SCORPIO Gold Corporation

Consolidated Financial Statements

For the year ended December 31, 2022

(Expressed in US dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Scorpio Gold Corporation

Opinion

We have audited the accompanying consolidated financial statements of Scorpio Gold Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital deficiency of $505,202 as at December 31, 2022. Management estimates that these funds will not provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our audit report.

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Assessment of Impairment Indicators of Property, plant and equipment and Mineral properties

As described in Notes 4 and 5 to the consolidated financial statements, the carrying amount of the Company's Property, plant and equipment and Mineral properties was $4,782,357 and $1,109,254 as of December 31, 2022, respectively. As more fully described in Note 2 to the financial statements, management assesses Property, plant and equipment and Mineral properties for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the Property, plant and equipment and Mineral properties is a key audit matter are that there was judgment by management when assessing whether there were indicators of impairment for the Property, plant and equipment and Mineral properties, specifically related to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Property, plant and equipment and Mineral properties. As the Company's Property, plant and equipment are currently under care and maintenance, this indication of impairment subjected these assets to an assessment of fair value in determining recoverable amount.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating management's assessment of impairment indicators and determination of recoverable amount for the Property, plant and equipment;
- Determining the appropriateness of reliance on management's experts in assessing the recoverable amount of Property, plant and equipment;
- Corroborating management's estimate of recoverable amount to arm's length appraisals, quotes and other support for comparable plant and equipment fair value;
- Evaluating the intent for the Mineral properties through discussion and communication with management;
- Reviewing the Company's recent expenditure activity on Mineral properties;
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements for the Mineral properties;
- Assessing the Company's right to explore Mineral properties;
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the Mineral properties are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

May 30, 2023

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Scorpio Gold Corporation

Consolidated Statements of Financial Position

(Expressed in United States Dollars)

As at	Note(s)	December 31, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash		331,899	278,979
Receivables		61,881	143,804
Prepaid expenses		344,088	376,733
		737,868	**799,516**
Non-current assets			
Reclamation deposits	3	7,818,085	7,723,014
Investments		764	764
Property, plant and equipment	4	4,782,357	4,967,655
Mineral properties	5	1,109,254	299,062
		13,710,460	**12,990,495**
TOTAL ASSETS		**14,448,328**	**13,790,011**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	17	664,875	622,482
Loan payable	6	531,000	450,000
Warrant liability	7	44,195	-
		1,240,070	**1,072,482**
Non-current liabilities			
Warrant liability	7	-	369,903
Convertible notes	8	2,519,526	-
Provision for environmental rehabilitation	9	5,862,850	5,888,859
		8,382,376	**6,258,762**
TOTAL LIABILITIES		**9,622,446**	**7,331,244**
SHAREHOLDERS' EQUITY			
Share capital	10	61,028,900	53,977,362
Convertible notes	8, 10	72,630	6,763,160
Foreign currency translation reserve		(194,204)	(194,204)
Other reserves		(1,729)	(1,729)
Reserves	10	7,359,621	7,143,018
Accumulated deficit		(63,439,336)	(61,228,840)
TOTAL SHAREHOLDERS' EQUITY		**4,825,882**	**6,458,767**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,448,328**	**13,790,011**

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These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Peter Brieger Director **/s/ Chris Zerga Director**

Scorpio Gold Corporation

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2022 $	December 31, 2021 $
Revenue		**-**	**3,235,520**
Cost of sales excluding inventory write-down	**11**	**-**	**(2,764,847)**
Depreciation and amortization	**4**	**-**	**(132,812)**
Inventory write-down	**5**	**-**	**(2,263,497)**
Gross loss		**-**	**(1,925,636)**
Expenses			
Depreciation	4	55,701	23,103
Care and maintenance	12	2,338,901	761,289
Gain on disposal of assets	4	(39,468)	(51,200)
General and administrative expenses	13	606,291	861,858
(Recovery) impairment of mineral properties	5	(77,535)	2,373,723
Total expenses		**(2,883,890)**	**(3,968,773)**
Finance income	3	95,071	5,926
Finance costs	8, 14	(537,411)	(744,330)
Foreign exchange gain (loss)		(34,728)	48,636
Gain on remeasurement of warrant liability	7	314,625	1,938,505
Loss on settlement of convertible interest payable	8	65,622	(31,271)
Other income	15	770,215	-
		673,394	**1,217,466**
Loss and comprehensive loss		**(2,210,496)**	**(4,676,943)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.01)**	**(0.04)**
Weighted average number of common shares outstanding - basic and diluted		**181,450,131**	**112,448,498**

(Expressed in United States Dollars)

	Note(s)	Share capital #	Share capital $	Convertible notes $	Foreign currency translation reserve $	Other reserves $	Reserves $	Accumulated deficit $	TOTAL $
Balance as of December 31, 2021		**117,104,189**	**53,977,362**	**6,763,160**	**(194,204)**	**(1,729)**	**7,143,018**	**(61,228,840)**	**6,458,767**
Shares issued for conversion of convertible notes	8, 10	93,832,476	7,051,538	(6,763,160)	-	-	-	-	**288,378**
Equity portion of convertible notes		-	-	72,630	-	-	-	-	**72,630**
Share-based payments	10, 13	-	-	-	-	-	216,603	-	**216,603**
Loss and comprehensive loss		-	-	-	-	-	-	(2,210,496)	**(2,210,496)**
Balance as of December 31, 2022		**210,936,665**	**61,028,900**	**72,630**	**(194,204)**	**(1,729)**	**7,359,621**	**(63,439,336)**	**4,825,882**

