2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Unaudited)
(Expressed in Canadian dollars)

TREASURY METALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed In Canadian Dollars) (Unaudited)

As at	June 30 2023	December 31 2022
($)		
Assets		
Current assets		
Cash and cash equivalents (Note 5)	10,677,367	16,020,110
Accounts receivable and prepaid expenses (Note 6)	1,541,011	864,263
Investments (Note 7)	501,946	664,433
Total current assets	12,720,324	17,548,806
Non-current assets		
Property and equipment (Note 8)	2,717,019	2,809,429
Mineral properties (Note 9)	103,379,208	103,379,208
Total non-current assets	106,096,227	106,188,637
Total assets	118,816,551	123,737,443
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	763,154	1,219,369
Current portion of long-term debt (Note 11)	108,014	6,881,843
Current portion of SRSR payment obligation (Note 12)	1,774,512	1,729,207
Flow through premium (Note 13)	420,561	-
Derivative liability (Note 11)	-	22,738
Total current liabilities	3,066,241	9,853,157
Non-current liabilities		
Long-term debt (Note 11)	7,192,835	251,837
Derivative liability (Note 11)	170,997	-
SRSR payment obligation (Note 12)	8,424,007	9,547,090
Total non-current liabilities	15,787,839	9,798,928
Total liabilities	18,854,080	19,652,085
Shareholders' Equity		
Capital stock (Note 13)	212,060,839	209,595,606
Warrants (Note 14)	464,995	-
Contributed surplus	26,865,234	26,102,719
Deficit	(138,241,070)	(130,587,928)
Accumulated other comprehensive loss	(1,187,527)	(1,025,039)
	99,962,471	104,085,358
Total liabilities and shareholders' equity	118,816,551	123,737,443

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations and Contingencies (Note 18)
Subsequent Events (Note 20)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Margot Naudie"* Director

(Signed) *"David Whittle"* Director

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

TREASURY METALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(Expressed In Canadian Dollars) (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
($)	**2023**	2022	**2023**	2022
Expenses				
Exploration and evaluation (Note 16)	**1,140,166**	3,237,250	**3,506,354**	8,106,900
Administrative, office and shareholder services	**376,269**	449,477	**657,811**	733,818
Professional fees	**205,404**	77,749	**260,392**	141,775
Salary and benefits	**441,156**	480,139	**1,405,931**	1,201,001
Amortization (Note 8)	**50,555**	68,166	**100,790**	115,201
Share-based payments (Note 15)	**255,823**	376,809	**893,585**	1,087,795
Accretion of long-term debt (Note 11 & Note 12)	**311,647**	357,407	**672,405**	437,994
Finance expense	**45,244**	67,959	**53,102**	187,070
Foreign exchange loss (gain)	**(355,334)**	376,427	**(371,980)**	299,750
Loss (gain) on debt and derivative liability (Note 11)	**(30,393)**	(361,634)	**9,757**	(640,325)
Loss on debt modification (Note 11)	**464,995**	-	**464,995**	-
Write-down of mineral properties (Note 8)	**-**	100,000	**-**	100,000
Loss before income tax	**2,905,532**	5,229,749	**7,653,142**	11,770,979
Income from flow-through premium	**-**	670,653	**-**	1,620,975
Net Loss for the period	**(2,905,532)**	(4,559,096)	**(7,653,142)**	(10,150,004)
Loss per share - basic and diluted	**(0.02)**	(0.03)	**(0.05)**	(0.07)
Weighted average number of shares outstanding	**143,686,147**	138,025,948	**141,943,346**	137,953,046

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

TREASURY METALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OTHER COMPREHENSIVE LOSS
(Expressed In Canadian Dollars) (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
($)	**2023**	2022	**2023**	2022
Net loss for the period	**(2,905,532)**	(4,559,095)	**(7,653,142)**	(10,150,004)
Other comprehensive income (loss)				
Items to be reclassified to profit or loss in subsequent years				
Fair value on equity investment, net of tax	**(327,192)**	(100,720)	**(162,488)**	(26,024)
Other comprehensive income (loss) for the period	**(327,192)**	(100,720)	**(162,488)**	(26,024)
Total comprehensive loss for the period	**(3,232,724)**	(4,659,815)	**(7,815,630)**	(10,176,028)

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

TREASURY METALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed In Canadian Dollars) (Unaudited)

