, Canada, V6E 0C3.

The Company is focused on the acquisition, exploration and development of mineral resource properties primarily in the western United States of America ("USA").

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. The Company has incurred ongoing losses and expects to incur further losses in the advancement of its business activities. For the year ended December 31, 2022, the Company incurred a net loss of $1,068,391 and used cash in operating activities of $1,791,812. As at December 31, 2022, the Company had cash and cash equivalents of $630,623, a working capital (current assets less current liabilities) surplus of $12,393,162 and an accumulated deficit of $3,019,851.

The operations of the Company have primarily been funded by the issuance of common shares. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management estimates its current working capital will be sufficient to fund its current level of activities for at least the next twelve months.

## 2. BASIS OF PREPARATION

### 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 15, 2023.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

| Name of subsidiary | Place of incorporation | Proportion of ownership interest | Principal activity |
|---|---|---|---|
| Austin American Corporation ("Austin NV") | Nevada, USA | 100% | Holds interests in exploration projects |

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 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").

For the parent entity, with the completion of the IPO on the NYSE American stock exchange, future equity financings are expected to generate proceeds denominated in United States dollars ("USD"). In addition, E&E expenditures and administrative costs incurred to conduct business activities are primarily denominated in USD. As a result of these changes in underlying transactions, events and circumstances, the functional currency of the parent entity was reassessed. The functional currency of the parent entity changed from the Canadian dollar ("CAD" or "C$") to the USD commencing on December 31, 2022. The change in functional currency was accounted for on a prospective basis, with no impact of this change on prior year comparative information.

The functional currency of the Company's subsidiary remains the USD.

*Presentation currency*

On December 31, 2022, the Company elected to change its presentation currency from CAD to USD. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other USA listed businesses in the mining industry. The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the new presentation currency had always been the Company's presentation currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

From December 31, 2022, the USD presentation currency is consistent with the functional currency of the Company. For periods prior to December 31, 2022, the statements of financial position for each period presented have been translated from the CAD functional currency to the USD presentation currency at the rate of exchange prevailing at the respective financial position date with the exception of equity items which have been translated at accumulated historical rates from the Company's date of incorporation in 2020. The statements of loss and comprehensive loss were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transactions. Exchange differences arising on translation from the CAD functional currency to the USD presentation currency prior to the change in functional currency to USD, have been recognized in other comprehensive income (loss) and accumulated as a separate component of equity.

*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 and comprehensive 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.

### (c) Financial instruments

*Financial instruments – 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 ("OCI"). 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.

*Financial instruments – Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of loss and comprehensive loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in earnings (loss) when the asset is derecognized or impaired. Interest income from these financial assets is included in interest and finance income using the effective interest rate method.

- FVOCI – Assets that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in earnings (loss). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to earnings (loss) and recognized in other gains (losses). Interest income from these financial assets is included in interest and finance expense using the effective interest rate method. Foreign exchange gains and losses are presented in foreign exchange gain (loss) and impairment expenses in other expenses.

- FVTPL – Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in earnings (loss) and presented net in the statement of loss and comprehensive loss within other gains (losses) in the period in which it arises.

Changes in the fair value of financial assets at FVTPL are recognized in gain (loss) on change in fair value of financial instruments in the statement of loss and comprehensive loss as applicable.

*Financial instruments - Impairment*

An expected credit loss ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECLs. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in earnings (loss) for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through earnings (loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Financial instruments - Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

*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 and finance income is recognized by applying the effective interest rate method.

*Short-term investments*

Short-term investments comprise term deposits and redeemable short-term investment certificates (“RSTICs”) held at major financial institutions with an original maturity date between three and twelve months. Short-term investments are classified at amortized cost. Interest and finance income is recognized by applying the effective interest rate method.

*Marketable securities*

Marketable securities comprise of common shares of publicly traded companies. Marketable securities are recorded at FVTPL and, accordingly, are recorded on the statement of financial position at fair value. Changes in fair value at each reporting date are included in the statement of loss and comprehensive loss as gain (loss) on marketable securities.

*Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities 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.

*Derivative liabilities*

Derivative instruments, including embedded derivatives in financial liabilities or non-financial contracts are recorded at FVTPL and, accordingly, are recorded on the statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date. Changes in fair value at each reporting date are included in the statement of loss and comprehensive loss as gain (loss) on change in fair value of derivative liability.

