CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022
and December 31, 2021

Expressed in Canadian Dollars, unless otherwise noted

ARTEMIS
GOLD INC

Independent auditor's report

To the Shareholders of Artemis Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Artemis Gold Inc. and its subsidiary (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of mineral property, plant and equipment (MPPE) *Refer to note 3 – Significant accounting policies, note 4 – Critical accounting estimates and judgments and note 6 – Mineral property, plant and equipment to the consolidated financial statements.* The carrying value of MPPE amounted to $435.7 million as at December 31, 2022. MPPE are tested for impairment at the end of each reporting period if, in management's judgment, there is an indicator of impairment. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) changes in the amount of the recoverable resources and reserves; (ii) changes in metal prices, capital and operating costs and interest rates; and (iii) the market capitalization of the Company compared to its net assets, are evaluated by management in determining whether there are any indicators of impairment. The estimated amount of the recoverable resources and reserves are prepared by qualified persons (management's experts). We considered this a key audit matter due to (i) the significance of the MPPE balance and (ii) the significant judgment by management, including the use of management's experts, in assessing any indicator of impairment, which led to significant audit effort and subjectivity in performing audit procedures to test management's assessment.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of indicators of impairment, which included the following: – Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's MPPE, by considering evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the changes in the estimated amount of the recoverable resources and reserves. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. – Assessed the reasonableness of factors such as changes in metal prices, capital and operating costs and interest rates by comparing them to external market data and by considering current and past performance of the Company and whether they were consistent with evidence obtained in other areas of the audit, as applicable.

Key audit matter	How our audit addressed the key audit matter
	– Recalculated the Company's market capitalization and compared it to the Company's net assets as at December 31, 2022.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 28, 2023

ARTEMIS GOLD INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	As at December 31, 2022 $	As at December 31, 2021 $
Assets			
Current assets			
Cash and cash equivalents		**194,089,372**	131,359,116
Receivables and prepayments		**2,968,341**	651,139
Marketable securities		**-**	1,121,097
		197,057,713	133,131,352
Non-current assets			
Restricted cash	9	**4,734,100**	824,300
Investment in Velocity	5	**8,176,317**	19,603,492
Deferred financing costs	10	**11,071,355**	2,978,123
Mineral property, plant and equipment	6	**435,711,939**	313,254,164
TOTAL ASSETS		**656,751,424**	469,791,431
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**24,608,609**	5,068,652
Lease liability - current portion		**679,992**	361,871
		25,288,601	5,430,523
Non-current liabilities			
Lease liability - non-current portion		**1,032,572**	880,308
Variable consideration payable	7	**41,709,665**	36,809,082
Asset retirement obligation	8	**11,292,855**	7,344,283
TOTAL LIABILITIES		**79,323,693**	50,464,196
Shareholders' equity			
Share capital	11	**589,253,146**	417,276,031
Contributed surplus	11	**17,549,291**	10,058,314
Accumulated other comprehensive income		**3,622,371**	3,360,055
Retained deficit		**(32,997,077)**	(11,367,165)
Total Shareholders' equity		**577,427,731**	419,327,235
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**656,751,424**	469,791,431

Subsequent events (Notes 10, 16)

Approved for Issuance by the Board of Directors:

"Elise Rees" Director

"Steven Dean" Director

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except number of shares outstanding)

	Notes	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Operating expenses			
Depreciation		**412,254**	340,641
Management fees and wages	*13*	**5,049,645**	3,216,248
Investor relations and corporate development		**417,838**	297,600
Office, insurance and general		**1,237,006**	864,495
Professional fees		**736,601**	1,121,112
Share-based payments	*11, 13*	**5,078,570**	4,579,325
Transfer agent and regulatory		**183,677**	302,147
Loss from operations		**(13,115,591)**	(10,721,568)
Other (expense) income			
Accretion expense on lease liability		**(72,545)**	(81,921)
Accretion expense on asset retirement obligation	*8*	**(63,456)**	(76,850)
Equity loss from investment in associate	*5*	**(893,189)**	(701,729)
Fair value adjustment on convertible debenture	*5*	**-**	(795,646)
Fair value adjustment on warrants	*5*	**(644,119)**	(2,055,343)
Impairment loss on investment in associate	*5*	**(9,889,867)**	-
Interest income		**3,048,855**	722,305
Net loss		**(21,629,912)**	(13,710,752)
Other comprehensive loss, net of tax			
Items that will not be reclassified to net loss			
Gains on marketable securities		**262,316**	444,057
Comprehensive loss		**(21,367,596)**	(13,266,695)
Loss per common share			
Basic and diluted		**(0.13)**	(0.10)
Weighted average number of common shares outstanding			
Basic and diluted		**162,477,167**	142,224,347

The accompanying notes are an integral part of the consolidated financial statements

ARTEMIS GOLD INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, except number of shares)