($)	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2022	**137,879,334**	**209,453,412**	–	**24,598,080**	**(110,294,403)**	**(995,647)**	**122,761,442**
Share-based payments – compensation			–	584,575			584,575
Share-based payments - restricted share units	–	–	–	503,220	–	–	503,220
Restricted share units redeemed (Note 15)	269,441	135,821	–	(135,821)	–	–	–
Net income (loss) for the period	–	–	–	–	(10,150,004)		(10,150,004)
Other comprehensive income (loss) for the period	–	–	–	–	–	(26,024)	(26,024)
Balance, June 30, 2022	**138,148,775**	**209,589,233**	–	**25,550,054**	**(120,444,407)**	**(1,021,671)**	**113,673,209**
Share-based payments – compensation	–	–	–	289,145	–	–	289,145
Share-based payments - restricted share units	–	–	–	269,893	–	–	269,893
Restricted share units redeemed	19,312	6,373	–	(6,373)	–	–	–
Net income (loss) for the period	–	–	–	–	(10,143,521)	–	(10,143,521)
Other comprehensive income (loss) for the period	–	–	–	–	–	(3,368)	(3,368)
Balance, December 31, 2022	**138,168,087**	**209,595,606**	**–**	**26,102,719**	**(130,587,928)**	**(1,025,039)**	**104,085,358**
Share-based payments - compensation (Note 15)	–	–	–	87,208	–	–	87,208
Share-based payments - restricted share units (Note 15)	–	–	–	806,377	–	–	806,377
Restricted share units redeemed (Note 15)	420,271	131,070	–	(131,070)	–	–	–
Flow-through share issuance (Note 13)	3,115,265	987,539	–	–	–	–	987,539
Issuance of warrants at fair value (Note 14)	–	–	464,995	–	–	–	464.995
Share issued for repayment of SRSR obligation (Note 12)	4,177,541	1,346,624	–	–	–	–	1,346,624
Returned shares	(22)	–	–	–	–	–	–
Net income (loss) for the period	–	–	–	–	(7,653,142)	–	(7,653,142)
Other comprehensive income (loss) for the period	–	–	–	–	–	(162,488)	(162,488)
Balance, June 30, 2023	**145,881,142**	**212,060,839**	**464,995**	**26,865,234**	**(138,241,070)**	**(1,187,527)**	**99,962,471**

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

TREASURY METALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars) (Unaudited)

	Six Months Ended June 30	
($)	**2023**	2022
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net Loss for the period	**(7,653,142)**	(10,150,004)
Adjustments for:		
Amortization	**100,790**	115,201
Deferred income tax recovery	**-**	(1,620,975)
Share-based payments (Note 15)	**893,585**	1,087,795
Accretion on long-term debt (Note 11)	**164,072**	165,985
Accretion on SRSR obligation (Note 12)	**508,333**	272,007
Loss (gain) on debt and derivative liability (Note 11)	**9,757**	(640,325)
Finance costs	**363,864**	265,052
Foreign exchange (gain) loss	**(400,667)**	359,720
Loss (gain) on debt extinguishment (Note 11)	**464,995**	-
Write-down of mineral properties	**-**	100,000
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**(676,748)**	(742,426)
Accounts payable and accrued liabilities	**(456,214)**	(693,015)
Net cash flows used in operating activities	**(6,681,375)**	(11,480,985)
Financing Activities		
Proceeds from SRSR obligation	**-**	10,911,543
Proceeds from issuance of shares (Note 13)	**1,408,100**	-
Payment of lease liabilities	**(61,087)**	(44,063)
Net cash flows provided by (used in) financing activities	**1,347,013**	10,867,480
Investing Activities		
Acquisition of property and equipment	**(8,380)**	(21,443)
Proceeds from sale of royalty (Note 12)	**-**	14,266,457
Net cash flows provided by (used in) investing activities	**(8,380)**	14,245,014
Increase (decrease) in cash and cash equivalents	**(5,342,742)**	13,631,509
Cash and cash equivalents, beginning of period	**16,020,110**	10,090,415
Cash and cash equivalents, end of period	**10,677,367**	23,721,924
Supplementary cash flow information		
Changes in non-cash activities:		
Payment of debt with shares (Note 12)	1,346,624	-
Capitalized interest on long-term debt (Note 11)	356,584	261,458

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 15 Toronto Street, Suite 401, Toronto, Ontario, Canada M5C 2E3. The mineral properties of the Company are all located in Canada and are in the exploration stage. The recoverability of the amounts shown on the consolidated statements of financial position for mineral properties is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity), in the near term, to fund the Company's planned operations and development of the Goliath Gold Complex.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has not generated revenue from operations. On June 30, 2023, the Company's working capital was $10,074,644 (December 31, 2022 – $7,718,387), excluding the derivative liability and flow through premium. For the period ended June 30, 2023, the Company incurred a net loss of $7,653,142 (June 30, 2022 – net loss of $10,150,004), had cash outflows from operations of $6,681,375 (June 30, 2022 - $11,480,985), had not yet achieved profitable operations, had accumulated losses of $138,241,070 (December 31, 2022 – $130,587,928) and expects to incur further losses in the development of its business. Should the Company be unable to raise sufficient financing to maintain operations, the Company may be unable to realize the carrying value of its net assets. These uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and their interpretations issued by the IFRS Interpretations Committee which have been consistently applied.

The accounting policies used in these condensed consolidated interim financial statements are consistent with those disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements do not include certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2022.

These consolidated financial statements were approved by the Company’s Board of Directors on August 10, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned Canadian subsidiary Goldeye Explorations Ltd. for the three and six months ended June 30, 2023 and 2022.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly-owned Canadian subsidiary.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Standards and amendments issued but not yet effective or adopted

IAS 1, Presentation of Financial Statements. The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. The amendment is effective for reporting periods beginning on or after January 1, 2024.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed consolidated interim financial statements, in compliance with IFRS, requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity, or earnings.