### (d) Property and equipment

Property and equipment is 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of property and equipment commences when the asset has been fully commissioned and is available for its intended use. Depreciation is calculated using declining balance rates ranging from 15% to 30% per annum or the straight-line method to allocate cost over the estimated useful lives. Depreciation on assets that are directly related to E&E assets are allocated to that E&E asset.

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 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 (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 and comprehensive loss.

### (e) Mineral properties

Mineral properties are measured at cost less accumulated depletion and accumulated impairment losses. Mineral properties include the fair value attributable to mineral reserves and mineral resources acquired in a business combination or asset acquisition, mine development costs and previously capitalized E&E expenditures. Upon commencement of production, a mineral property is depleted using the unit-of-production method. Unit-of-production depletion rates are determined using mineral units mined over the estimated proven and probable mineral reserves of the mine.

### (f) E&E assets

All E&E expenditures are capitalized, including the costs of acquiring exploration stage properties, except for E&E expenditures incurred before the Company has obtained legal rights to explore an area, which are expensed.

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 Canadian 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral reserves or mineral resources from a particular mineral property has been determined, expenditures are tested for impairment and reclassified to mineral properties.

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.

### (g) Impairment of non-financial assets

The carrying amounts of assets included in E&E assets and property and equipment are assessed for impairment at the end of each reporting period or whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is determined. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's or CGU's carrying amount exceeds the recoverable amount and is recorded as an expense immediately.

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. Future cash flows are estimated using the following significant assumptions: mineral reserves and mineral resources, production profile, operating costs, capital costs, commodity prices, foreign exchange rates and discount rates. All inputs used are those that an independent market participant would consider appropriate.

Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or cash generating unit in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit for which estimates of future cash flows have not been adjusted.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount, but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into earnings (loss) immediately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

### (i) Income taxes

Income tax is recognized in the statement of loss and comprehensive 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.

The Company applies the residual value method with respect to the measurement of common shares and warrants issued as a unit for a private placement. The residual value method first allocates value to the more easily measurable component based on fair value (i.e. common shares) and then the residual value, if any, to the less measurable component (i.e. warrants). Any value attributed to the warrants is recorded to other reserves in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Share-based payment transactions

Share 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.

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 provides 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.

### (l) 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.

### (m) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction where there is a transfer of resources or obligations between related parties.

## 4. SIGNIFICANT 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.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Significant accounting policy judgments include:

- The determination of functional currency requires judgment where the operations of the Company are changing or currency indicators are mixed. Additionally, the timing of a change in functional currency is a judgment as the balance of currency indicators may change over time. For the impact on the consolidated results from the change in functional currency, refer to Note 3b.

- The assessment of the Company's ability to continue as a going concern which requires judgment related to future funding available to identify new business opportunities and meet working capital requirements, the outcome of which is uncertain (refer to Note 1b); and

- The application of the Company's accounting policy for impairment of E&E assets which requires judgment to determine whether indicators of impairment exist including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further E&E of resource properties are budgeted and evaluation of the results of E&E activities up to the reporting date. Management assessed impairment indicators for the Company's E&E assets and has concluded that no impairment indicators exist as of December 31, 2022.

Significant sources of material estimation uncertainty include:

- The determination of the fair value of warrants held as marketable securities by the Company (refer to Note 8);

- The determination of the fair value of underwriter warrants issued by the Company as part of the IPO (refer to Note 12d); and

- The determination of the fair value of share options and warrants issued by the Company (refer to Note 12c and 12d).

## 5. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

The following standards, amendments and interpretations have been issued but are not yet effective:

- In January 2020, the IASB issued amendments to International Accounting Standard ("IAS") 1, *Presentation of Financial Statements* to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least twelve months at the end of the reporting period. The amendments are effective January 1, 2023 with early adoption permitted. Retrospective application is required on adoption. This amendment is not expected to have a material impact on the Company.

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.

Expressed in United States dollars, except for share data

## 6. SHORT-TERM INVESTMENTS

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Term deposits | $ 10,144,301 | $ - |
| RSTICs | 1,504,778 | - |
| | $ 11,649,079 | $ - |

The term deposits and RSTICs mature on February 10, 2023 and November 29, 2023, respectively.

