2023

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Treasury Metals Inc.

Opinion

We have audited the consolidated financial statements of Treasury Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of operations, other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $13,386,211 during the year ended December 31, 2023 and, as of that date, the Company has a cumulative deficit of $143,974,139. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Evaluation of Impairment Indicators of Mineral Properties</u>

Refer to consolidated financial statement Note 2 – Summary of material accounting policies, and Note 9 – Mineral properties.

The carrying value of the Company's mineral properties is $103,379,208 as at December 31, 2023. At each reporting period, management assesses whether there is an indication that mineral properties are impaired. If such indicators exist, the asset's recoverable amount is estimated. Impairment indicators include internal and external factors, such as (i) evidence indicating that the Company's right to explore the area has expired or will expire in the near future, (ii) management does not have any plans to continue exploration expenditures, (iii) lack of evidence to support technical feasibility or commercial viability, and (iv) facts and circumstances that suggest that the carrying amount exceeds recoverable amount. No impairment indicators were identified by management as at December 31, 2023.

We considered this a key audit matter due to the significance of the mineral properties in the consolidated financial statements and the level of auditor judgement required in applying and evaluating the results of audit procedures to assess the factors considered by management in its assessment of impairment indicators.

How our audit addressed the Key Audit Matter

- For a sample of claims we obtained, by reference to government registries, evidence to support the right to explore the area and claim expiration dates;
- Evaluated management's assumptions related to continued and planned expenditures which included evaluating the results of current year work programs and inspecting board meeting minutes and budget approvals to evidence continued and planned exploration expenditures;
- Assessed whether there are facts and circumstances that could indicate that the carrying values of the exploration and evaluation assets may not be recoverable, based on evidence obtained in other areas of the audit; and
- Assessed the Company's market capitalization to net assets ratio at December 31, 2023 and the change in the price of gold from December 31, 2022 to December 31, 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

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.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 21, 2024
Toronto, Ontario

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

($)	**December 31 2023**	December 31 2022
Assets		
Current assets		
Cash and cash equivalents (Note 5)	**9,430,567**	16,020,110
Accounts receivable and prepaid expenses (Note 6)	**1,586,990**	864,263
Investments (Note 7)	**665,911**	664,433
Total current assets	**11,683,468**	17,548,806
Non-current assets		
Property and equipment (Note 8)	**2,620,606**	2,809,429
Mineral properties (Note 9)	**103,379,208**	103,379,208
Total non-current assets	**105,999,814**	106,188,637
Total assets	**117,683,282**	123,737,443
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**1,118,576**	1,219,369
Current portion of long-term debt (Note 11)	**109,951**	6,881,843
Current portion of SRSR payment obligation (Note 12)	**1,860,845**	1,729,207
Derivative liability (Note 11)	–	22,738
Flow-through premium (Note 13)	**102,578**	–
Total current liabilities	**3,191,950**	9,853,157
Non-current liabilities		
Long-term debt (Note 11)	**7,508,736**	251,837
Derivative liability (Note 11)	**59,544**	–
SRSR payment obligation (Note 12)	**7,462,089**	9,547,090
Total non-current liabilities	**15,030,369**	9,798,928
Total liabilities	**18,222,319**	19,652,085
Shareholders' Equity		
Capital stock (Note 14)	**216,257,231**	209,595,606
Warrants (Note 15)	**918,209**	–
Contributed surplus	**27,283,223**	26,102,719
Deficit	**(143,974,139)**	(130,587,928)
Accumulated other comprehensive loss	**(1,023,561)**	(1,025,039)
	99,460,963	104,085,358
Total liabilities and shareholders' equity	**117,683,282**	123,737,443

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations and Contingencies (Note 20)
Subsequent Events (Note 22)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Margot Naudie"*
Director

(Signed) *"James Gowans"*
Director

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

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

($)	For the years ended December 31 2023	December 31 2022
Expenses		
Exploration and evaluation (Note 17)	**6,928,131**	14,114,808
Administrative, office and shareholder services	**1,124,337**	1,533,028
Professional fees	**605,031**	251,383
Salary and benefits	**2,312,502**	2,149,737
Amortization (Note 8)	**202,384**	235,741
Share-based payments (Note 16)	**1,314,458**	1,646,833
Accretion of long-term debt (Note 11 & Note 12)	**1,156,111**	1,186,944
Finance expense	**227,942**	238,923
Foreign exchange loss (gain)	**(383,584)**	1,084,930
Loss on debt extinguishment (Note 11)	**464,995**	–
Gain on debt and derivative liability (Note 11)	**(101,696)**	(687,294)
Write-down of mineral properties (Note 9)	–	100,000
Loss before income tax	**(13,850,611)**	(21,855,033)
Income from recognition of flow-through premium (Note 13)	**464,400**	1,561,508
Net Loss for the year	**(13,386,211)**	(20,293,525)