The areas which require management to make significant estimates, judgements and assumptions are consistent with those applied and disclosed in the Company's annual financial statements for the year ended December 31, 2022.

(Expressed in Canadian Dollars) (Unaudited)

5. CASH AND CASH EQUIVALENTS

($)	**June 30 2023**	December 31 2022
Cash	**4,333,009**	9,674,942
Cashable GIC	**6,337,553**	6,338,363
Funds in trust	**6,805**	6,805
	10,677,367	16,020,110

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

($)	**June 30 2023**	December 31 2022
Advances and prepaid expenses	**1,196,818**	453,190
Other receivables	**203,138**	85,755
Harmonized sales tax	**141,055**	325,318
	1,541,011	864,263

7. INVESTMENTS

The Company's investments are classified as fair value through other comprehensive income ("FVTOCI") and are carried at fair value.

	Number of Shares	**June 30 2023**	Number of Shares	December 31 2022
		($)		($)
Alaska Energy Metals Corp. – Shares (i)	**14,778**	6,946	147,778	4,433
Platinex Inc. – Shares	**16,500,000**	495,000	16,500,000	660,000
		501,946		664,433

(i) On March 1, 2023, Millrock Resources Inc changed its name to Alaska Energy Metals Corporation and consolidated its outstanding common shares on the basis of one new common share for every ten common shares held.

8. PROPERTY AND EQUIPMENT

($)	Land	Buildings(i)	Furniture and Equipment	Vehicles(ii)	**Total**
Cost					
At January 1, 2023	1,496,909	1,535,011	518,705	236,962	3,787,587
Additions	–	–	8,380	–	8,380
Disposals	–	–	–	–	–
At June 30, 2023	**1,496,909**	**1,535,011**	**527,085**	**236,962**	**3,795,967**
Accumulated amortization					
At January 1, 2023	–	(510,221)	(403,963)	(63,974)	(978,158)
Amortization for the period	–	(50,808)	(25,300)	(24,682)	(100,790)
Disposals	–	–	–	–	–
At June 30, 2023	**–**	**(561,029)**	**(429,263)**	**(88,657)**	**(1,078,948)**
Net book value June 30, 2023	**1,496,909**	**973,982**	**97,823**	**148,305**	**2,717,019**

(i) Buildings include right-of-use assets with net book value of $153,523 (December 31, 2022 – $186,418).
(ii) Vehicles include right-of-use assets with net book value of $123,094 (December 31, 2022 – $141,472).

(Expressed in Canadian Dollars) (Unaudited)

8. PROPERTY AND EQUIPMENT (cont'd)

($)	Land	Buildings[(i)]	Furniture and Equipment	Vehicles[(ii)]	Total
Cost					
At January 1, 2022	1,496,909	1,268,916	470,219	209,213	3,445,257
Additions	–	266,085	48,486	173,930	488,511
Disposals	–	–	–	(146,181)	(146,181)
At December 31, 2022	1,496,909	1,535,011	518,705	236,962	3,787,587
Accumulated amortization					
At January 1, 2022	–	(406,893)	(317,085)	(164,619)	(888,597)
Amortization for the year	–	(103,328)	(86,878)	(45,535)	(235,741)
Disposals	–	–	–	146,180	146,180
At December 31, 2022	–	(510,221)	(403,963)	(63,974)	(978,158)
Net book value at December 31, 2022	1,496,909	1,024,790	114,742	172,988	2,809,429

9. MINERAL PROPERTIES

As of June 30, 2023 and December 31, 2022, the accumulated acquisition costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1 2023	Additions, net of recoveries and write downs **(b)**	Sale of SRSR NSR royalty **(a)**	**Balance June 30 2023**
	($)	($)	($)	**($)**
Goliath Gold Project (a)	17,519,860	–	–	**17,519,860**
Goldlund Gold Project (a)	83,906,996	–	–	**83,906,996**
Weebigee Project	1,952,352	–	–	**1,952,352**
	103,379,208	–	–	**103,379,208**

	Balance January 1 2022	Additions, net of recoveries and write downs **(b)**	Sale of SRSR NSR royalty **(a)**	Balance December 31 2022
	($)	($)	($)	($)
Goliath Gold Project (a)	24,629,460	–	(7,109,600)	17,519,860
Goldlund Gold Project (a)	91,016,596	–	(7,109,600)	83,906,996
Weebigee Project	1,952,352	–	–	1,952,352
Lara Polymetallic Project	100,000	(100,000)	–	–
	117,698,408	(100,000)	(14,219,200)	103,379,208

Goliath Gold Project

The Goliath Gold Project is in the Kenora Mining Division in northwestern Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

Goldlund Gold Project

The Goldlund Gold Project is located adjacent to the Goliath Gold Project, in the Kenora Mining Division in northwestern Ontario.

9. MINERAL PROPERTIES (cont'd)

Goldeye Explorations

In 2016, Treasury Metals completed the acquisition of all the issued and outstanding common shares of Goldeye Explorations Ltd. ("Goldeye"), a public company that held certain properties.

Goldeye is the Weebigee Project in Northwestern Ontario and all the consideration paid at the time of the Goldeye acquisition was allocated to the Weebigee Project.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario.