		Share capital					
	Notes	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income	Retained deficit	Total shareholders' equity
		#	$	$	$	$	$
Balance - January 1, 2022		153,971,145	417,276,031	10,058,314	3,360,055	(11,367,165)	419,327,235
Exercise of share purchase warrants	*11*	350,556	378,600	-	-	-	378,600
Bought Deal Offering - October 14, 2022	*11*	19,112,000	86,004,000	-	-	-	86,004,000
Non-Brokered Offering - October 14, 2022	*11*	19,778,000	89,001,000	-	-	-	89,001,000
Share issue costs	*11*	-	(3,406,485)	-	-	-	(3,406,485)
Shared-based payments	*11*	-	-	7,490,977	-	-	7,490,977
Gain on marketable securities		-	-	-	262,316	-	262,316
Net loss		-	-	-	-	(21,629,912)	(21,629,912)
Balance - December 31, 2022		**193,211,701**	**589,253,146**	**17,549,291**	**3,622,371**	**(32,997,077)**	**577,427,731**

		Share capital					
	Notes	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total shareholders' equity
		#	$	$	$	$	$
Balance - January 1, 2021		124,204,936	250,411,031	3,567,530	2,915,998	2,343,587	259,238,146
Exercise of share purchase warrants	*11*	1,699,443	1,835,399	-	-	-	1,835,399
Exercise of stock options	*11*	13,666	66,884	(24,167)	-	-	42,717
Brokered offering - May 19, 2021	*11*	18,853,100	115,003,910	-	-	-	115,003,910
Non-brokered offering - May 25, 2021	*11*	9,200,000	56,120,000	-	-	-	56,120,000
Share issue costs	*11*	-	(6,161,193)	-	-	-	(6,161,193)
Shared-based payments	*11*	-	-	6,514,951	-	-	6,514,951
Gain on marketable securities		-	-	-	444,057	-	444,057
Net loss		-	-	-	-	(13,710,752)	(13,710,752)
Balance - December 31, 2021		**153,971,145**	**417,276,031**	**10,058,314**	**3,360,055**	**(11,367,165)**	**419,327,235**

The accompanying notes are an integral part of the consolidated financial statements

ARTEMIS GOLD INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Operating activities		
Net loss	**(21,629,912)**	(13,710,752)
Items not involving cash:		
Depreciation	**412,254**	340,641
Share-based payments	**5,078,570**	4,579,325
Accretion expense on lease liability	**72,545**	81,921
Accretion expense on asset retirement obligation	**63,456**	76,850
Equity loss from investment in associate	**893,189**	701,729
Fair value adjustment on convertible debenture	**-**	795,646
Fair value adjustment on warrants	**644,119**	2,055,343
Impairment loss on investment in associate	**9,889,867**	-
Interest income	**(3,048,855)**	(722,305)
Net changes in non-cash working capital:		
Accounts payable and accrued liabilities	**1,699,920**	(118,856)
Receivables and prepayments	**(128,670)**	192,375
Net cash used in operating activities	**(6,053,517)**	(5,728,083)
Investing activities		
Interest received	**2,648,883**	949,930
Proceeds from marketable securities	**1,383,413**	3,320,240
Mineral property, plant and equipment	**(96,914,142)**	(33,644,296)
Acquisition of mineral property - Blackwater	**-**	(50,000,000)
Restricted cash	**(3,909,800)**	(283,500)
Net cash used in investing activities	**(96,791,646)**	(79,657,626)
Financing activities		
Deferred financing costs	**(6,039,825)**	(1,646,305)
Exercise of stock options	**-**	42,717
Exercise of share purchase warrants	**378,600**	1,835,399
Lease payments	**(361,871)**	(296,529)
Share issuance proceeds	**175,005,000**	171,123,910
Share issuance costs	**(3,406,485)**	(6,161,193)
Net cash provided by financing activities	**165,575,419**	164,897,999
Change in cash and cash equivalents	**62,730,256**	79,512,290
Cash and cash equivalents, beginning	**131,359,116**	51,846,826
Cash and cash equivalents, ending	**194,089,372**	131,359,116
Restricted cash, ending	4,734,100	824,300
Total cash, cash equivalents and restricted cash, ending	**198,823,472**	132,183,416

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE OF OPERATIONS

Artemis Gold Inc. ("**Artemis**" or the "**Company**") was incorporated under the Business Corporations Act (British Columbia) on January 10, 2019. The Company is a development-stage company focused on the development of the Blackwater Gold Project ("**Blackwater**" or the "**Blackwater Project**") in central British Columbia. The Company's common shares are traded on the Toronto Venture Exchange ("**TSXV**") under the symbol "ARTG".

The Company also has an equity investment in Velocity Minerals Ltd. ("**VLC**"), which is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

The Company operates a single reportable segment, being the exploration and development of mineral properties. All of the Company's non-current assets are located in Canada.

The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, B.C., Canada. The Company's registered and records office is located at 595 Burrard Street, Suite 2600, Vancouver, B.C., Canada.