	Note(s)	Share capital #	Share capital $	Convertible notes $	Foreign currency translation reserve $	Other reserves $	Reserves $	Accumulated deficit $	TOTAL $
Balance as of December 31, 2020		**109,758,957**	**53,335,803**	**6,817,160**	**(194,204)**	**(1,729)**	**7,140,962**	**(56,551,897)**	**10,546,095**
Shares issued for mineral properties	5, 10	2,091,149	199,062	-	-	-	-	-	**199,062**
Shares issued for conversion of convertible notes	8, 10	675,000	54,000	(54,000)	-	-	-	-	**-**
Shares issued for interest of convertible notes	8, 10	4,579,083	388,497	-	-	-	-	-	**388,497**
Share-based payments		-	-	-	-	-	2,056	-	**2,056**
Loss and comprehensive loss		-	-	-	-	-	-	(4,676,943)	**(4,676,943)**
Balance as of December 31, 2021		**117,104,189**	**53,977,362**	**6,763,160**	**(194,204)**	**(1,729)**	**7,143,018**	**(61,228,840)**	**6,458,767**

(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2022 $	December 31, 2021 $
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(2,210,496)	(4,676,943)
Accretion of interest of convertible notes	8	469,449	713,630
Depreciation	4	55,701	155,915
Unwinding of discount of provision for environmental rehabilitation		67,961	30,700
Finance income	3	(95,071)	(713)
(Recovery) impairment of mineral properties	5	(77,535)	2,373,723
Inventory write-down	5	-	2,263,497
Gain on disposal of assets	4	(39,468)	(51,200)
Gain on remeasurement of the warrant liability	7	(314,625)	(1,938,505)
Loss (gain) on settlement of convertible interest payable	8	(65,622)	31,271
Share-based payments	10, 13	216,603	2,056
Effects of currency exchange rate changes	7	(11,083)	3,602
Net changes in non-cash working capital items:			
Accounts receivable		81,923	(120,565)
Prepaid expenses		32,645	114,321
Inventory		-	(1,140,921)
Accounts payable and accrued liabilities		199,100	(359,221)
Cash flow used in operating activities		**(1,690,518)**	**(2,599,353)**
INVESTING ACTIVITIES			
Acquisition costs on exploration and evaluation assets	5	(856,627)	(1,595,758)
Cash paid for reclamation deposits	3	-	(111,000)
Proceeds from disposal of property, plant and equipment	4	176,915	63,200
Purchase of property, plant and equipment	4	(7,850)	(74,938)
Cash flow used in investing activities		**(687,562)**	**(1,718,496)**
FINANCING ACTIVITIES			
Proceeds on issuance of convertible notes, net of cash issuance costs	8	2,350,000	-
Proceeds on loan payable, net of transaction costs	6	81,000	490,000
Repayment of loan payable	6	-	(40,000)
Cash flow provided by financing activities		**2,431,000**	**450,000**
Increase (decrease) in cash		**52,920**	**(3,867,849)**
Cash, beginning of year		**278,979**	**4,146,828**
Cash, end of year		**331,899**	**278,979**
Supplemental cash flow information	16		

1. NATURE OF OPERATIONS AND GOING CONCERN

Scorpio Gold Corporation (the "Company" or "Scorpio") is a publicly traded company incorporated under the laws of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and trade under the symbol SGN. The corporate office of the Company is located at Suite 910 - 800 West Pender Street Vancouver, British Columbia V6C 2V6. The Company and its subsidiaries conduct mineral exploitation, exploration and development activities in the United States of America ("USA").

The Company suspended mining operations of its Mineral Ridge mine in November 2017 as the Company had mined all of its economical mineral reserves based on gold pricing and heap leach recovery parameters. The Company then generated limited revenues from Mineral Ridge from residual but diminishing gold recoveries from the leach pads. In December 2021, the Company determined that operating the heap leach pads was not economic and so ceased operations at Mineral Ridge (Note 5).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at December 31, 2022, the Company had a working capital deficiency of $502,202 (December 31, 2021 – $272,966). Management estimates that these funds will not provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. Additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

Proposed Transactions

On May 18, 2023, the Company entered into a non-binding letter of intent (the "LOI") setting out the terms of a proposed arm's length acquisition (the "Transaction") by the Company of all of the issued and outstanding shares of Altus Gold Corp. ("Altus Gold"), a private mining issuer with two mineral exploration projects in Esmeralda County, Nevada.

Immediately prior to the completion of the Transaction, the Company will complete a 5:1 share consolidation.

Under the terms of the LOI, the Company will acquire all the outstanding shares of Altus Gold in exchange for issuing to the shareholders of Altus Gold 16,900,000 post-consolidated common shares of the Company.

Pursuant to the LOI, as a condition of closing the Transaction, the Company will complete a concurrent financing of a minimum of CA$5,000,000 (the "Concurrent Financing"). Altus Gold agreed to provide a non-interest bearing, secured bridge loan of $500,000 to Scorpio Gold (the "Bridge Loan"), which will be forgiven upon closing the Transaction. If the Transaction does not complete for any reason other than a breach by Altus Gold of an enforceable provision of the LOI or the definitive agreement, the Bridge Loan will be repayable on demand.