Sale of Royalty to Sprott Resource Streaming and Royalty (B) Corp

On April 11, 2022, the Company sold a 2.2% net smelter returns ("NSR") royalty on the properties that comprise of the Goliath Gold Complex, which includes the Goliath Gold Project, the Goldlund Gold Project and the Miller Project, to Sprott Resource Streaming and Royalty (B) Corp. ("SRSR") for gross proceeds of $25,178,000 (US$20.0 million). The SRSR NSR applies to sales of precious and base metals from all of the claims which comprise the Goliath Gold Complex.

The Company has an option to buy back 50% of the SRSR NSR based upon the buy-down schedule set out below. Upon the achievement of 1.5 million ounces of gold production, the royalty will automatically reduce by 50% for no additional consideration by the Company. Proceeds will be used to complete ongoing work to deliver a feasibility study for the Goliath Gold Complex and for general corporate and working capital purposes.

The Company has a one-time option (the "Buy-Down Option") to reduce the applicable NSR percentage by 50% and 50% of any remaining minimum payments, by exercising its option and paying the applicable amount below:

- (i) On or before December 31, 2024 – US$14.0 million
- (ii) From January 1, 2025 until December 31, 2025 – US$16.0 million
- (iii) From January 1, 2026 until December 31, 2026 – US$17.0 million
- (iv) From January 1, 2027 until December 31, 2027 – US$18.25 million
- (v) From January 1, 2028 until December 31, 2028 – US$19.5 million

The Buy-Down Option is treated as a financial instrument measured at fair value taking into account the likelihood of the Company exercising the option. As of June 30, 2023, it is unlikely management will exercise the Buy-Down option, and as such, management has ascribed a $nil value to it.

The sale of the royalty has been divided into two parts for accounting purposes. The Company determined the fair value of the financial liability, and the residual of the proceeds was allocated to the sale of the portion of the Goliath Gold Complex.

1. Financial liability of $10,958,800, in accordance with IFRS 9, for the contractual obligation to pay SRSR the minimum payment of US$500,000 beginning on July 11, 2022, payable quarterly in cash or in common shares, until the earlier of December 31, 2027 and the date that commercial production is declared (Note 12).

   Sale of a portion of the Goliath Gold Complex for $14,219,200 as control over a portion of future gold production is transferred to SRSR for the 2.2% NSR royalty.

(Expressed in Canadian Dollars) (Unaudited)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($)	**June 30 2023**	December 31 2022
Trade accounts payable	**83,705**	523,264
Accrued liabilities	**679,450**	696,105
	763,154	1,219,369

11. LONG-TERM DEBT

The present value of long-term debt at June 30, 2023 and December 31, 2022 is as follows:

($)	Convertible Debt (a)	Lease Payable (b)	**June 30 2023**
Loan amount	7,133,651	328,554	**7,462,205**
Unaccreted amount	(137,459)	(23,897)	**(161,356)**
Carrying value of the debt	6,996,192	304,657	**7,300,849**
Current portion of the debt	–	(108,014)	**(108,014)**
Long-term debt	6,996,192	196,643	**7,192,835**

($)	Convertible Debt (a)	Lease Payable (b)	December 31 2022
Loan amount	6,939,089	390,353	**7,329,442**
Unaccreted amount	(163,343)	(32,418)	**(195,761)**
Carrying value of the debt	6,775,746	357,934	**7,133,680**
Current portion of the debt	(6,775,746)	(106,097)	**(6,881,843)**
Long-term debt	–	251,837	**251,837**

(a) Convertible Debt

At June 30, 2023, the convertible debt was $6,996,192 (US$5.28 million) as per a debt agreement signed in June 2016 with Extract Lending LLC and Extract Capital Master Fund Ltd. (together, "Extract"), in addition to the six amendments signed in the subsequent years of which the last ("the sixth amendment") was signed in the second quarter of 2023.

Under the fourth amendment, certain terms of the Company's convertible debt were changed to allow the Company the ability to pay interest in cash; in kind, capitalizing it to the facility; or by issuing common shares based on the average volume-weighted price of the five consecutive trading days to the interest payment, less a 15% discount. The fifth amendment, signed in 2022, dealt with administrative items, which had no impact of the overall terms of the debt.

The sixth amendment was signed on June 15, 2023. Under IFRS, the sixth amendment was considered an extinguishment of debt. As a result, the debt was fair valued at date of extinguishment and a nil loss was recognised to loss for the period. The sixth amendment resulted in the maturity date of the debt being extended to June 30, 2026, in addition to a change in the interest rate. The interest rate was changed to a fixed interest rate of 9.75% per annum (previously the interest rate was based on a 12-month LIBOR (minimum 200 basis points) plus 6.5%). During the period ended June 30, 2023, $356,584 (June 30, 2022 – $124,648) of interest has been capitalized to the facility.

As consideration for the amendment, Extract was granted 8,220,655 additional bonus warrants. These warrants can be exercised up to June 15, 2026, at an exercise price of $0.441 per share, with each warrant being exercisable for one common share. The fair value of the warrants was determined to be $464,995 and is recorded as loss on debt modification.