Loss per share - basic and diluted	**(0.09)**	(0.15)
Weighted average number of shares outstanding (Note 2)	**146,294,318**	138,054,413

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

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

	For the years ended	
($)	**December 31 2023**	December 31 2022
Net loss for the year	**(13,386,211)**	(20,293,525)
Other comprehensive income (loss)		
Items to be reclassified to profit or loss in subsequent years		
Fair value on equity investments, net of taxes	**1,478**	(29,392)
Other comprehensive income (loss) for the year	**1,478**	(29,392)
Total comprehensive loss for the year	**(13,384,731)**	(20,322,917)

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

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

($)	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 (Note 16)	–	–	–	873,720	–	–	873,720
Share-based payments – restricted share units (Note 16)	–	–	–	773,113	–	–	773,113
Restricted share units redeemed (Notes 16)	288,753	142,194	–	(142,194)	–	–	–
Net income for the year	–	–	–	–	(20,293,525)	–	(20,293,525)
Other comprehensive (loss) for the year	–	–	–	–	–	(29,392)	(29,392)
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 16)	–	–	–	131,350	–	–	131,350
Share-based payments - restricted share units (Note 16)	–	–	–	1,183,108	–	–	1,183,108
Restricted share units redeemed (Note 16)	437,235	133,954	–	(133,954)	–	–	–
Flow-through share issuance (Note 13)	3,115,265	841,122	–	–	–	–	841,122
Issuance of warrants at fair value (Note 15)	–	–	464,995	–	–	–	464,995
Share issued for repayment of SRSR obligation (Note 12)	6,925,456	2,011,273	–	–	–	–	2,011,273
Returned shares	(17,144)	–	–	–	–	–	–
Shares issued in private placement	29,603,572	4,144,500	–	–	–	–	4,144,500
Share issue costs		(16,010)	–	–	–	–	(16,010)
Issuance of warrants at fair value (Note 15)	–	(453,214)	453,214	–	–	–	–
Net income (loss) for the year	–	–	–	–	(13,386,211)	–	(13,386,211)
Other comprehensive income (loss) for the year	–	–	–	–	–	1,478	1,478
Balance, December 31, 2023	**178,232.471**	**216,257,231**	**918,209**	**27,283,223**	**(143,974,139)**	**(1,023,561)**	**98,460,963**

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

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

	For the years ended	
($)	**December 31 2023**	December 31 2022
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net Loss for the year	**(13,386,211)**	(20,293,525)
Adjustments for:		
Amortization (Note 8)	**202,384**	235,741
Income from recognition of flow-through premium (Note 13)	**(464,400)**	(1,561,508)
Share-based payments (Note 16)	**1,314,458**	1,646,833
Accretion on SRSR Payment obligation (Note 12)	**976,185**	829,859
Accretion on long-term debt (Note 11)	**179,926**	357,085
Loss (gain) on debt extinguishment (Note 11)	**464,995**	–
Loss (gain) on debt and derivative liability (Note 11)	**(101,696)**	(687,294)
Foreign exchange (gain) loss	**(383,584)**	1,236,805
Finance Expense & income	**710,784**	616,294
Write-down of mineral properties (Note 9)	**–**	100,000
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**(722,727)**	262,599
Accounts payable and accrued liabilities	**(100,793)**	(528,144)
Net cash flows used in operating activities	**(11,310,679)**	(17,785,255)
Financing Activities		
Proceeds from SRSR obligation	**–**	10,958,800
Proceeds from flow-through financing (Note 13)	**1,408,100**	–
Proceeds from private placement, net of issue costs (Note 14)	**4,128,490**	–
Payment of lease liabilities	**(120,843)**	(104,485)
Repayment of SRSR obligation (Note 12)	**(681,050)**	(1,337,150)
Net cash flows provided by (used in) financing activities	**4,734,697**	9,517,165
Investing Activities		
Acquisition of property and equipment	**(13,561)**	(21,415)
Proceeds from sale of royalty (Note 9)	**–**	14,219,200
Net cash flows provided by (used in) investing activities	**(13,561)**	14,197,785
Increase (decrease) in cash and cash equivalents	**(6,589,543)**	5,929,695
Cash and cash equivalents, beginning of year	**16,020,110**	10,090,415
Cash and cash equivalents, end of year	**9,430,567**	16,020,110