## 7. RECEIVABLES AND OTHER

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Prepaid expenses and deposits | $ 176,703 | $ 9,016 |
| Tax receivables | 34,582 | 3,721 |
| | $ 211,285 | $ 12,737 |

## 8. MARKETABLE SECURITIES

As at December 31, 2022, the Company holds 2,231,000 common shares (2021 – 2,231,000) and 1,250,000 warrants (2021 – 1,250,000) in Nevada Exploration Inc. (“NGE”). A continuity of the marketable securities is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Opening balance | $ 196,847 | $ 334,676 |
| Realized gain on sale of marketable securities | - | 6,443 |
| Proceeds from disposition of marketable securities | - | (38,632) |
| Foreign exchange movements | (5,740) | 3,013 |
| Unrealized fair value loss on marketable securities | (174,634) | (108,653) |
| Ending balance | $ 16,473 | $ 196,847 |

As at December 31, 2022, the estimated fair value of the warrants in NGE was $1 (2021 – $3,275) determined using the Black-Scholes pricing model using the following assumptions:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Share price | C$ 0.01 | C$ 0.11 |
| Exercise price | C$ 0.50 | C$ 0.50 |
| Expected life | 0.02 years | 1.02 years |
| Expected volatility | 93.10% | 86.99% |
| Risk-free interest rate | 4.30% | 0.25% |
| Expected dividend yield | Nil | Nil |

Subsequent to December 31, 2022, on January 7, 2023, the warrants in NGE expired in accordance with the terms of the private placement.

Expressed in United States dollars, except for share data

## 9. E&E ASSETS

The E&E assets of the Company, by property and nature of expenditure, as of December 31, 2022 and 2021 were as follows:

| | Kelly Creek | Fourmile Basin | Lone Mountain | Miller | Stockade Mountain | Total |
|---|---|---|---|---|---|---|
| Balance - December 31, 2020 | $ 231,414 | $ 346,675 | $ 108,648 | $ - | $ - | $ 686,737 |
| E&E expenditures: | | | | | | |
| Acquisition costs | 50,000 | 34,242 | 30,000 | 61,702 | - | 175,944 |
| Consulting | 656 | 21,300 | 7,236 | 2,109 | - | 31,301 |
| Field work | - | 1,843 | - | - | - | 1,843 |
| Finders' fees | - | - | - | 10,000 | - | 10,000 |
| Geophysics | - | - | - | 3,188 | - | 3,188 |
| Mapping | - | 277 | 188 | 5,919 | - | 6,384 |
| Mining rights and claim fees | 95,958 | 54,669 | 80,370 | 114,919 | - | 345,916 |
| Technical reports | 1,126 | 6,120 | 11,285 | - | - | 18,531 |
| Travel | - | 4,835 | - | - | - | 4,835 |
| Total E&E expenditures | 147,740 | 123,286 | 129,079 | 197,837 | - | 597,942 |
| Movement in foreign exchange | - | 1,477 | - | - | - | 1,477 |
| **Balance - December 31, 2021** | **$ 379,154** | **$ 471,438** | **$ 237,727** | **$ 197,837** | **$ -** | **$ 1,286,156** |
| E&E expenditures: | | | | | | |
| Acquisition costs | 50,000 | 54,433 | 20,000 | 25,000 | 25,000 | 174,433 |
| Assays | 24,554 | - | - | - | - | 24,554 |
| Consulting | 12,693 | 47,007 | 7,406 | 7,956 | 16,329 | 91,391 |
| Drilling | 327,145 | 96,993 | - | - | - | 424,138 |
| Field supplies | 2,121 | - | - | - | 2,250 | 4,371 |
| Field work | 1,500 | 2,332 | - | - | - | 3,832 |
| Finders' fees | - | - | - | 10,000 | - | 10,000 |
| Geophysics | 3,000 | - | - | 1,769 | - | 4,769 |
| Mapping | 6,375 | - | - | 5,250 | - | 11,625 |
| Mining rights and claim fees | 96,333 | 53,095 | 80,370 | 49,749 | 46,666 | 326,213 |
| Share-based compensation | 5,235 | 5,233 | 5,235 | 5,235 | 5,235 | 26,173 |
| Travel | 6,769 | 4,144 | - | 44 | 566 | 11,523 |
| Total E&E expenditures | 535,725 | 263,237 | 113,011 | 105,003 | 96,046 | 1,113,022 |
| Movement in foreign exchange | - | (30,144) | - | - | - | (30,144) |
| **Balance - December 31, 2022** | **$ 914,879** | **$ 704,531** | **$ 350,738** | **$ 302,840** | **$ 96,046** | **$ 2,369,034** |

Acquisition costs include pre-production payments, lease payments and advanced royalty payments in accordance with the terms of the property agreements.