11. LONG-TERM DEBT (cont'd)

Under the terms of the debt agreement, the debt may be converted at Extract's option in part or in full, at any time, into common shares of the Company at $0.96 per common share. The debt is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

($)	**June 30, 2023**		December 31, 2022	
	Convertible Debt	**Derivative**	Convertible Debt	Derivative
Beginning balance	**6,775,746**	**22,738**	5,409,515	710,032
Accretion	**163,151**	**-**	-	**-**
Change in Fair value	**-**	**(22,738)**	**-**	**-**
Capitalized interest	**327,739**	**-**	-	-
Foreign exchange adjustment	**(155,286)**	**-**	-	**-**
Carrying value prior to amendment	**7,111,350**	**-**	5,409,515	710,032
Fair value of new instrument	**(138,502)**	**138,502**	5,409,515	710,032
Accretion	**921**	**-**	357,085	–
Change in fair value	**-**	**32,495**	–	(687,294)
Capitalized interest	**28,845**	**–**	602,981	–
Foreign exchange adjustment	**(6,422)**	**–**	406,165	–
Ending balance	**6,996,192**	**170,997**	6,775,746	22,738

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a non-cash derivative liability. As at June 30, 2023, the non-cash derivative liability of the debt was assigned a fair value of $170,997 (December 31, 2022 - $22,738) using the Black-Scholes option pricing model with the following assumptions: share price $0.27 (December 31, 2022 - $0.32), dividend yield 0%, expected volatility based on historical volatility 54.35% (December 31, 2022 – 79.8%), a risk free interest rate of 4.5% (December 31, 2022 – 4.03%) and an expected life of 3 years (December 31, 2022 – 0.5 years). The fair value loss of $9,757 (2022 – gain of $687,294) has been recognized in the consolidated statements of operations. The effective interest rate of the amended debt is 10.4% (previously 15.7%).

(b) Lease Payable

During the year ended December 31, 2022, the Company entered into a lease agreement for its corporate office with a commencement date of January 1, 2022. The term of the lease is three years and ten months ending on October 30, 2025. The Company also entered into several four-year lease agreements for vehicles to be used at the project site. As of June 30, 2023, the Company is committed to pay $329,265 (December 31, 2022 - $390,353) through monthly payments until the end of the lease agreements.

12. SRSR PAYMENT OBLIGATION

($)	**June 30 2023**	December 31 2022
Opening balance	**11,276,297**	–
Initial recognition	**–**	10,958,800
Accretion	**508,333**	829,859
Repayment	**(1,346,624)**	(1,337,150)
Foreign exchange revaluation	**(239,487)**	824,788
Carrying value of the SRSR payment obligation	**10,198,519**	11,276,297
Current portion of the SRSR payment obligation	**(1,774,512)**	(1,729,207)
Long-term portion of SRSR payment obligation	**8,424,007**	9,547,090

(Expressed in Canadian Dollars) (Unaudited)

12. SRSR PAYMENT OBLIGATION (cont'd)

(a) Sprott Resource Streaming and Royalty Corp

In connection with the sale of royalty to SRSR (see Note 9), the Company is required to make minimum payments of US$500,000 to SRSR payable quarterly until the earlier of December 31, 2027 and the date that commercial production is declared. The Company may elect to satisfy the payment on the loan in cash or the issuance of common shares of the Company at a price per common share equal to the greater of: (a) a 5% discount to the five-day volume-weighted average price of the five consecutive trading days prior to the date payment is due and (b) the maximum permitted discount by the Toronto Stock Exchange, at the Company's sole discretion. The minimum payments are secured by a general security agreement and is registered against the Company's assets.

During the six-month period ended June 30, 2023, the Company made a payment of US$1,000,000 ($1,346,624) by the issuance of 4,177,541 common shares.

The Company entered into an agreement within the scope of IFRS 9 'Financial Instruments'. The initial fair value of the financial liability was determined using a discount rate of 10.2%. After initial recognition, the SRSR obligation is carried at amortized cost using the effective interest rate method. As at June 30, 2023 (December 31, 2022 - $11,276,297), the SRSR obligation was $10,198,519 (US$7.7 million).

13. CAPITAL STOCK

(a) Authorized

Unlimited common shares.

COMMON SHARES	Number of Shares	Stated Value ($)
Balance, January 1, 2022	**137,879,334**	**209,453,412**
Restricted share units redeemed (Note 15 (b))	269,441	135,821
Balance, June 30, 2022	**138,148,775**	**209,589,233**
Balance, December 31, 2022	**138,168,087**	**209,595,606**
Issuance of shares for SRSR payment obligation (i)	4,177,541	1,346,624
Issuance of shares for Flow through common shares (ii)	3,115,265	1,408,100
Flow-through share premium liability	-	(420,561)
Restricted share units redeemed (Note 15)	420,271	131,070
Returned and cancel shares	(22)	-
Balance, June 30, 2023	**145,881,142**	**212,060,839**

(i) During the period, the Company issued 4,177,541 common shares to Sprott Resource Streaming and Royalty Corporation in relation to the quarterly repayment obligation (see Note 12).

(ii) On June 1, 2023, the Company issued 3,115,265 Canadian Exploration Expenditures ("CEE") flow-through common shares of the Company at a price of $0.452 per share by the way of private placement for gross proceeds of $1,408,100. A value of $420,560 were attributed to the flow-through share premium liability in connection with the financing.