Financial Reporting and Disclosure during Economic Uncertainty

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine are affecting current economic conditions and increasing economic uncertainty, which may impact the Company's operating performance, financial position and the Company's ability to raise funds at this time.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

The consolidated financial statements of Scorpio for the year ended December 31, 2022 were approved by the Board of Directors on May 30, 2023.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

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

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of preparation
These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2022.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its USA based wholly-owned subsidiaries, Scorpio Gold (US) Corporation, Mineral Ridge Gold LLC ("MRG"), and Goldwedge LLC ("Goldwedge").

Control exists when the Company has the power over its investees, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Profit and loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interest.

All intercompany accounts, revenues and expenses transactions have been eliminated.

All subsidiaries have a reporting date of December 31.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Management judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- **Critical judgments**

  Capitalization of exploration and evaluation costs and determination of economic viability of a project
  Management has determined that exploration, development and evaluation costs incurred which were capitalized have future economic benefits. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefit including geological and metallurgical information, accessible facilities, existing permits and life of mine plans.

  Determination of functional currency
  The functional currency of the Company and its US subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that its functional currency and that of its US subsidiaries is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates and the Company reconsiders functional currency if there is a change in events and conditions which determined the primary economic environment.

- **Estimates**

  Asset carrying values and impairment
  The Company performs impairment testing when impairment indicators are present. In the determination of carrying values and impairment charges, management considers the recoverable amount which is the greater of fair value less costs of disposal and value in use in the case of mining assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

  Mineral Ridge mine
  In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $4,480,000 as at December 31, 2021. During the year ended December 31, 2021, the Company recorded non-cash impairment charges for Mineral Ridge of $375,276.

  As noted above, the Company ceased operations of its heap leach pads in December 2021. Accordingly, the Company wrote-off its inventory and recorded an impairment in cost of sales for an amount of $2,263,497 during the year ended December 31, 2021.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Management judgments and estimates (continued)

- **Estimates (continued)**

Goldwedge property and mill
The fact that the Goldwedge property and mill have been on care and maintenance since 2015 is an indicator of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $2,009,000 as at December 31, 2021. During the year ended December 31, 2021, the Company recorded non-cash impairment charges for Goldwedge of $1,998,447.

Estimation of asset lives and residual values
Depletion, depreciation and amortization expenses are allocated based on assumed asset lives and estimated residual values. Should the asset life, residual values, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of operations.

Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

Convertible debentures
The Company determines the liability components by discounting the convertible notes with an interest rate of similar debentures without conversion features. The residual amount is considered the value of the conversion feature, which is classified as equity.

Recognition of deferred taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Management judgments and estimates (continued)

- **Estimates (continued)**

Recognition of deferred taxes
Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates may occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized deferred income tax assets.

Estimation of environmental rehabilitation and the timing of expenditure and related accretion
The Company's provision for environmental rehabilitation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation and assumptions of risks associated with the future cash outflows, and the applicable interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the provision for environmental rehabilitation are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

Inventories
In determining cost of inventories, management makes estimates of quantities of ore stacked on the leach pad and in process and the recoverable gold in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in cost of sales excluding depletion and amortization of future periods and carrying amounts of inventories.

Foreign currency translation
Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of operations.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Revenue recognition

Revenue relating to the sale of metals is recognized when control of the metal of related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Inventories

Supplies are recorded at the lower of cost, using the weighted average cost formula, and net realizable value. In the event that the cost of ore inventory produced using these supplies exceeds its net realizable value, then the supplies are written down to net realizable value. In such circumstances, the Company uses replacement cost as the best available measure of the net realizable value of supplies.

Inventories consisting of ore stockpile, in process and finished goods are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal selling price based on prevailing metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Inventories in process represent inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of in process inventories include estimates of metal contained and recoverable in the ore stacked on the leach pad, the amount of metal included in carbon that is expected to be recovered and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to a decline in selling prices or the costs of completion or the estimated costs to be incurred to make the sale have increased, the Company would be required to write-down the recorded value of its in-process inventories to net realizable value.

Ore in stockpile is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpile at the current mining cost and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pad based on current processing costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantity of recoverable gold placed on the heap leach pad is reconciled by comparing the grades of ore placed on the heap leach pad to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from the heap leach pad will not be known until the leaching process is concluded.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Mineral Properties
All costs relating to the acquisition, exploration and development are deferred and capitalized by property up to the point of commercial production. Costs relating to areas of interest abandoned are written off when such a decision is made.

The Company reviews the carrying values of its non-producing mining assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated recoverable amounts. The recoverability of amounts shown is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to finance the development of the properties, and on the future profitable production or proceeds from the disposal thereof. An impairment loss is recognized when the carrying value of those assets exceeds its estimated net recoverable amount, which is the higher of fair value less costs of disposal and value in use.