Expressed in United States dollars, except for share data

## 9. E&E ASSETS (Continued)

### (a) Kelly Creek Project (Nevada, USA)

The Company entered into an agreement with Pediment Gold LLC ("Pediment"), a subsidiary of NGE, for an option to earn up to a 70% interest in a joint venture on the Kelly Creek Project. The Company may exercise the option to earn a 51% interest by incurring the following minimum annual E&E expenditures on the project:

| | | |
|---|---|---|
| September 1, 2022 | C$750,000(1) | Complete |
| June 1, 2023 | C$1,000,000 | In progress |
| June 1, 2024 | C$1,500,000 | In progress |
| June 1, 2025 | C$1,500,000 | In progress |

(1) $400,000 must be spent on geophysics, geochemistry, drilling or other mutually agreed program.

The Company has the option to increase its participating interest by an additional 19% to a total of 70% by incurring additional annual E&E expenditures in the amount of C$1,500,000 before each of June 1, 2026, June 1, 2027 and June 1, 2028 and by delivering a pre-feasibility study prior to June 1, 2029.

At Pediment's election, within 120 days of the approval by the joint venture of a feasibility study, the Company will be obligated to provide NGE's portion of any debt financing or arrange for third party financing of NGE's portion of any debt financing required to construct a mine on the project in consideration for the transfer by Pediment to the Company an additional 5% interest in the joint venture.

There are minimum annual royalty payments required by the Company as part of two underlying agreements within the Kelly Creek Project including: (i) the Genesis agreement and (ii) the Hot Pot agreement.

Under the Genesis agreement, the joint venture has the option to purchase 100% of the Genesis claims for $1,500,000 (as adjusted for inflation), subject to a 1.5% net smelter return royalty and the following advance royalty payments:

| | | |
|---|---|---|
| October 1, 2020 | $20,000 | Paid |
| October 1, 2021 | $20,000 | Paid |
| October 1, 2022 | $20,000 | Paid |
| October 1, 2023 and every year thereafter | $50,000(1) | |

(1) In accordance with the terms of the agreement, the amount will be adjusted for inflation.

Cumulative advanced royalty payments will be credited against royalty payment obligations and the purchase price. The net smelter return royalty can be reduced by 50% to 0.75% upon payment of $750,000 (as adjusted for inflation).

Under the Hot Pot agreement, the Company is subject to the following minimum payments:

| | | |
|---|---|---|
| September 16, 2021 | $30,000 | Paid |
| September 16, 2022 | $30,000 | Paid |
| September 16, 2023 and every year thereafter | $30,000 | |

Expressed in United States dollars, except for share data

## 9. E&E ASSETS (Continued)

Any mineral production on the claims is subject to a 3.0% net smelter return royalty which can be reduced to 2.0% upon payment of $2,000,000. The Hot Pot lease and any additional property within 2.5 miles of the original boundary of the claims is also subject to 1.25% net smelter return royalty in favour of Battle Mountain Gold Exploration Corporation.

### (b) Fourmile Basin Property (Nevada, USA)

The Company entered into a mineral lease agreement with La Cuesta International, Inc. ("LCI") on the Fourmile Basin Property. Under the terms of the agreement, the Company is subject to the following pre-production payments:

| | | |
|---|---|---|
| June 18, 2020 | $25,000 | Paid |
| | 33,333 common shares | Issued |
| December 18, 2020 | $5,000 | Paid |
| June 18, 2021 | $10,000 | Paid |
| December 18, 2021 | $10,000 | Paid |
| June 18, 2022 | $15,000 | Paid |
| December 18, 2022 | $20,000 | Paid |
| and every six months thereafter | | |

In addition, the Company is required to incur the following minimum E&E expenditures on the property:

| | | |
|---|---|---|
| Year 1 | $30,000 | Complete |
| from date of agreement | | |
| Year 2 to Year 3 | $50,000 | Complete |
| from date of agreement | | |

The Company is required to pay a production royalty of 2.0% of the net smelter returns for claims 100% owned by LCI and 0.5% of the net smelter returns for third party claims within LCI's area of influence. Payments to LCI totaling $10,000,000 in any combination of pre-production payments, production or minimum royalties will reduce the production royalties by 50% to 1.0% and 0.25%, respectively. Pre-production payments are deductible against future production royalties.