(Expressed in Canadian Dollars) (Unaudited)

14. WARRANTS

The following table reflects the continuity of warrants for the three-month periods ended June 30, 2023 and March 31, 2023, respectively:

	Number of Warrants at June 30 2023	Number of Warrants at March 31 2023	**Weighted Average Exercise Price June 30 2023**	Weighted Average Exercise Price March 31 2023
			($)	($)
Balance, beginning of period	**18,433,000**	18,433,000	**1.48**	1.48
Issued (a)	**8,220,655**	–	**0.44**	–
Expired	**(6,766,335)**	–	**(1.45)**	–
Balance, end of the period	**19,887,321**	18,433,000	**1.06**	1.48

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	**Number of Warrants at June 30 2023**	Exercise Price ($)
June 15, 2026	Warrants	**8,220,655**	0.44
August 7, 2023	Warrants	**11,666,665**	1.50
		19,887,321	

(a) As part consideration for the sixth debt amendment, signed June 15, 2023, Extract was granted 8,220,655 warrants. The fair value was estimated using the Black-Scholes options model with the following assumptions: share price $0.25, dividend yield 0%, expected volatility 53.41%, based on historical volatility, a risk-free interest rate of 3.80% and an expected life of 3.00 years. As a result, the fair value of the warrants was estimated at $464,995 and was charged as an expense of the period.

The weighted average life of the outstanding warrants at June 30, 2023 is 1.28 years (December 31, 2022 – 0.55 years).

15. SHARE-BASED PAYMENTS

On June 29, 2021, Company's shareholders approved the Omnibus Equity Incentive Plan (the "Incentive Plan"), replacing the previous Stock Option Plan (the "Legacy Plan"). The Legacy Plan continues to be authorized for the sole purpose of facilitating the vesting and exercise of existing awards previously granted under the Legacy Plan; no further awards will be granted under the Legacy Plan. Once the existing awards granted under the Legacy Plan are exercised or terminated, the Legacy Plan will terminate and be of no further force or effect.

The Incentive plan provides flexibility to the Company to grant equity-based incentive awards in the form of stock options and restricted share units ("RSUs"). The Incentive Plan is a "rolling" plan which, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of common shares), provides that the maximum aggregate number of common shares reserved by the Company for issuance and which may be purchased upon the exercise of all stock options or RSUs (and including awards granted under the Legacy Plan) shall not exceed 9.9% of the issued and outstanding common shares from time to time. Limits have also been set in respect of the maximum number of awards that may be issued to Company insiders in any one-year period. As at June 30, 2023, the Company had an additional 2,585,920 (December 31, 2022 – 5,692,327) securities available for issuance under the plan.

(Expressed in Canadian Dollars) (Unaudited)

15. SHARE-BASED PAYMENTS (cont'd)

For the period ended June 30, 2023, the Company recognized share-based payments related to stock options ($87,208) and vesting of RSUs ($806,377) totaling $893,585 (2022 - $1,087,795).

(a) Options

	Number of Stock Options at June 30 2023	Number of Stock Options at December 31 2022	**Weighted Average Exercise Price 2023**	Weighted Average Exercise Price 2022
			($)	($)
Balance, at beginning of period	**6,688,109**	5,585,325	**0.95**	1.16
Options granted	**520,000**	3,418,675	**0.32**	0.64
Exercised	**–**	–	**–**	–
Forfeited	**(774,339)**	(2,315,891)	**0.83**	0.99
Balance at end of the period	**6,433,770**	6,688,109	**0.92**	0.95

The weighted average life of the outstanding stock options at June 30, 2023 is 1.20 years (December 31, 2022 – 1.59 years).

Grant Date	Expiry Date	**Number of Options at June 30 2023**	Number of Options at December 31 2021	Exercise Price ($)
November 10, 2020	November 10, 2023	**1,808,000**	1,808,000	1.35
February 5, 2021	November 10, 2023	**138,000**	198,000	1.35
February 5, 2021	December 7, 2023	**600,000**	600,000	1.35
March 8, 2021	March 8, 2024	**300,000**	300,000	0.95
May 31, 2021	May 31, 2024	–	150,000	0.97
June 28, 2021	June 28, 2024	**250,000**	250,000	0.90
September 7, 2021	September 7, 2024	–	324,754	0.87
February 18, 2022	February 18, 2025	**2,190,356**	2,366,809	0.70
June 28, 2022	June 28, 2025	**390,546**	390,546	0.41
July 13, 2022	July 13, 2025	**150,000**	150,000	0.38
December 19, 2022	December 19, 2025	**150,000**	150,000	0.32
March 10, 2023	March 10, 2026	**381,868**	–	0.32
May 17, 2023	May 17, 2026	**75,000**	–	0.31
		6,433,770	6,688,109	

The outstanding stock options are comprised as follows:

On June 30, 2023, 5,503,047 of the outstanding stock options were fully vested and exercisable (December 31, 2022 – 4,534,172).