Property, plant and equipment
Property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the property, plant and equipment at the following annual rates:

- Plant and equipment — life of mine
- Mobile equipment — 5-7 years straight-line
- Furniture and office equipment — 3-4 years straight-line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

No amortization was charged to the mining interest.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For mineral properties, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment losses of continuing operations are recognized in net loss in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Provision for environmental rehabilitation
The Company recognizes contractual, statutory, legal and constructive obligations associated with retirement of mining properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for provision for environmental rehabilitation is recognized at its fair value in the period in which it is incurred which is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Upon initial recognition of the liability, the corresponding environmental rehabilitation cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the provision for environmental rehabilitation, the carrying amount of the liability is increased for the passage of time and adjusted for changes in regulatory requirements and assumptions regarding the amount or timing of the underlying cash flows to settle the obligation and changes to the discount rate.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Share-based payments

- **Share-based payment transactions**
  Employees (including directors and senior executives) of the Company, and individuals providing similar services to those performed by direct employees, receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

  In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

- **Equity-settled transactions**
  The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and the corresponding amount is represented in stock option reserve. No expense is recognized for awards that do not ultimately vest. For those awards that expire after vesting, the recorded value is transferred to other reserve.

  Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

  The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share unless it is considered to be anti-dilutive.

- **Other reserve**
  Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

- **Warrants reserve**
  The warrants reserve records the grant date fair value of the warrants issued.

- **Stock options reserve**
  The stock options reserve records items recognized as share-based payments expense.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Loss per share
Basic loss per share is computed by dividing the net loss attributable to shareholders of the Company by the weighted average number of common shares outstanding for the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated using the assumed proceeds upon the exercise of stock options that are used to purchase common shares at the average market price during the reporting periods if dilutive.

Financial instruments

- **Financial assets**

  Classification and measurement
  The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

Classification and measurement

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Refer to Note 20 for further disclosures.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Convertible debentures
A convertible note is considered to be a compound financial instrument which requires assessment to determine if it contains a liability and an equity component related to the conversion feature. When the conversion feature is for a variable number of shares, there is no equity component but rather there is a potential embedded derivative.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable.

The host instrument is accounted for as a compound instrument with a debt component and a separate embedded derivative component classified as a liability. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative which is measured at fair value.

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the debt are allocated to the liability and embedded derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the embedded derivative liability component are expensed directly in profit and loss and transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortized over the expected lives of the convertible instrument using the effective interest method.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred. Interest payments are presented as financing activities in the statement of cash flows.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingencies
Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Related party transactions

Parties are considered to be 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 to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Taxation

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 enacted or substantively enacted at the financial position reporting date.

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

New accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2023. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2023 will have a significant impact on the Company's results of operations or financial position.

(Expressed in United States Dollars)

3. RECLAMATION DEPOSITS

	December 31, 2022 $	December 31, 2021 $
Opening	7,723,014	7,611,301
Addition	-	111,000
Finance income	95,071	713
Ending	**7,818,085**	**7,723,014**

The Company has reclamation bonds of $14,689,517 and entered into an agreement with a surety under which the cash collateral is $7,818,085 (December 31, 2021 – $7,723,014) of which $7,556,606 (December 31, 2021 – $7,464,715) is for Mineral Ridge and $261,479 (December 31, 2021 – $258,299) is for Goldwedge.

4. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment is broken down as follows:

	Buildings $	Equipment $	Vehicles $	Furniture $	Computer $	Total $
COST						
As of December 31, 2020	3,078,725	19,651,925	277,802	12,115	812,137	**23,832,704**
Addition	-	73,182	-	-	1,756	**74,938**
Disposal	-	(358,950)	-	-	-	**(358,950)**
As of December 31, 2021	**3,078,725**	**19,366,157**	**277,802**	**12,115**	**813,893**	**23,548,692**
ACCUMULATED DEPRECIATION						
As of December 31, 2020	(2,383,877)	(15,358,282)	(226,708)	(12,115)	(791,090)	**(18,772,072)**
Addition	(61,430)	(74,599)	(18,158)	-	(1,728)	**(155,915)**
Disposal	-	346,950	-	-	-	**346,950**
As of December 31, 2021	**(2,445,307)**	**(15,085,931)**	**(244,866)**	**(12,115)**	**(792,818)**	**(18,581,037)**
Net book value as of December 31, 2021	**633,418**	**4,280,226**	**32,936**	**-**	**21,075**	**4,967,655**
COST						
As of December 31, 2021	3,078,725	19,366,157	277,802	12,115	813,893	**23,548,692**
Addition	-	-	-	-	7,850	**7,850**
Disposal	-	(364,836)	-	-	-	**(364,836)**
As of December 31, 2022	**3,078,725**	**19,001,321**	**277,802**	**12,115**	**821,743**	**23,191,706**
ACCUMULATED DEPRECIATION						
As of December 31, 2021	(2,445,307)	(15,085,931)	(244,866)	(12,115)	(792,818)	**(18,581,037)**
Addition	(11,355)	(39,464)	-	-	(4,882)	**(55,701)**
Disposal	-	227,389	-	-	-	**227,389**
As of December 31, 2022	**(2,456,662)**	**(14,898,006)**	**(244,866)**	**(12,115)**	**(797,700)**	**(18,409,349)**
Net book value as of December 31, 2022	**622,063**	**4,103,315**	**32,936**	**-**	**24,043**	**4,782,357**

During the year ended December 31, 2022, the Company sold equipment with a net book value of $137,447 (December 31, 2021 – $12,000) for gross proceeds of $176,915 (December 31, 2021 – $63,200), and accordingly recorded a gain on disposal of assets of $39,468 (September 30, 2021 – $51,200).