Under the terms of the Fourmile Basin mineral lease agreement, the Company is required to fulfill obligations to NexGen Mining Inc. ("NexGen") which holds certain properties within the Fourmile Basin lease boundary. Under the agreement, the Company is subject to the following cash advanced royalty payments:

| | | |
|---|---|---|
| October 24, 2020 | $10,000 | Paid |
| October 24, 2021 | $15,000 | Paid |
| October 24, 2022 | $20,000 | Paid |
| October 24, 2023 | $25,000 | |
| and every year thereafter | | |

Expressed in United States dollars, except for share data

## 9. E&E ASSETS (Continued)

The Company is required to incur the following minimum E&E expenditures on the property:

| | | |
|---|---|---|
| October 24, 2020 | $5,000 | Complete |
| October 24, 2021 | $10,000 | Complete |
| October 24, 2022 | $15,000 | Complete |
| October 24, 2023 | $20,000 | In progress |
| October 24, 2024 and every year thereafter | $20,000 | In progress |

Any mineral production on the NexGen claims is subject to a 2.0% net smelter return royalty. The net smelter return royalty can be reduced by 1.0% for $250,000 and the remaining 1.0% for $500,000.

### (c) Lone Mountain Property (Nevada, USA)

The Company entered into a mineral lease agreement with option to purchase the Lone Mountain Project with NAMMCO. Under the terms of the agreement, the Company is subject to the following pre-production payments:

| | | |
|---|---|---|
| Signing of the lease | $80,000 | Paid |
| November 1, 2021 | $30,000 | Paid |
| November 1, 2022 | $20,000 | Paid |
| November 1, 2023 | $20,000 | |
| November 1, 2024 | $30,000 | |
| November 1, 2025 and every year thereafter[(1)] | $30,000 | |

(1) Pre-production payments increase by $10,000 every year after November 1, 2025 to a maximum of $200,000.

The Company is required to incur the following minimum E&E expenditures on the property:

| | | |
|---|---|---|
| September 1, 2024 | $150,000 | In progress |
| September 1, 2025 | $250,000 | In progress |
| September 1, 2026 | $300,000 | In progress |
| September 1, 2027 | $300,000 | In progress |
| September 1, 2028 | $400,000 | In progress |
| September 1, 2029[(1)] | $400,000 | In progress |

(1) The work commitment terminates when $1,800,000 has been spent on the property.

Any mineral production on the claims is subject to a 3.0% net smelter return royalty. The net smelter return royalty can be reduced by 0.5% to 2.5% for $2,000,000. The Company has the option to purchase the entire interest in the project, except for the royalty, once there is a discovery of at least 500,000 ounces of gold (or equivalent in other metals) or a pre-feasibility study has been completed. The Company may exercise this option by payment of $2,000,000, reduced by the pre-production payments paid to the date of purchase.

Expressed in United States dollars, except for share data

## 9. E&E ASSETS (Continued)

### (d) Miller Project (Nevada, USA)

The Company entered into a mineral lease agreement with the option to purchase the Miller Project with Shea Clark Smith and Gregory B. Maynard on February 1, 2021. Under the terms of the agreement, the Company is subject to the following annual lease payments:

| | | |
|---|---|---|
| Signing of the lease | $50,000 | Paid |
| | 5,000 common shares | Issued |
| February 1, 2022 | $25,000 | Paid |
| February 1, 2023 | $25,000 | Paid(1) |
| February 1, 2024 and every year thereafter | $30,000(2) | |

(1) The amount was paid subsequent to December 31, 2022.
(2) Lease payments of $30,000 are required every year after February 1, 2024, until a total of $500,000 has been paid.

The Company is required to drill 2,000 meters by November 4, 2023 and an additional 3,000 meters by May 4, 2025.

The Company has the option to purchase the lease outright at any time for $500,000 less cumulative lease payments to the date of purchase. Any mineral production on the claims is subject to a 2.0% net smelter return royalty and third-party claims acquired within the area of influence are subject to a 0.5% net smelter return royalty. The 2.0% net smelter return royalty can be reduced by 50% to 1.0% for $2,000,000.

The Miller Project was recommended to the Company by Bull Mountain Resources, LLC (“BMR”). As a result, the Company is required to make finders’ fee payments in accordance with the introductory agent agreement (refer to Note 17).