On May 17, 2023, the Company granted 75,000 stock options to employees to buy common shares at an exercise price of $0.31, each expiring on May 17, 2026. The stock options granted to employees vest 50% on the first and second anniversaries, respectively, of the date of grant. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.31, dividend yield 0%, expected volatility 53.15% based on historical volatility, a risk-free interest rate of 3.80% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $9,106 and will be recognized in the statement of operations over the periods the stock options vest.

(Expressed in Canadian Dollars) (Unaudited)

15. SHARE-BASED PAYMENTS (cont'd)

On March 10, 2023, the Company granted 445,000 stock options to employees to buy common shares at an exercise price of $0.32, each expiring on March 10, 2026. The stock options granted to employees vest 33.3% on date of grant, 33.3% on March 10, 2024 and the remaining balance of 33.4% on March 10, 2025. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.32, dividend yield 0%, expected volatility 60.68% based on historical volatility, a risk-free interest rate of 3.53% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $61,594 and will be recognized in the statement of operations over the periods the stock options vest.

(b) Restricted Share Units ("RSUs")

For the six months ended June 30, 2023 and June 30, 2022, the Company recognized share-based payment expense related to the vesting of RSUs amounting to $806,377 (June 30, 2022 - $503,220) being charged to stock-based compensation expense. RSU's are exercisable once the RSU's have vested; as at June 30, 2023, 1,934,546 had vested (June 30,2022 – 498,675).

	Number of Units at June 30 2023	Number of Units at December 31 2022	**Weighted Fair Value at June 30 2023**	Weighted Fair Value at December 31 2022
			($)	($)
Balance, at beginning of period	**1,296,293**	–	**0.68**	–
Granted	**4,715,434**	1,623,669	**0.31**	0.64
Redeemed	**(420,271)**	(288,752)	**0.31**	**0.49**
Forfeited	**(168,913)**	(38,624)	**–**	**0.70**
Balance at end of the period	**5,422,543**	1,296,293	**0.41**	**0.68**

On June 28, 2023, the Company granted 375,000 RSUs to directors that have an expiry date of December 31, 2026. The RSUs vest in accordance with the following schedule:(i) 33.34% on the grant date; (ii) 33.33% one year from the grant date; and (iii) 33.33% two years from the grant date. On any date that falls on or after the vesting date but on or before November 30, 2026, the holder may deliver a written conversion notice specifying that the holder elects to receive common shares on the basis of one (1) common share for one (1) RSU; the RSUs cannot be settled in whole or in part for cash. The fair value assigned to the RSUs was estimated using the volume-weighted average price of the common shares on the TSX for the five trading days immediately preceding the grant date and recognized over the vesting period.

On March 10, 2023, the Company granted 4,340,434 RSUs to directors, officers and certain employees that have an expiry date of December 31, 2026. The RSUs vest in accordance with the following schedule:(i) 33.34% on the grant date; (ii) 33.33% one year from the grant date; and (iii) 33.33% two years from the grant date. On any date that falls on or after the vesting date but on or before November 30, 2026, the holder may deliver a written conversion notice specifying that the holder elects to receive common shares on the basis of one (1) common share for one (1) RSU; the RSUs cannot be settled in whole or in part for cash. The fair value assigned to the RSUs was estimated using the volume-weighted average price of the common shares on the TSX for the five trading days immediately preceding the grant date and recognized over the vesting period.

(Expressed in Canadian Dollars) (Unaudited)

16. EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs comprised of the following costs during the year:

	Three months ended		Six months ended	
($)	**June 30 2023**	June 30 2022	**June 30 2023**	June 30 2022
Drilling	**118,783**	1,156,727	**654,805**	2,585,200
Field programs	**(18,852)**	(140,605)	**366,066**	65,030
Salaries and benefits	**317,350**	510,583	**919,666**	1,092,167
Environmental studies	**250,179**	291,205	**632,721**	924,006
Prefeasibility studies	**336,108**	715,721	**575,532**	1,888,262
Vehicle expenses	**11,733**	45,032	**39,390**	84,965
Site costs and utilities	**54,142**	76,032	**83,752**	136,871
Community relations	**14,369**	16,299	**39,078**	81,683
Legal and other fees	**56,354**	566,256	**90,616**	1,144,279
Royalty payments	**-**	-	**104,728**	104,437
	1,140,166	3,237,250	**3,506,354**	8,106,900

17. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and members of the Board of Directors of the Company.

The compensation payable to key management is shown below

	Three months ended		Six months ended	
($)	**June 30 2023**	June 30 2022	**June 30 2023**	June 30 2022
Salaries	**183,227**	152,759	**320,121**	565,488
Directors' fees (ii)	**70,383**	61,000	**140,766**	122,000
Other cash compensation	**-**	-	**405,346**	-
Share based compensation (RSU)	**208,703**	-	**700,520**	-
Share based compensation (i)	**-**	180,896	**-**	180,896
	462,313	213,759	**1,566,753**	868,384

(i) Stock Option compensation is disclosed at fair value.
(ii) Directors' fees outstanding at June 30, 2023 is $70,380 (December 31, 2022 - $62,500).