2. BASIS OF PREPARATION

Basis of preparation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The significant accounting policies followed in these consolidated financial statements are presented in Note 3, and except as described in Note 3(l), have been consistently applied in all periods presented.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. References to "**US$**" are to United States Dollars. Certain prior period amounts have been reclassified to conform to the presentation in the current period.

These consolidated financial statements were approved by the Board of Directors on March 28, 2023.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, BW Gold Ltd. and 1337890 B.C. Ltd., all of which are domiciled in Canada. All inter-company balances, transactions, income and expenses have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits, and highly liquid instruments with a maturity of three months or less at the time of issuance or which are readily convertible to known amounts of cash at any time without penalty.

b) Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint arrangement.

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control.

The Company's investment in the common shares of VLC has been treated as an investment in an associate and has been accounted for using the equity method.

Under the equity method, the Company's investment in the common shares of the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period.

Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal and value-in-use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Earnings (loss) per common share

The basic earnings (loss) per share is computed by dividing the earnings by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as convertible debentures, outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the treasury stock method is used whereby the assumed proceeds upon the exercise of stock options and warrants are assumed to be used to purchase common shares at the average market price during the period.

d) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and the expense is recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount recognized as an expense is adjusted to reflect the number of awards that are expected to vest and charges for options that are forfeited before vesting are reversed from contributed surplus and share-based payment expense.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment includes the acquisition cost or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and, for qualifying assets, the associated borrowing costs.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Costs incurred for major overhaul of existing equipment are capitalized as plant and equipment and are subject to depreciation once they are available for use.

Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as an expense in the statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Plant and equipment (continued)

Depreciation of plant and equipment

The carrying amounts of plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life-of-mine ("**LOM**"), if shorter. Depreciation starts on the date when the asset is available for its intended use. The major categories of plant and equipment are depreciated using the estimated lives indicated below:

Vehicles	5 - 7 years
Camp	LOM
Equipment	17 years
Furniture	5 years
Buildings	LOM

f) Mineral properties

Mineral properties consist of exploration and mining concessions or options and contracts related to such concessions. Acquisition, exploration and evaluation costs are capitalized and deferred to mineral properties until such time as the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable or the property is disposed of, either through sale or abandonment, or becomes impaired. Where the cost of mineral properties includes variable payments based on future performance of the asset, the Company records variable consideration as an increase to the cost of the asset, which will subsequently be expensed as depletion during periods of commercial production. Once the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable, the capitalized amounts are first tested for impairment and then transferred to property, plant and equipment. If a property is put into production, the carrying value will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the carrying value will be written off to net income.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of mineral property, plant and equipment

Mineral property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's "fair value less costs of disposal" and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs of disposal" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is subsequently reversed, the amount of such reversal is limited such that the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in the prior years. A reversal of an impairment loss is recognized in the statement of operations.

h) Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs. These costs represent management's best estimates which incorporate assumptions on the effects of inflation and other specific risks associated with the related liabilities. The costs are discounted to net present value using the risk-free rate applicable to the future cash outflows. Such estimates are, however, subject to changes in laws and regulations or changes to market inputs to the decommissioning model.

The present value of estimated costs is recorded in the period in which the asset is installed or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made.

After the initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized in the statements of (loss) income and comprehensive (loss) income. Increases and decreases due to changes in the estimated future cash flows are capitalized and depreciated over the life of the related asset unless the amount deducted from the cost exceeds the carrying value of the asset, in which case the excess is recorded in the statements of (loss) income and comprehensive (loss) income. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded in the statements of (loss) income and comprehensive (loss) income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Current and deferred income taxes

Current income tax charges are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income.

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized only to the extent that they are considered probable of being realized.

j) Financial instruments

IFRS 9 – Financial Instruments establishes three primary measurement categories for financial assets: (i) amortised cost, (ii) fair value through other comprehensive income ("**FVOCI**") and (iii) fair value through profit or loss ("**FVPL**"). The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. A financial asset that is a debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments are required to be measured by default at FVPL, unless the Company makes an irrevocable election on the day of acquisition (on an instrument-by-instrument basis) to designate them as FVOCI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVPL as FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributed to its acquisition.

Financial liabilities are initially measured at fair value plus any direct transaction costs and thereafter at amortized costs using the effective interest rate method unless they are classified as measured at FVPL. In cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net earnings.

The Company elected to account for its marketable securities as FVOCI. Cash, receivables, restricted cash, accounts payable and accrued liabilities, amounts due to related parties, and variable consideration payable are classified at amortised cost.

k) Leases and right of use assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Leases and right of use assets (continued)

assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The initial value of the lease liability at the commencement date is subsequently adjusted to reflect interest on the lease liability, lease payments and reassessments or modifications.