The Miller Project consists of 117 claims in the original lease agreement and an additional 164 claims which were staked in January 2021 for a total of 281 unpatented lode mining claims covering approximately 23.5 km$^2$. Although the Company had filed the required documentation with the Bureau of Land Management (“BLM”) and county officials as required, there was a dispute regarding ownership of 134 newly staked claims and 36 original claims. Management has been monitoring the BLM and county registration sites to confirm whether property maintenance fees were paid on the disputed claims by the contending party. The contending party did not pay the property maintenance fees on the disputed claims when they were due on September 1, 2022.

The Company believes it is probable that a future economic benefit will flow to the Company from this property. As at December 31, 2022, the carrying value of the Miller Project is $302,840.

Expressed in United States dollars, except for share data

## 9. E&E ASSETS (Continued)

### (e) Stockade Mountain Property (Oregon, USA)

The Company entered into a mineral lease and option agreement with BMR to lease a 100% interest in the Stockade Mountain Property. Under the terms of the agreement, the Company is subject to the following pre-production payments:

| | | |
|---|---|---|
| May 16, 2022 | $15,000 | Paid |
| November 16, 2022 | $10,000 | Paid |
| May 16, 2023 | $10,000 | |
| November 16, 2023 | $15,000 | |
| May 16, 2024 | $15,000 | |
| November 16, 2024 | $25,000 | |
| and every six months thereafter | | |

The Company is required to incur the following minimum E&E expenditures on the property:

| | | |
|---|---|---|
| May 16, 2023 | $30,000 | In progress |
| May 16, 2024 | 2,000 meters of drilling | In progress |

BMR will retain a 2.0% net smelter return royalty on claims owned by BMR and 0.25% net smelter return royalty on third-party claims acquired within the area of influence around the property. Payments to BMR totaling $10,000,000 in any combination of pre-production payments, production or minimum royalties will reduce the production royalties on wholly owned claims by 50% to 1.0%.

## 10. PROPERTY AND EQUIPMENT

| | Computer equipment |
|---|---|
| Net book value - December 31, 2020 | $ 2,564 |
| Depreciation | (780) |
| Movement in foreign exchange | 19 |
| **Net book value - December 31, 2021** | **1,803** |
| Depreciation | (527) |
| Movement in foreign exchange | (95) |
| **Net book value - December 31, 2022** | **1,181** |

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Trade payables | $ 64,600 | $ 38,740 |
| Accrued liabilities | 33,225 | 22,033 |
| | $ 97,825 | $ 60,773 |

Expressed in United States dollars, except for share data

## 12. 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 and an unlimited number of preferred shares without par value.

On May 6, 2022, the Company issued 3,754,750 shares at $4.00 pursuant to the closing of the Company's IPO for gross proceeds of $15,019,000. Total share issuance costs were $1,165,580. The Company also issued 262,833 underwriter warrants relating to the IPO (refer to Note 12d).

On February 2, 2021, the Company issued 5,000 common shares with a fair value in the amount of $11,702 related to obligations under a mineral lease agreement.

### (b) Other reserves

The Company's other reserves consisted of the following:

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Other reserve - Share options | $ | 1,781,096 | $ | 1,624,053 |
| Other reserve - Warrants | | 263,596 | | - |
| | $ | 2,044,692 | $ | 1,624,053 |

### (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, 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, | 716,663 | $ | 2.37 | 716,663 | $ | 2.36 |
| Granted | 460,003 | | 0.92 | - | | - |
| Expired | (83,333) | | 2.36 | - | | - |
| Outstanding, December 31, | 1,093,333 | $ | 1.67 | 716,663 | $ | 2.37 |

Expressed in United States dollars, except for share data

## 12. SHARE CAPITAL AND OTHER RESERVES (Continued)

The following table summarizes information about share options outstanding and exercisable at December 31, 2022:

| | Share options outstanding | | Share options exercisable | | |
|---|---|---|---|---|---|
| Exercise prices | Number of share options outstanding | Weighted average years to expiry | Number of share options exercisable | | Weighted average exercise price |
| \$0.50 - \$1.00 | 460,003 | 4.82 | 114,994 | | 0.92 |
| \$2.01 - \$2.50 | 633,330 | 7.20 | 633,330 | \$ | 2.22 |
| | 1,093,333 | 6.20 | 748,324 | \$ | 2.02 |

The total share-based compensation expense for the year ended December 31, 2022 was \$157,043 (2021 – nil) of which \$130,870 has been expensed in the statement of loss and comprehensive loss and \$26,173 has been capitalized to E&E assets.