(Expressed in United States Dollars)

5. MINERAL PROPERTIES

The Company's mineral properties are broken down as follows:

	December 31, 2022 $	December 31, 2021 $
Mineral Ridge		
Opening	-	-
Change in provision for environmental rehabilitation	(77,535)	375,276
Recovery of impairment (impairment)	77,535	(375,276)
Ending	**-**	**-**
Goldwedge		
Opening	299,062	505,215
Additions	826,627	1,783,820
Change in provision for environmental rehabilitation	(16,435)	8,474
Impairment	-	(1,998,447)
Ending	**1,109,254**	**299,062**
TOTAL		
Opening	**299,062**	**505,215**
Closing	**1,109,254**	**299,062**

Mineral Ridge mine

In August 2020, the Company granted an option to Titan Mining Corporation ("Titan") to earn an 80% interest in the Mineral Ridge property by spending $35,000,000 on exploration over five years. In June 2021, Titan terminated the agreement.

In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $4,480,000 as at December 31, 2021. During the year ended December 31, 2021, the Company recorded non-cash impairment charges for Mineral Ridge of $375,276.

As noted above, the Company ceased operations of its heap leach pads in December 2021. Accordingly, the Company wrote-off its inventory and recorded an impairment in cost of sales for an amount of $2,263,497 during the year ended December 31, 2021.

(Expressed in United States Dollars)

5. MINERAL PROPERTIES (CONTINUED)

Goldwedge property and mill

In March 2021, the Company completed an acquisition of the Manhattan project located in Nye County, Nevada and situated adjacent and proximal to the Company's Goldwedge property. In consideration, the Company paid $100,000 cash and issued 2,091,149 common shares valued at $199,062 (Note 10). The property is subject to a 2.0% net smelter returns royalty and certain reserved water rights.

In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $2,009,000 as at December 31, 2021. During the year ended December 31, 2021, the Company recorded non-cash impairment charges for Goldwedge of $1,998,447.

6. LOAN PAYABLE

	December 31, 2022 $	December 31, 2021 $
Opening	450,000	-
Initial recognition	-	490,000
Addition	81,000	-
Repayment	-	(40,000)
Ending	**531,000**	**450,000**

In October 2021, the Company entered into a credit facility agreement with certain directors of the Company. The credit facility is unsecured and interest free. Pursuant to the agreement, the Company may draw advances up to $500,000. All advances must be repaid within the earlier of the Company closing a private placement more than CA$1,000,000 and January 1, 2022.

In February 2022, the Company amended its credit facility agreement with certain directors of the Company (to increase the facility from up to $500,000 to up to $750,000 and to extend the repayment date to December 31, 2022. In February 2022, the Company received further advances of $81,000.

(Expressed in United States Dollars)

7. WARRANT LIABILITY

	December 31, 2022 $	December 31, 2021 $
Opening	369,903	2,304,806
Gain on remeasurement	(314,625)	(1,938,505)
Effect of movements on exchange rates	(11,083)	3,602
Ending	**44,195**	**369,903**

Share purchase warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company.

The warrant liability was revalued as at December 31, 2022 and 2021 using the Black-Scholes option pricing model with the following assumptions: a stock price of CA$0.04 and CA$0.10; a risk free interest rate of 4.07% and 0.91%; an expected volatility of 123% and 71%; an expected life of 0.7 years and 1.7 years; a forfeiture rate of nil; an expected dividend of nil; and an exchange rate of 1.3541 and 1.2678, respectively. As a result of the revaluation, the Company recognized a gain on remeasurement of warrant liability of $314,625 and 1,938,505 in the consolidated statements of loss and comprehensive loss during the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, 37,500,000 warrants with an exercise price of CA$0.24 remain outstanding. The expiry date of those warrants is September 14, 2023.

8. CONVERTIBLE NOTES

Convertible notes issued on April 26, 2019

	December 31, 2022 $	December 31, 2021 $
Opening	6,763,160	6,817,160
Repayment / conversion	(6,763,160)	(54,000)
Ending	-	**6,763,160**

On April 26, 2019, the Company closed a non-brokered private placement offering of secured subordinated convertible debentures (each, a “2019 Debenture”) for gross proceeds of $7,000,000.

Each 2019 Debenture has an issue price of $1,000, bears interest at a rate of 10% per annum, payable semi-annually, and matures April 26, 2022. Interest may be paid in common shares of the Company at the option of the Company or the holder of the 2019 Debenture, subject to regulatory approval. Each 2019 Debenture is convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.08 per share (the “2019 Conversion Price”), which is equivalent to 12,500 common shares for each $1,000 principal amount of 2019 Debentures, subject to adjustment in certain circumstances. The Company will have the option on maturity, subject to regulatory approval and there being no default to the terms of the 2019 Debentures, to repay any portion of the principal amount of the 2019 Debentures in cash or by issuing and delivering to the holders of the 2019 Debentures such number of common shares equal to the principal amount of the 2019 Debenture divided by the Conversion Price.

The 2019 Debentures are secured by a security interest subordinate to all existing and future senior indebtedness of the Company as approved by the Company’s board of directors, subject to certain board composition requirements.

(Expressed in United States Dollars)

8. CONVERTIBLE NOTES (CONTINUED)

Convertible notes issued on April 26, 2019 (continued)

During the year ended December 31, 2022

- The Company recorded an interest expense of $227,294 on the 2019 Debentures.
- The Company issued 5,194,976 common shares to settle its interest payment of $354,000 on the 2019 Debentures (Note 10). Accordingly, the Company recorded a gain on settlement of $65,622 (Note 10).
- The Company issued 88,637,500 common shares to satisfy the remaining principal amount of the 2019 Debentures ($7,015,000) (Note 10).