Supplementary cash flow information		
Changes in non-cash activities:		
Payment of debt with shares (Note 12)	**2,011,273**	–
Capitalized interest on long-term debt (Note 11)	**727,059**	602,981

The accompanying notes are an integral part of these consolidated 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 Treasury Metals are all located in Canada, 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 December 31, 2023, the Company's working capital was $8,594,096 (December 31, 2022 – $7,718,386) excluding the flow–through share premium liability and the derivative liability. For the year ended December 31, 2023, the Company incurred a net loss of $13,386,211 (December 31, 2022 – net loss of $20,293,525), had cash outflows from operations of $11,310,679 (December 31, 2022 - $17,785,255), had not yet achieved profitable operations, had accumulated losses of $143,974,139 (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 cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated 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 MATERIAL ACCOUNTING POLICIES

Statement of Compliance

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

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments, as set out in the accounting policies in note 2 of these consolidated financial statements.

These consolidated financial statements were approved by the Company’s Board of Directors on March 21, 2024.

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

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned Canadian subsidiary Goldeye Explorations Ltd.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Functional and Presentation Currency

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

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss on the consolidated statements of operations.

Cash and Cash Equivalents

The "cash and cash equivalents" category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities (except for financial assets and financial liabilities classified as fair value through profit or loss) are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

The following summarizes the Company's classification and measurement of financial assets and financial liabilities:

- Cash and cash equivalents and accounts receivable are classified as loans, and receivables are now classified as amortized cost.
- Equity investments have been designated as fair value through other comprehensive income ("FVTOCI").
- Accounts payable and accrued liabilities, long-term debt and SRSR payment obligation are classified as amortized cost.
- Derivative liability is classified as fair value through profit and loss ("FVTPL").

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

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial Assets at Amortized Cost

Cash and cash equivalents and accounts receivable are held with the objective of collecting contractual cash flows and those cash flows are solely payments of principal and interest and are classified as amortized cost.

After initial recognition, these assets are carried at amortized cost, using the effective interest method, less any impairment loss. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of income. Any subsequent reversal of an impairment loss is recognized in profit or loss.

The Company does not currently hold any derivative assets.

Financial Assets at Fair Value through Other Comprehensive Income

The Company has made an irrevocable election on initial recognition to present gains and losses on Equity Investments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income.

Financial Liabilities at Amortized Cost

Accounts payable and accrued liabilities, SRSR payment obligation and long-term debt are classified as amortized cost.

After initial recognition, these liabilities are carried at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial Liabilities at Fair Value through Profit and Loss

Financial liabilities are classified as FVTPL if they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of operations.

The derivative liability is measured at FVTPL.

Impairment of Financial Assets

At each reporting date, each financial asset measured at amortised cost is assessed for impairment under an expected credit loss ("ECL") model. The Company applies the simplified approach, which uses lifetime ECL for accounts receivables.

Accounting Policy for Extinguishment / Modification of Debt

Long-term debt is initially recognized at the fair value of the consideration received, net of transaction costs. It is subsequently measured at amortized cost using the effective interest method.

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

When the debt is amended, if the modification is not substantially different, it will be considered a modification, with any costs or fees incurred adjusting the carrying amount of the debt and amortized over the remaining term of the debt. If the modification is determined to be substantially different based on qualitative factors or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is at least ten percent different from the discounted present value of the remaining cash flows of the original debt, the modification is accounted for as an extinguishment of the debt with a gain/loss to the carrying amount of the debt being recorded in the consolidated statements of operations immediately. Also, the transaction costs related to the debt extinguishment are recorded in the statements of operations in the loss (gain) on debt extinguishment debt account.

Property and Equipment

(i) ***Assets owned by the Company***

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

(ii) Leases

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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, specified either explicitly or implicitly, that is physically distinct, and usage represents substantially all the capacity of the asset; if the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct use of the asset, which is evidenced by decision-making rights to direct how and for what purpose the asset is used.

The Company recognizes a Right of Use ("ROU") asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of future lease payments, discounted using the incremental borrowing rate as the discount rate. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the consolidated statements of loss and comprehensive loss if the carrying value of the ROU asset is zero.

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

The Company has elected not to recognize assets and lease liabilities for short-term leases with a term of 12 months or less, and leases of low value assets. The lease payments associated with these leases are recognized as an expense in the consolidated statements of loss and comprehensive loss over the lease term.

This policy is applied for contracts entered into, or changed, on or after January 1, 2018.