The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. Payments associated with short-term leases and all leases of low-value assets are recognized as an expense in the statements of (loss) income and comprehensive (loss) income.

l) Changes in accounting standards

i) Accounting standards adopted January 1, 2022

Effective January 1, 2022, the Company adopted amendments to IAS 16 - Property, Plant and Equipment ("IAS 16") as issued by the IASB. The amendments to IAS 16 prohibit deducting from the cost of an item of mineral property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments to IAS 16 did not have any impact on the Company’s historical financial statements or the current-period results.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Changes in accounting standards (continued)

ii) Accounting standards and amendments issued but not yet adopted

- IAS 1, *Presentation of Financial Statements* ("**IAS 1**"): In October 2022, the IASB issued amendments to IAS 1 titled *Non-current Liabilities with Covenants*. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, *Classification of Debt as Current or Non-current*, issued in January 2020, which clarified 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 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company does not expect these amendments to have a material effect on its consolidated financial statements.
- IAS 1 and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption. The Company does not expect these amendments to have a material effect on its consolidated financial statements.
- IAS 12, *Income Taxes* ("**IAS 12**") – Deferred tax related to assets and liabilities arising from a single transaction: The amendments to IAS 12 require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The impact on the company is not expected to be material. These balances would offset and there will be no impact on the statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other 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.

The following discusses the most significant accounting judgments and sources of estimation uncertainty that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities.

Accounting policy judgments

Impairment of mineral property, plant and equipment

Mineral property, plant and equipment are tested for impairment at the end of each reporting period if, in management's judgement, there is an indicator of impairment. Management applies significant judgment in assessing whether

(Expressed in Canadian Dollars, unless otherwise noted)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Accounting policy judgments (continued)

Impairment of mineral property, plant and equipment (continued)

indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) changes in the amount of the recoverable resources and reserves; (ii) changes in metal prices, capital and operating costs and interest rates; and (iii) the market capitalization of the Company compared to its net assets, are evaluated by management in determining whether there are any indicators of impairment. The estimated amount of recoverable resources and reserves are prepared by qualified persons (management's experts).

Impairment of investment in associate

At the end of each financial reporting period, the carrying amount of the investment in associate is reviewed to determine whether there is objective evidence of an impairment or reversal of previous impairment. With respect to its investment in associate, the Company is required to make judgments about future events and circumstances and whether the carrying amount of the asset exceeds its recoverable amount. Recoverability depends on various factors, including the discovery of economically recoverable reserves at VLC's exploration properties, the ability of VLC to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the VLC shares themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact VLC's assessment as to the overall viability of its properties or its ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's investment in VLC.

Estimation Uncertainty

Reclamation and closure cost obligations

The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors will result in a change to the provision recognized by the Company.

5. INVESTMENT IN VELOCITY MINERALS LTD

The investment in VLC is comprised of:

	Investment in associate	Convertible debenture	Warrants	Total
	$	$	$	$
Balance, January 1, 2021	**9,479,754**	**10,976,994**	**2,699,462**	**23,156,210**
Fair value change for the year	-	(795,646)	(2,055,343)	(2,850,989)
Conversion of debenture	10,181,348	(10,181,348)	-	-
Equity loss on investment in associate	(701,729)	-	-	(701,729)
Balance, December 31, 2021	**18,959,373**	-	**644,119**	**19,603,492**
Fair value change for the year	-	-	(644,119)	(644,119)
Equity loss on investment in associate	(893,189)	-	-	(893,189)
Impairment loss on investment in associate	(9,889,867)	-	-	(9,889,867)
Balance, December 31, 2022	**8,176,317**	**-**	**-**	**8,176,317**

(Expressed in Canadian Dollars, unless otherwise noted)

5. INVESTMENT IN VELOCITY MINERALS LTD (continued)

As at December 31, 2022, the Company held 50,701,138 common shares of VLC (or 32% of VLC's issued and outstanding common shares) with a fair market value of $10,140,228 (December 31, 2021 - 50,701,138 VLC shares at a fair value of $15,717,353).

The Company applies equity accounting to the investment in the common shares of VLC as the Company has significant influence over VLC due to the Company's share ownership and representation on VLC's Board of Directors. As a result, the common shares were recognized at cost, with the carrying amount of the investment increasing or decreasing at each reporting period to recognize the Company's share of the profit or loss of VLC for the particular period.

During the third quarter of 2022, the Company recognized a non-cash impairment loss of $9,889,867 due to a significant and prolonged decline in the market share price of VLC. The Company compared the carrying value of the investment in VLC to its then estimated recoverable amount, which was determined to be its level 1 fair value due to the observable share prices of VLC on the TSXV.

During the year, 9,300,000 of the Company's share purchase warrants in VLC expired unexercised, bringing the remaining share purchase warrants balance to nil.

The assets and liabilities of VLC are summarized in the following table and incorporates VLC's most recently available financial information, which was as at September 30, 2022.