During the year ended December 31, 2021

- In January and February 2021, the Company issued 250,000 common shares on conversion of $20,000 of the 2019 Debentures (Note 10).
- In April 2021, the Company paid $355,000 cash to settle its semi-annual interest payment on the 2019 Debentures.
- In October 2021, the Company issued 4,579,083 common shares valued at $388,497 to settle its semi-annual interest payment of $357,226 on the 2019 Debentures (Note 10). Accordingly, the Company recorded a loss on settlement of $31,271 (Note 10).
- In December 2021, the Company issued 425,000 common shares on conversion of $34,000 of the 2019 Debentures (Note 10).

Convertible notes issued on May 26, 2022

	$
Initial recognition	2,277,370
Interest	242,156
Ending	**2,519,526**

On May 26, 2022 (the “2022 Closing Date”), the Company issued entered into two convertible debentures agreements (the “2022 Debentures”) which provides for a credit facility for up to a total of $2,450,000 (the “2022 Credit Facility”) until the maturity date of December 31, 2022 (the “2022 Maturity Date”) with companies owned by the Company’s directors (the “Lenders”). The 2022 Debentures bear interest of 12.375% per annum compounding monthly.

The 2022 Debentures are convertible into common shares at the option of the holder at any time prior to the 2022 Maturity Date at a conversion price of $0.06 per share (the “2022 Conversion Price”).

At the 2022 Closing Date, the Lenders agreed to incorporate the bridge loans (the “2022 Bridge Loan”) issued to the Company on April 18, 2022, and May 20, 2022, with an amount of $450,000 and $700,000, respectively, into the 2022 Credit Facility as the first and second drawdowns, respectively.

(Expressed in United States Dollars)

8. CONVERTIBLE NOTES (CONTINUED)

Convertible notes issued on May 26, 2022 (continued)
In addition to the 2022 Bridge Loan, the Company further drew $1,200,000 during the year ended December 31, 2022 from the 2022 Credit Facility.

Using a risk-adjusted discount rate of 18%, the Company calculated and recorded the equity portion of the notes to be $72,630.

During the year ended December 31, 2022, the Company recorded an accretion of interest expense of $242,156 on the 2022 Debentures.

9. PROVISION FOR ENVIRONMENTAL REHABILITATION

The provision for environmental rehabilitation consists of mine closure, reclamation and retirement obligations for mine facilities and infrastructure. The Company has recorded the following provision for environmental rehabilitation.

	December 31, 2022 $	December 31, 2021 $
Opening	5,888,859	5,474,410
Unwinding discount	67,961	30,700
Change in estimate	(93,970)	383,749
Ending	**5,862,850**	**5,888,859**

The total undiscounted amount of estimated cash flows required to settle the provision for environmental rehabilitation at Mineral Ridge is approximately $6,308,306 (December 31, 2021 – $5,888,859). The total undiscounted amount of estimated cash flows required to settle the provisions for environmental rehabilitation at Goldwedge is approximately $482,282 (December 31, 2021 – $440,000). The present value of the obligation was determined using a weighted average discount rate of 4.0% (December 31, 2021 – 1.2%) and an average inflation rate of 2.2% (December 31, 2021 – 2.1%). The settlement of the obligations is estimated to occur through to 2023 and 2034, for Mineral Ridge and Goldwedge, respectively. All environmental rehabilitation obligations are intended to be funded from cash balances at the time of the rehabilitation and from reclamation bonds once related rehabilitation work has been approved by the relevant authorities and related funds returned to the Company (Note 3).

10. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At December 31, 2022, the Company had 210,936,665 common shares issued and outstanding (December 31, 2021 – 117,104,189) with a value of $61,028,900 (December 31, 2021 – $53,977,362).

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

During the year ended December 31, 2022

- The Company issued 5,194,976 common shares to settle its interest payment of $354,000 on the 2019 Debentures. Accordingly, the Company recorded a gain on settlement of $65,622 (Note 8).

- The Company issued 88,637,500 common shares to satisfy the remaining principal amount of the 2019 Debentures ($7,015,000).

During the year ended December 31, 2021

- In January and February 2021, the Company issued 250,000 common shares on conversion of $20,000 of the 2019 Debentures (Note 8).

- In March 2021, the Company issued 2,091,149 common shares valued at $199,062 as part of the acquisition of the Manhattan project (Note 5).

- In October 2021, the Company issued 4,579,083 common shares valued at $388,497 to settle its semi-annual interest payment of $357,226 on the 2019 Debentures (Note 8). Accordingly, the Company recorded a loss on settlement of $31,271 (Note 8).

- In December 2021, the Company issued 425,000 common shares on conversion of $34,000 of Debentures (Note 8).

Stock options

The Company has a shareholder approved rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors

The changes in options during the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	5,885,000	0.17	8,450,000	0.18
Granted	6,655,000	0.05	-	-
Expired	-	-	(2,565,000)	0.19
Cancelled	(2,282,500)	0.15	-	-
Balance, closing	**10,257,500**	**0.09**	**5,885,000**	**0.17**

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

During the year ended December 31, 2022:

- On November 10, 2022, the Company granted 6,655,000 options with an exercise price of $0.045 to the officers, directors, consultants and employees of the Company. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

The estimated grant date fair value of the options granted during the years ended December 31, 2022 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.43%
Expected annual volatility	117%
Expected life (in years)	5
Expected dividend yield	-
Grant date fair value per option ($)	0.03
Share price at grant date ($)	0.04

During the years ended December 31, 2022 and 2021, the Company recognized share-based payments expense of $216,603 and $2,056, respectively as General & Administrative Expenses on the Consolidated Statements of Loss and Comprehensive Loss.