18. COMMITMENTS AND CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

a) Flow-through Financing

The Company is committed to spend $1,408,100 by December 31, 2024 on Canadian exploration expenses ("CEE") as part of the June 1, 2023 flow-through financing. At June 30, 2023, the Company had spent $85,857, leaving a remaining commitment of $1,322,242. All flow-through spending commitments from previous flow-through financings have been fulfilled.

18. COMMITMENTS AND CONTRACTUAL OBLIGATIONS ANDCONTINGENCIES (cont'd)

b) Canada Revenue Agency Audit

An audit was commenced by the Canada Revenue Agency (the "CRA") in December 2016 of the flow-through expenditures incurred by the Company on the Goliath Gold Project, pursuant to the flow-through share financings completed on December 6, 2011, September 21, 2012, May 1, 2013 and December 20, 2013. On March 7, 2018, the Company was advised by the CRA that out of the total of $12.5 million the Company raised through the flow-through share financings and renounced to subscribers, that the CRA had reclassified approximately $1.8 million of CEE to operating expenses and a further $2.2 million of CEE to Canadian Development Expenses ("CDE"). In addition, pursuant to the audit, the CRA notified the Company that it is liable for Part XII.6 tax in the amount of $477,726 in connection with the shortfall from the disallowed CEE.

Subsequently on July 2, 2021, the CRA issued a Notice of Reassessment that reduced the amount of the unpaid Part XII.6 tax to $430,689.

On September 30, 2021, the Company commenced an appeal to the Tax Court of Canada to dispute the CRA's reclassification of expenses from CEE (Canadian exploration expenses) to CDE (Canadian development expenses) or operating expenses. The Department of Justice filed its Reply pleading on behalf of the Crown on February 9, 2022, and the current litigation timetable requires the parties to proceed with litigation discovery in 2023. Due to the uncertainty of the outcome, no liability has been recorded in the consolidated financial statements.

19. FINANCIAL RISK FACTORS

(a) Capital Management

The Company manages its capital structure and makes appropriate adjustments, based on the funds available to the Company, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At June 30, 2023, the Company has a working capital of $10,074,644 excluding the flow-through share premium liability and derivative liability (December 31, 2022 - $7,718,387); capital stock and contributed surplus total $238,926,072 (December 31, 2022 - $235,698,325).

To effectively manage the Company's capital requirements, management has put in place a rigorous planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, considering its anticipated cash flow from operations and its holding of cash and cash equivalents and marketable securities.

At June 30, 2023, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans.

19. FINANCIAL RISK FACTORS (cont'd)

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. To carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2023.

(b) Risk Disclosures

Exposure to credit and currency risks arises in the normal course of the Company's business.

(c) Credit Risk

As at June 30, 2023, the Company had a cash and cash equivalents balance of $10,677,367 (December 31, 2022 – $16,020,110). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk in respect of receivables.

(d) Interest Rate Risk

The Company has exposure to interest rate risk since the Company's cashable GIC cash balances are linked to the prime lending rate.

(e) Market Price Risk

The Company has convertible debt and minimum payment obligations denominated in U.S. dollars. The convertible feature of the convertible debt has been classified as a derivative liability. Among other variables, the fair value of the derivative liability is affected by changes in the market price of the Company shares.

(f) Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar. The balance of net monetary liabilities in such currency as of June 30, 2023 was $15,951,424 (December 31, 2022 - $16,804,266).

(g) Liquidity Risk

The Company is exposed to liquidity risk primarily because of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2023, the Company had a cash and cash equivalents balance of $10,677,367 (December 31, 2022 - $16,020,110) to settle current liabilities of $2,645,680 (December 31, 2022 - $9,830,419), excluding the flow-through share premium liability and derivative liability. All the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to

19. FINANCIAL RISK FACTORS (cont'd)

normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

(h) Sensitivity Analysis

As at June 30, 2023 and December 31, 2022, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

(i) The Company is exposed to interest rate risk on fluctuations on cashable GIC cash balances. A variance of 1% in the prime lending will affect the annual Company's net comprehensive loss by approximately $3,138 (December 31, 2022 – $69,391).

(ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, short-term and long-term debt. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $1,595,142 (December 31, 2022 – $1,680,427).

(iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their June 30, 2023 fair market value positions, the comprehensive loss would have varied by $50,195 (December 31, 2022 – $66,443).

(i) Fair Value Hierarchy

The Company has designated its investments as FVTOCI, which are measured at fair value. The non-cash derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statements of operations.

Accounts payable and accrued liabilities, short-term and long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

(Expressed in Canadian Dollars) (Unaudited)

19. FINANCIAL RISK FACTORS (cont'd)

June 30, 2023	**Level One**	**Level Two**	**Level Three**
	($)	**($)**	**($)**
Investments	**501,946**	**–**	**–**
Derivative liability	**–**	**(170,997)**	**–**
	501,946	**(170,997)**	**–**

December 31, 2022	Level One	Level Two	Level Three
	($)	($)	($)
Investments	664,433	–	–
Derivative liability	–	(22,738)	–
	664,433	(222,738)	–

There have been no transfers between levels 1, 2, or 3 during the periods.

20. Subsequent Events

Subsequent to June 30, 2023 the Company issued 2,747,915 common shares (US$500,000) to SRSR and as part of their quarterly payment obligation.