	September 30, 2022 $
Current assets	2,038,233
Non-current assets	24,793,627
	26,831,860
Current liabilities	336,392
Non-current liabilities	129,717
	466,109
Total net assets attributable to owners of Velocity	21,724,421
Company's equity share of net assets	6,872,101
Loss and comprehensive loss for the twelve months ended September 30, 2022	2,823,594

(Expressed in Canadian Dollars, unless otherwise noted)

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property [1]	Construction in Progress [2]	Right-of-use asset	Camp	Equipment	Vehicles	Other[3]	Total
	$	$	$	$	$	$	$	$
COST								
Balance, January 1, 2021	-	-	959,744	4,817,845	1,457,107	126,461	144,832	7,505,989
Transfer from mineral property – exploration and evaluation asset	297,627,717	-	-	-	-	-	-	297,627,717
Additions (dispositions)	8,274,158	-	610,144	(15,000)	215,955	(12,320)	392,856	9,465,793
Balance, December 31, 2021	**305,901,875**	**-**	**1,569,888**	**4,802,845**	**1,673,062**	**114,141**	**537,688**	**314,599,499**
Additions	75,229,740	46,406,633	759,712	-	-	166,531	864,792	123,427,408
Balance, December 31, 2022	**381,131,615**	**46,406,633**	**2,329,600**	**4,802,845**	**1,673,062**	**280,672**	**1,402,480**	**438,026,907**
Balance, January 1, 2021	-	-	(199,947)	(160,595)	(28,571)	(8,431)	(8,143)	(405,687)
Depreciation	-	-	(288,409)	(480,535)	(92,148)	(24,472)	(54,084)	(939,648)
Balance, December 31, 2021	-	-	(488,356)	(641,130)	(120,719)	(32,903)	(62,227)	(1,345,335)
Depreciation	-	-	(310,753)	(424,951)	(92,231)	(38,433)	(103,265)	(969,633)
Balance, December 31, 2022	-	-	(799,109)	(1,066,081)	(212,950)	(71,336)	(165,492)	(2,314,968)
NET BOOK VALUE								
Balance, December 31, 2021	**305,901,875**	**-**	**1,081,532**	**4,161,715**	**1,552,343**	**81,238**	**475,461**	**313,254,164**
Balance, December 31, 2022	**381,131,615**	**46,406,633**	**1,530,491**	**3,736,764**	**1,460,112**	**209,336**	**1,236,988**	**435,711,939**

(1) Mineral property primarily consists of expenditure related to overall project engineering, environmental and permitting, accretion of variable consideration payable and stock-based compensation.
(2) Construction in Progress primarily consists of costs associated with the engineering, procurement and construction (“**EPC**”) contract.
(3) “Other” includes furniture, buildings and land.

Total depreciation recognized during the year ended December 31, 2022 was $969,633 (December 31, 2021 - $939,648), of which $412,254 was expensed in the consolidated statements of loss and comprehensive loss (December 31, 2021 - $340,641). The remaining depreciation charges were capitalized to mineral property.

As at December 31, 2022, $3,472,795 of capitalized interest was included as additions in mineral property (December 31, 2021 - $Nil).

The additions to mineral property during the year ended December 31, 2022 includes $3,885,116 in changes in the asset retirement obligation estimate (December 31, 2021 - $555,977).

(Expressed in Canadian Dollars, unless otherwise noted)

7. VARIABLE CONSIDERATION PAYABLE

As part of the consideration associated with the acquisition of Blackwater, the Company entered into a gold stream arrangement with the following attributes:

- the streaming company will receive a percentage of gold production from the Blackwater Project as follows: 8% until 279,908 refined gold ounces are delivered to and purchased by the streaming company, then 4% thereafter for the LOM.
- The streaming company will pay a purchase price equal to 35% of the US$ spot price for the gold ounces received. The 65% discount given will be recorded as an increase to the cost of the asset when incurred as variable consideration for the acquisition.

The gold stream also included a delayed construction/production penalty clause (the "**Delay Penalty Clause**") whereby, in the event the Blackwater mineral processing facility had not achieved an average of at least 80% of nameplate capacity (as per the definition in the 2021 feasibility study) for a period of 60 days prior to each of August 21, 2027, 2028 and 2029, the Company would be required to make penalty payments to the streaming company in the amount of $28,000,000 (the "**Penalty Payment**") per annual deadline missed, up to a maximum of $84,000,000. Although the Company does not control all of the events which may result in the payment of the Penalty Payments, it was likely that the minimum benefit to the streaming company, either as a result of the Delay Penalty Clause or through future sales at a discount to the spot price, would be the sum of the Penalty Payments. Accordingly, the Company recorded a liability for variable consideration payable upon the acquisition of Blackwater. The initial fair value of the financial liability was determined using a discount rate of 12.5% and subsequent changes to the amortized cost were as follows:

	Carrying amount $
Balance, January 1, 2021	**32,484,283**
Accretion expense capitalized to mineral property – exploration and evaluation asset	3,183,246
Accretion expense capitalized to mineral property, plant and equipment	1,141,553
Balance, December 31, 2021	**36,809,082**
Accretion expense capitalized to mineral property, plant and equipment	4,900,583
Balance, December 31, 2022	**41,709,665**

The streaming company maintains a security interest over Blackwater in connection with the gold stream, subject to certain provisions.