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

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
June 6, 2023	0.55	357,500	357,500	-	0.43
June 5, 2024	0.10	950,000	950,000	-	1.43
September 14, 2025	0.17	2,295,000	2,295,000	-	2.71
November 10, 2027	0.05	6,655,000	6,655,000	216,603	4.86
		10,257,500	**10,257,500**	**216,603**	**3.91**
Weighted average exercise price ($)		**0.09**	**0.09**		

11. COST OF SALES EXCLUDING INVENTORY WRITE-DOWN

	For the years ended	
	December 31, 2022	**December 31, 2021**
	$	**$**
Contract charges	-	216,831
Labour	-	1,467,418
Fuel and reagents	-	1,184,977
Mechanical parts	-	113,202
Change in ore stockpile, metals in process and finished goods inventories	-	(1,261,803)
Utilities, permits and other	-	1,044,222
	-	**2,764,847**

(Expressed in United States Dollars)

12. CARE AND MAINTENANCE

	For the years ended	
	December 31, 2022	**December 31, 2021**
	$	**$**
Contractor	14,500	-
Fuel and reagents	111,843	-
Inventory related	107	-
Labour	1,086,642	-
Mechanical parts	46,533	-
Other	1,808,265	761,289
Recovery	(728,989)	-
	2,338,901	**761,289**

13. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended	
	December 31, 2022	**December 31, 2021**
	$	**$**
Salaries and benefits (Note 17)	212	225,910
Consultants	173,725	187,942
Insurance, travel and office related	51,271	55,586
Investor relations	22,454	221,046
Professional fees (Note 17)	118,461	124,057
Share-based payments (Note 10)	216,603	2,056
Transfer agent and filing fees	23,565	45,261
	606,291	**861,858**

14. FINANCE COSTS

	For the years ended	
	December 31, 2022	**December 31, 2021**
	$	**$**
Interest on convertible debentures (Note 8)	**469,450**	713,630
Unwinding of discount of provision for environmental rehabilitation (Note 9)	**67,961**	30,700
	537,411	**744,330**

15. OTHER INCOME

During the year ended December 31, 2022, the Company received the bonus consideration (the “Bonus Consideration”) of $1,139,472 (CA$1,500,000) from Orla Mining Ltd. (“Orla”) in connection with the letter of intent entered into with Gold Standard Ventures Corp. (“Gold Standard”) on January 29, 2014. On August 12, 2022, Orla completed the acquisition of Gold Standard (the “GS Trigger Event”); as a result, the acquisition triggered the Bonus Consideration.

(Expressed in United States Dollars)

15. OTHER INCOME (CONTINUED)

Pursuant to the Termination, Redemption and Release Agreement entered between the Company and Waterton Precious Metals Fund II Cayman, LP ("Waterton") on March 4, 2019, the Company is obligated to make a contingent payment of up to CA$1 million from Gold Standard upon a change of control of Gold Standard, pursuant to the sales of the Pinon property in the Year 2014. As a result of the GS Trigger Event, the Company is obligated to make a $369,257 (CA$500,000) payment to Waterton. This amount is included in the accounts payable and accrued liabilities as of December 31, 2022.

During the year ended December 31, 2022, the Company recognized a gain of $770,215 (CA$1,000,000) as other income.

16. SUPPLEMENTAL CASH FLOW INFORMATION

		For the years ended	
		December 31,	December 31,
		2022	2021
	Note(s)	$	$
Supplemental cash flow information			
Change in provision for environmental rehabilitation	9	16,435	383,749
Exploration and evaluation assets included in accounts payable and accrued liabilities	5	-	30,000
Shares issued for conversion of convertible notes	8, 10	7,051,538	54,000
Shares issued for interest of convertible notes	8, 10	-	388,497
Shares issued for exploration and evaluation assets	5, 10	-	199,062
Cash paid for income taxes		-	-
Cash paid for interest		-	-

17. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel and directors
Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary.

During the year ended December 31, 2022, the salaries and benefits incurred to the key management are as follows:

- Chief Executive Officer – $nil (December 31, 2021 – $229,000);
- Chief Financial Officer – $47,981 (December 31, 2021 – $nil);
- Corporate Secretary – $13,398 (December 31, 2021 – $nil);
- General Manager, the spouse of the Company CEO – $120,200 (December 31, 2021 – $120,200); and
- Former Chief Financial Officer and Corporate Secretary – $78,927 (December 31, 2021 – $160,000)

In addition, the Company recognized share-based payments of $189,427 related to the options granted to the Company's officers and directors during the year ended December 31, 2022 (December 31, 2021 – $nil).

Amounts due to related parties
Included in trade and other payables as at December 31, 2022 is $4,839 (December 31, 2021 – $19,000) due to key management for director fees and the reimbursement of expenditures.