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:

| | | For the year ended |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| Expected life | 5.00 years | N/A |
| Expected volatility | 143.18% | N/A |
| Risk-free interest rate | 4.09% | N/A |
| Expected dividend yield | - | N/A |
| Forfeiture rate | - | N/A |

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

### (d) Warrants

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Number of warrants | | Warrant reserve | Number of warrants | | Warrant reserve |
| Outstanding, January 1, | - | \$ | - | - | \$ | - |
| Transactions during the year: | | | | | | |
| Warrants issued - IPO | 262,833 | | 238,217 | - | | - |
| Warrants issued - consultants | 100,000 | | 25,379 | - | | - |
| Outstanding, December 31, | 362,833 | \$ | 263,596 | - | \$ | - |

Expressed in United States dollars, except for share data

## 12. SHARE CAPITAL AND OTHER RESERVES (Continued)

On May 6, 2022, the Company issued 262,833 warrants to the underwriters in connection with the IPO. The warrants are exercisable at a price of $4.40 or on a cashless basis for shares at the option of the holder. The underwriter warrants expire on November 6, 2023. At issuance, the underwriter warrants were valued at $238,217 using the Black-Scholes pricing model and were recorded as a share issuance cost.

On November 1, 2022, the Company issued 100,000 warrants to an investor relations consultant. The warrants vest over tranches at an exercise price of $0.81. The warrants expire on November 1, 2025. The total share-based compensation expense for the year ended December 31, 2022 was $26,480 which was expensed in the statement of loss and comprehensive loss.

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

| | For the year ended | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| Expected life | 1.91 years | N/A |
| Expected volatility | 109.94% | N/A |
| Risk-free interest rate | 1.42% | N/A |
| Expected dividend yield | - | N/A |
| Forfeiture rate | - | N/A |

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

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes the Company's directors and officers including its President, Corporate Secretary and Chief Financial Officer ("CFO").

Directors and key management compensation:

| | For the year ended | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| Management and consulting fees | $ 559,591 | $ 12,206 |
| Share-based compensation | 136,148 | - |
| Directors' fees | 44,380 | - |
| | $ 740,119 | $ 12,206 |

For the year ended December 31, 2022, the Company's officers incurred $50,359 (2021 – $11,266) of administration expenses in the normal course of business on behalf of the Company.

Expressed in United States dollars, except for share data

## 13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

For the year ended December 31, 2022, the Company incurred $21,149 (2021 – nil) with P2 Gold Inc., a related party of the Company, under a CFO shared-services agreement. These expenditures were expensed under management and consulting fees in the statement of loss and comprehensive loss.

As at December 31, 2022, accounts payable and accrued liabilities include $7,568 (2021 – nil) owed to related parties of the Company for transactions incurred in the normal course of business.

The Company entered into a joint venture agreement with Pediment, a subsidiary of NGE, for the Kelly Creek Project (refer to Note 9) and owns 2,231,000 common shares of NGE (refer to Note 8). The President of the Company served as the non-executive chairman and director of NGE until October 1, 2022. As of December 31, 2022, the Corporate Secretary and a director of the Company were directors of NGE.

## 14. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital items included in E&E assets were as follows:

| | For the year ended December 31, 2022 | December 31, 2021 |
|---|---|---|
| Accounts payable and accrued liabilities | $ (37,130) | $ - |
| Share-based compensation | 26,173 | - |
| Common shares issued | - | 11,702 |
| | $ (10,957) | $ 11,702 |

## 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 and comprehensive loss. The Company does not use any hedging instruments to reduce exposure to fluctuations in foreign currency rates.

## 15. FINANCIAL RISK MANAGEMENT (Continued)

The Company is exposed to currency risk through cash and cash equivalents, receivables and other, marketable securities and accounts payable and accrued liabilities held in the parent entity which are denominated in CAD.

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 CAD, 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 | $ 11,629 | $ (11,629) |
| Receivables and other | 16,098 | (16,098) |
| Marketable securities | 1,647 | (1,647) |
| Accounts payable and accrued liabilities | (5,234) | 5,234 |

*(ii) Interest rate risk*

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

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

### (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's credit risk is primarily attributable to its financial assets including cash and cash equivalents and short-term investments.