8. ASSET RETIREMENT OBLIGATION

Changes to the asset retirement obligation are as follows:

	Carrying amount $
Balance, January 1, 2021	**8,347,027**
Accretion expense	76,850
Change in obligation estimate	(1,079,594)
Balance, December 31, 2021	**7,344,283**
Accretion expense	63,456
Change in obligation estimate	3,885,116
Balance, December 31, 2022	**11,292,855**

8. ASSET RETIREMENT OBLIGATION (continued)

Approximately 66% (2021 – 100%) of the expenditures are expected to occur after 2047. As at December 31, 2022, the assumptions applied in estimating the asset retirement obligation related to the inflation rate and discount rate were 2.46% and 3.28% per annum (as at December 31, 2021 2.02% and 1.68% per annum), respectively.

As at December 31, 2022, the Company's estimate of the undiscounted future cash flows related to the asset retirement obligation was $13,053,562 (Note 14).

9. RESTRICTED CASH

As at December 31, 2022 and December 31, 2021, the Company recorded $4,734,100 and $824,300, respectively of restricted cash on the statements of financial position with respect to cash collateral provided to support surety bonds in the amount of $11,184,000 attributed to the asset retirement obligation, early works permit and EPC contract ($3,750,000 of restricted cash for a $7,500,000 surety bond associated with the EPC contract, $540,800 of restricted cash for a $2,704,000 surety bond attributed to the asset retirement obligation and $196,000 of restricted cash for a $980,000 surety bond related to the early works permit). The remainder of the Company's restricted cash balance relates to collateral provided in regard to financial security in support of development activities and general corporate accounts.

10. DEFERRED FINANCING COSTS

During the year ended December 31, 2021, the Company concluded a silver stream precious metals purchase agreement (the "**Silver Stream**") with a streaming company, in respect to the Blackwater Project. Under the terms of the Silver Stream, the streaming company will make an up-front deposit payment in cash of approximately US$141 million, payable in tranches during the major works construction of the Project, subject to certain conditions.

The Silver Stream will be a subordinated secured obligation of the Company. Recognition of the underlying financial instrument will be triggered upon the receipt of the first upfront payment, which is expected to occur in the second half of 2023.

Subsequent to year-end, the Company announced that it had executed a syndicated project facility agreement with a syndicate of lenders in respect of a $385 million project loan facility (the "**PLF**") to fund a significant component of the estimated construction costs of the development of the Blackwater Project. The PLF also provides for a $40 million standby cost overrun facility.

As at December 31, 2022, the Company has incurred $11,071,355 (December 31, 2021 - $2,978,123) in costs that are directly attributable to the PLF and the Silver Stream. Upon utilization of the PLF and Silver Stream, subject to various conditions precedent, the aforementioned deferred financing costs are expected to be included in the determination of the carrying values of the PLF and Silver Stream.

11. EQUITY

a) Authorized share capital

Unlimited number of common shares without par value.

During the year ended December 31, 2022, the Company completed the following share transactions:

(i) On October 14, 2022, the Company completed a brokered offering with a syndicate of underwriters to issue 19,112,000 common shares on a bought deal basis at a price of $4.50 per common share (the “**Bought Deal Offering**”). The Company also completed a non-brokered offering for 19,778,000 common shares at a price of $4.50 per common share (the “**Non-Brokered Offering**”) on October 14, 2022, for combined gross proceeds of $175,005,000. The Company incurred share issuance costs in the amount of $3,406,485 in connection with the Bought Deal Offering and Non-Brokered Offering combined.

(ii) In various tranches, the Company issued 350,556 common shares pursuant to warrant exercises for gross proceeds of $378,600.

During the year ended December 31, 2021, the Company completed the following share transactions:

(i) On May 19, 2021, the Company completed a brokered offering with a syndicate of underwriters to issue 18,853,100 common shares on a bought deal basis at a price of $6.10 per common share. The Company also completed a non-brokered offering for 9,200,000 common shares at a price of $6.10 per common share on May 25, 2021, for combined gross proceeds of $171,123,910. The Company incurred share issuance costs in the amount of $6,161,193 in connection with the brokered offering and non-brokered offering combined.

(ii) In various tranches, the Company issued 1,699,443 common shares pursuant to warrant exercises for gross proceeds of $1,835,399.

(iii) The Company issued 13,666 common shares pursuant to stock option exercises for gross proceeds $42,717. The associated fair value of $24,167 was reclassified from contributed surplus to share capital.

b) Stock options

The Company has established a stock option plan (the "**Plan**") for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 10 years from the date of grant.