(Expressed in United States Dollars)

18. SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral properties. The Company's non-current assets are located are as follows:

	December 31, 2022 $	Canada $	United States $
Non-current assets			
Reclamation deposits	7,818,085	-	7,818,085
Investments	764	764	-
Property, plant and equipment	4,782,357	-	4,782,357
Mineral properties	1,109,254	-	1,109,254

	December 31, 2021 $	- $	4,782,357 $
Non-current assets			
Reclamation deposits	7,723,014	-	7,723,014
Investments	764	764	-
Property, plant and equipment	4,967,655	-	4,967,655
Mineral properties	299,062	-	299,062

All of the revenue is generated from the Mineral Ridge project located in the United States.

19. CAPITAL MANAGEMENT

Capital is defined as equity attributable to shareholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and to maximize the value for its shareholders.

The Company's activities have been primarily funded so far through cash flows from operating activities and equity and debt financing based on cash needs. The Company typically sells its shares by way of private placement.

The Company manages its capital structure and determines its capital requirements in light of the changing economic conditions and the risk characteristics of its assets. To reach its objectives, the Company may need to maintain or adjust its capital structure by issuing new share capital or new debt.

At this stage of its development, it is the Company's policy to preserve cash to fund its operations and not to pay dividends.

(Expressed in United States Dollars)

20. FINANCIAL INSTRUMENTS

Fair value

The carrying values of receivables, reclamation deposits, accounts payable and accrued liabilities, and loan payable approximate their fair value due to their short-term nature. The fair value of the Company's investments and warrant liability is recorded at fair value using Level 1 and Level 3 of the fair value hierarchy, respectively. The carrying value of the warrant liability is determined using the Black-Scholes option pricing model.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Set out below are the Company's financial assets and financial liabilities by category:

	December 31, 2022 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	331,899	-	331,899	-
Receivables	61,881	-	61,881	-
Reclamation deposits	7,818,085	-	7,818,085	-
Investments	764	764	-	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(664,875)	-	(664,875)	-
Loan payable	(531,000)	-	(531,000)	-
Warrant liability	(44,195)	(44,195)	-	-
Convertible notes	(2,519,526)	-	(2,519,526)	-

(Expressed in United States Dollars)

20. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

	December 31, 2021 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	278,979	-	278,979	-
Receivables	143,804	-	143,804	-
Reclamation deposits	7,723,014	-	7,723,014	-
Investments	764	764	-	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(622,482)	-	(622,482)	-
Loan payable	(450,000)	-	(450,000)	-
Warrant liability	(369,903)	(369,903)	-	-

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash, receivables and reclamation bonds. The credit risk on cash, as well as reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk is to keep cash in bank accounts.

The following table outlines the expected maturity of the Company's significant financial liabilities into relevant maturity grouping based on the remaining period from the date of the statement of financial position to the contractual maturity date:

	Total $	Less than 1 year $	1 to 3 years $	4 to 5 years $	More than 5 years $
Accounts payable and accrued liabilities	664,875	664,875	-	-	-
Loan payable	531,000	531,000	-	-	-
Warrant liability	44,195	44,195	-	-	-
Convertible notes	2,519,526	2,519,526	-	-	-
Provision for environmental rehabilitation (undiscounted)	6,790,588	210,267	6,316,386	160,253	103,682
	10,550,184	**3,969,863**	**6,316,386**	**160,253**	**103,682**

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's Debentures are fixed at an interest rate of 12.375% per annum and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to manage its exposure to interest rate risk.

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US Dollars ("US$"). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's financial assets and liabilities are held in US$ and Canadian Dollars ("CA"); therefore, CA$ accounts are subject to fluctuation against the US Dollars.

The Company had the following balances in foreign currency as at December 31, 2022:

	US$	**CA$**
Cash	331,106	1,074
Receivables	61,881	-
Reclamation deposits	7,818,085	-
Investments	764	-
Accounts payable and accrued liabilities	(284,606)	(514,912)
Loan payable	(531,000)	-
Warrant liability	(44,195)	-
Convertible notes	(2,519,526)	-
	4,832,509	**(513,838)**
Rate to convert to $1.00 US$	1.00000	0.73851
Equivalent to US$	**4,832,509**	**(379,477)**

Based on the above net exposures as at December 31, 2022, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the US$ against the CA$ would increase/decrease comprehensive loss by $4,000.

(Expressed in United States Dollars)

21. INCOME TAXES

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

	December 31, 2022 $	December 31, 2021 $
Loss for the year	(2,210,496)	(4,676,943)
Expected income tax (recovery)	(597,000)	(1,240,000)
Permanent differences	142,000	(531,000)
Change in statutory, foreign tax, foreign exchange rates, and other	19,000	524,000
Adjustment to prior years provision versus statutory tax returns	(1,544,000)	(43,000)
Change in unrecognized deductible temporary differences	1,980,000	1,290,000
Total income tax expense (recovery)	-	-

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada/British Columbia.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2022 $	Expiry Range	December 31, 2021 $	Expiry Range
Temporary Differences				
Mineral properties	7,122,000	No expiry date	6,978,000	No expiry date
Investment tax credits	18,000	No expiry date	14,000	No expiry date
Property and equipment	507,000	No expiry date	400,000	No expiry date
Share issuance and financing costs	90,000	2042-2044	132,000	2042-2044
Provision for environmental rehabilitation	4,905,000	No expiry date	4,410,000	No expiry date
Interest deductions upon payment	7,229,000	No expiry date	7,229,000	No expiry date
Non-capital losses available for future period	55,743,000	2039 - 2042	45,879,000	2039 - 2041
Canada	4,814,000		3,729,000	
USA	50,929,000		42,150,000	