The carrying amount of financial assets represents the maximum credit exposure:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 630,623 | $ 1,094,550 |
| Short-term investments | 11,649,079 | - |
| | $ 12,279,702 | $ 1,094,550 |

The Company mitigates its exposure to credit risk on financial assets through investing its cash and cash equivalents and short-term investments with high-credit quality financial institutions. Management believes there is a nominal expected credit loss associated with its financial assets.

## 15. FINANCIAL RISK MANAGEMENT (Continued)

### (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.

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

Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2022 are as follows:

| | Carrying amount | Contractual cash flows | Due within 1 year | Due within 2 years | Due within 3 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 97,825 | $ 97,825 | $ 97,825 | $ - | $ - |
| | $ 97,825 | $ 97,825 | $ 97,825 | $ - | $ - |

### (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, comprising of issued 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.

The Company prepares annual expenditure budgets 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.

Expressed in United States dollars, except for share data

## 15. FINANCIAL RISK MANAGEMENT (Continued)

The Company's financial instruments consisting of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of these financial instruments.

Marketable securities are fair valued at each reporting period using NGE's share price on the TSX Venture Exchange and assumptions used in the Black-Scholes pricing model.

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 December 31, 2022 | Carrying value | | Fair value | | |
|---|---|---|---|---|---|
| | FVTPL | Amortized cost | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | $ - | $ 630,623 | $ - | $ - | $ - |
| Short-term investments | - | 11,649,079 | - | - | - |
| Marketable securities | 16,473 | - | 16,472 | - | 1 |
| | $ 16,473 | $ 12,279,702 | $ 16,472 | $ - | $ 1 |

| As at December 31, 2021 | Carrying value | | Fair value | | |
|---|---|---|---|---|---|
| | FVTPL | Amortized cost | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | $ - | $ 1,094,550 | $ - | $ - | $ - |
| Marketable securities | 196,847 | - | 193,572 | - | 3,275 |
| | $ 196,847 | $ 1,094,550 | $ 193,572 | $ - | $ 3,275 |

## 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 |
|---|---|---|
| Tax loss carry forwards | $ 332,184 | $ 99,672 |
| Share issuance costs | 288,230 | - |
| Marketable securities and other | 74,568 | 41,908 |
| Deferred income taxes not recognized | (694,982) | (141,580) |
| | $ - | $ - |

Expressed in United States dollars, except for share data

## 16. TAXATION (Continued)

The Company has tax losses in Canada of approximately $1,191,205 (2021 – $375,315) expiring in various amounts from 2040 to 2042. The other temporary differences do not expire under current legislation. 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 expense (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 | $ (288,466) | $ (108,298) |
| Share issuance costs | (298,176) | - |
| Impact of difference in tax rates and other | (10,670) | 21,425 |
| Share-based compensation | 43,910 | - |
| Deferred income taxes not recognized | 553,402 | 86,873 |
| | $ - | $ - |

For the Company's subsidiary, 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 Company executed an introductory agent agreement with BMR (the "BMR Agreement"). Under the BMR Agreement, should a mineral property recommended by BMR be acquired by the Company, the Company shall pay an introductory agent fee. The BMR Agreement is currently in effect for the Miller Project, as of February 1, 2021, with the introductory agent fee commitment as follows:

| | | |
|---|---|---|
| Within 15 days of acquisition | $5,000 | Paid |
| 6 months after acquisition | $5,000 | Paid |
| 12 months after acquisition | $5,000 | Paid |
| 18 months after acquisition | $5,000 | Paid |
| 24 months after acquisition | $7,500 | Paid[(1)] |
| 30 months after acquisition | $7,500 | |
| 36 months after acquisition | $10,000 | |
| 42 months after acquisition | $10,000 | |
| 48 months after acquisition and every six months thereafter | $15,000 | |

(1) The amount was paid subsequent to December 31, 2022.

If commercial production is achieved on a property recommended by BMR, the Company shall pay a 0.5% net smelter return royalty on all mineral interests acquired within the area of influence of the mineral property. Introductory agent fees and net smelter return royalty payments totaling $1,000,000 paid by the Company will reduce the net smelter return royalty by 50% to 0.25%.

## 18. SEGMENTED INFORMATION

Exploration and development of mineral projects is considered the Company's single business segment. All of the Company's E&E assets are located in the USA.