The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. As at December 31, 2022, the Company had the following stock options outstanding and exercisable:

(Expressed in Canadian Dollars, unless otherwise noted)

11. EQUITY (continued)

b) Stock options (continued)

	Number of stock options #	Weighted-average exercise price $
Outstanding – January 1, 2021	**4,782,000**	**3.79**
Granted	4,221,500	5.66
Exercised	(13,666)	3.13
Forfeited	(13,334)	5.19
Outstanding – December 31, 2021	**8,976,500**	**4.67**
Granted	1,383,100	4.71
Forfeited	(50,000)	6.08
Outstanding – December 31, 2022	**10,309,600**	**4.67**

The following table summarizes the options outstanding and exercisable at December 31, 2022 and December 31, 2021:

As at December 31, 2022	**Total options outstanding**			**Total options exercisable**		
Range of exercise price	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
$1.00-$3.00	1,700,000	6.8	$ 1.18	1,700,000	6.8	$ 1.18
$5.01-$7.00	8,409,600	3.4	$ 5.31	3,377,172	3.0	$ 5.37
$7.01-$9.00	200,000	3.9	$ 7.25	66,668	3.9	$ 7.25
	10,309,600	**4.0**	**$ 4.67**	**5,143,840**	**4.3**	**$ 3.31**

As at December 31, 2021	**Total options outstanding**			**Total options exercisable**		
Range of exercise price	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
$1.00-$3.00	1,700,000	7.8	$ 1.18	1,700,000	7.8	$ 1.18
$5.01-$7.00	7,076,500	4.2	$ 5.43	1,018,335	3.7	$ 5.24
$7.01-$9.00	200,000	4.9	$ 7.25	-	-	$ -
	8,976,500	**4.9**	**$ 4.67**	**2,718,335**	**6.3**	**$ 2.70**

Total share-based payments recognized during the year ended December 31, 2022 was $7,490,977 (during the year ended December 31, 2021 – $6,514,951), of which $2,412,407 was capitalized to mineral property and $5,078,570 was expensed in the consolidated statements of loss and comprehensive loss (during the year ended December 31, 2021 - $1,935,626 and $4,579,325), respectively.

The following assumptions were used in the valuation of the stock options granted in the year ended December 31, 2022 and December 31, 2021:

(Expressed in Canadian Dollars, unless otherwise noted)

11. EQUITY (continued)

b) Stock options (continued)

	2022	2021
Annualized volatility	**54%**	54%
Expected life (years)	**5**	5
Dividend rate	**0.00%**	0.00%
Risk-free interest rate	**0.41% - 3.41%**	0.42% - 1.56%
Forfeiture rate	**0.00%**	0.00%

The weighted average fair value of the options granted during the year ended December 31, 2022 was $2.34 / option (December 31, 2021 - $2.66 / option).

The risk-free rate for periods within the contractual term of the option is based on the Bank of Canada administered interest rates in effect at the time of the grant. The Company has assumed that any granted stock options will not be exercised until the expiry date.

Expected volatilities are based on historical volatilities of stock prices of comparable companies given the limited life of the Company as an exploration and development company. Expected forfeiture rates have been assumed to be nil to date.

As at December 31, 2022, outstanding stock options had a weighted average remaining life of 4.0 years (December 31, 2021 – 4.9 years).

c) Share purchase warrants

All share purchase warrants expire on August 27, 2024. A summary of the changes in share purchase warrants is as follows:

	Number of warrants	Weighted-average exercise price $
Outstanding – January 1, 2021	**32,739,908**	**1.08**
Exercised	(1,699,443)	1.08
Outstanding – December 31, 2021	**31,040,465**	**1.08**
Exercised	(350,556)	1.08
Outstanding – December 31, 2022	**30,689,909**	**1.08**

As at December 31, 2022, outstanding share purchase warrants had a weighted average remaining life of 1.7 years (December 31, 2021 – 2.7 years).

d) Loss per common share

For the years ended December 31, 2022 and December 31, 2021 the effect of all potentially dilutive securities was anti-dilutive, given that the Company reported a net loss for both periods.

(Expressed in Canadian Dollars, unless otherwise noted)

12. INCOME TAX

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Loss before income taxes	(21,629,912)	(13,710,752)
Combined federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery	(5,840,076)	(3,701,903)
Increase due to:		
Non-taxable portion of unrealized gains	1,566,405	475,625
Non-deductible expenses and other	1,386,205	1,254,361
Losses not previously recognized	2,887,466	1,971,917
Deferred Income tax expense	-	-

The components of the deferred tax assets and liability are as follows:

	As at December 31, 2022 $	As at December 31, 2021 $
Deferred Tax Assets		
Non-capital losses	81,137,308	61,909,971
Lease liability	462,392	335,388
Asset retirement obligation	44,088	26,955
Variable consideration payable	2,878,476	1,555,318
	84,522,264	63,827,633
Deferred Tax Liabilities		
Mineral property, plant and equipment	84,522,264	62,938,619
Investments	-	889,013
	84,522,264	63,827,633
Net Deferred Tax Liability	-	-

The Company has non-capital losses of $21,102,759 (2021 - $8,094,443), financing fees of $6,595,972 (2021 - $8,539,211), and investments of $5,527,383 (2021 - $nil) for which a tax benefit has not been recognized. The non-capital losses expire between 2039 and 2042.

(Expressed in Canadian Dollars, unless otherwise noted)

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key management compensation

The Company transacts with key management personnel, who have authority and responsibility to plan, direct and control the activities of the Company and receive compensation for services rendered in that capacity. Amounts paid to related parties were incurred in the normal course of business. Salaries, benefits, consulting fees and director's fees are recorded on a historical cost basis while share-based compensation is measured at the fair value of the instruments issued, with the expense recognized over the relevant vesting periods.

Key management for the year ended December 31, 2022 consists of the Company's directors, Chief Executive Officer, former Chief Financial Officer, Chief Operating Officer and Chief Commercial Officer.

Compensation awarded to key management for the years ended December 31, 2022 and December 31, 2021 was:

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Salaries and benefits	**1,171,647**	1,197,790
Consulting fees	**690,000**	1,129,584
Director fees	**542,000**	439,375
Share-based payments	**4,274,130**	4,081,337
	6,677,777	6,848,086

As at December 31, 2022, the Company did not owe any unpaid salaries, benefits or consulting fees to the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or Chief Commercial Officer (as at December 31, 2021 - $Nil).

b) Amounts payable to (receivable from) related parties

As at December 31, 2022, the Company owed $Nil in fees to directors of the Company (December 31, 2021 - $7,500).

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments consist of cash and cash equivalents, interest receivables and deposits. The Company's previously held marketable securities were designated as fair value through other comprehensive income. The Company's financial instruments also include accounts payable and variable consideration payable, which are measured at amortised cost.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

(Expressed in Canadian Dollars, unless otherwise noted)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates. Based on cash balances at December 31, 2022, a 1% variation in interest rates would have a $1,940,893 impact on the consolidated statement of loss and comprehensive loss.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. As at December 31, 2022, the Company has cash on deposit with several large Canadian financial institutions to counteract concentration risk from holding a significant amount of the Company's cash and cash equivalents at one financial institution. Management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are held in business accounts which are available on demand.

The Company's undiscounted contractual commitments as at December 31, 2022 were as follows:

	< 1 year $	1 - 3 years $	4 - 5 years $	> 5 years $	Total $
Accounts payable and accrued liabilites	24,608,609	-	-	-	**24,608,609**
Lease liability	679,992	1,218,878	-	-	**1,898,870**
Capital commitments	248,004,525	41,612,862	-	-	**289,617,387**
Other variable consideration payable	-	-	-	84,000,000	**84,000,000**
Asset retirement obligation	-	4,448,042	-	8,605,520	**13,053,562**
Total	273,293,126	47,279,782	-	92,605,520	**413,178,428**

The Company's undiscounted contractual commitments as at December 31, 2021 were as follows:

	< 1 year $	1 - 3 years $	4 - 5 years $	> 5 years $	Total $
Accounts payable and accrued liabilites	5,068,652	-	-	-	**5,068,652**
Lease liability	361,871	744,226	285,924	-	**1,392,021**
Capital commitments	415,596	-	-	-	**415,596**
Other variable consideration payable	-	-	-	84,000,000	**84,000,000**
Asset retirement obligation	-	-	-	11,637,000	**11,637,000**
Total	5,846,119	744,226	285,924	95,637,000	**102,513,269**

As at December 31, 2022, the Company expects that its working capital position, along with the amounts to be made available on the PLF and Silver Stream (Note 10), provides sufficient resources available to meet its contractual obligations for the ensuing 12 months.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, and equity and commodity prices.

Currency risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets or liabilities. As of December 31, 2022, the Company had no financial assets or liabilities that were subject to currency translation risk.

Fair value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices 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.

As at December 31, 2022, the carrying value of the Company's cash and cash equivalents, receivables, restricted cash, as well as accounts payable approximate their fair values due to their short-term nature. The fair value of variable consideration payable is estimated to be $37,178,346 (Note 7), which was determined using a discounted cashflow approach with an estimated market interest rate applied. The fair value of the Company's equity investment in VLC is disclosed in Note 5.

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

15. CAPITAL MANAGEMENT

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital. The Company has no externally imposed capital requirements. In order for the Company to meet its obligations and undertake its intended discretionary spending related to further development of the Blackwater Project, it may choose to fund such expenditures through the project loan facility, its Silver Stream arrangement, a $140 million mobile equipment lease agreement or by other means.

16. SUBSEQUENT EVENTS

a) On February 28, 2023, the Company announced that it had executed a syndicated PLF for $385 million (see Note 10 for further details);

b) Subsequent to December 31, 2022, The Company executed an order with Finning (Canada), a division of Finning International Inc. (TSX: FTT) for the construction equipment required for the execution of the owner-performed scope of major works construction activities. The initial construction fleet is expected to be delivered in early Q2 2023 and will be composed of a variety of mining support equipment, including excavators, backhoe loaders, compactors, graders, telehandlers, as well as fuel and water trucks, and will be further expanded throughout the construction period; and

c) Subsequent to December 31, 2022, the company granted 2,899,875 incentive stock options, exercisable at a weighted average price of $4.88, expiring 5 years from the date of the grant.