(iii) Subsequent Costs

The Company recognizes, in the carrying amount of an item of property and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statements of operations as an expense as incurred.

(iv) Amortization

Amortization is calculated on straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment or over the term of the lease agreement. The estimated useful lives in the current and comparative year are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years

Exploration and Evaluation Expenditures

Costs related to the acquisition of mineral properties are considered assets and capitalised at cost. The Company expenses exploration and evaluation expenditures, other than acquisition costs, as they are incurred. Exploration and evaluation expenditures include property payments and evaluation activities, such as exploratory drilling, sample testing and the costs of prefeasibility studies. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, except for development costs that give rise to a future benefit.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of non-financial assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

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

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized, or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

- Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Units Issuance

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each Unit to the common share and warrant components based on their relative fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a pro rata basis.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company.

The company may enter into flow-through share agreements whereby the company agrees to transfer the rights to income tax deductions related to exploration expenditures to the flow-through shareholders. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issuance is excluded from capital stock and recorded as a flow-through share premium liability on the balance sheet. The company reduces its flow-through share premium on renunciation.

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

When the company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as un-renounced flow-through share premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, which is the method used by the company, the obligation is fulfilled when the paperwork to renounce is filed.

Share-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from share-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Loss per Share

Basic loss per share amount is calculated by dividing net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of December 31, 2023 and 2022.

Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the chief operating decision maker.

The Company has determined that there is only one operating segment, being the sector of exploration and evaluation of mineral resources.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site-related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. No environmental rehabilitation provision is recorded by the Company as of December 31, 2023 and 2022.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting Standards Issued but Not Yet Applied

Presentation of Financial Statements, IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence as the end of the reporting period and is affected by the expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after reporting period affect the classification of a liability. Covenants to be compiled with after the reporting date do not affect the classification of debt as current or non-current as the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

There are no other standards or amendments or interpretations to existing standards issued but not yet effective that are expected to have any material impact on the Company.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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.

Impairment in mineral properties – Management uses significant judgement in determining whether there is any indication that mineral properties may be impaired.

Debt modification – From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different, then the transaction is accounted for as an extinguishment of the old debt instrument with a gain/loss to the carrying amount of the liability being recorded in the consolidated statements of operations immediately. In addition, the transaction costs related to the debt extinguishment are recorded in the profit and loss accounts.

Share-based compensation, warrants and derivative liabilities – The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the share-based payments, warrants and derivative liabilities. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes risk free interest rate, expected stock price volatility, expected life and expected dividend yield.

(Expressed in Canadian Dollars)

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Flow-through shares – The Company may issue flow-through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Deferred income taxes – In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Equity vs. Liability – The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a unit should be classified as an equity instrument or a liability.

Going Concern – The Company applies judgement in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

(i) *Sale of Royalty to Sprott Resource Streaming and Royalty Corp*

Management must use its judgement to assess the appropriate accounting treatment for the sale of royalty to Sprott Resource Streaming and Royalty Corp (Note 9 and Note 12) and the allocation of the proceeds between the mining properties disposed and the financial liability on the minimum payment obligation. The Company reviewed the specific terms of the agreement to determine whether it had disposed of an interest in the mineral reserves and resources of the properties and the valuation of the financial liability. The assessment considered the rights attributed to the consideration and the risks and rewards associated with it over the life of the transaction.

5. CASH AND CASH EQUIVALENTS

($)	**December 31 2023**	December 31 2022
Cash	**4,869,787**	9,674,942
Cashable GIC	**4,560,780**	6,338,363
Funds in trust	**–**	6,805
	9,430,567	16,020,110

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

($)	**December 31 2023**	December 31 2022
Advances and prepaid expenses	**1,257,783**	453,190
Other receivables	**106,930**	85,755
Harmonized sales tax	**222,277**	325,318
	1,586,990	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	**December 31 2023**	Number of Shares	December 31 2022
		($)		($)
Alaska Energy Metals Corp. – Shares	14,778	5,911	147,778	4,433
Platinex Inc. – Shares	16,500,000	660,000	16,500,000	660,000
		665,911		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	–	–	13,561	–	13,561
Disposals	–	–	–	–	–
At December 31, 2023	**1,496,909**	**1,535,011**	**532,266**	**236,962**	**3,801,148**
Accumulated amortization					
At January 1, 2023	–	(510,221)	(403,963)	(63,974)	(978,158)
Amortization for the year	–	(101,612)	(52,012)	(48,760)	(202,384)
Disposals	–	–	–	–	–
At December 31, 2023	**–**	**(611,833)**	**(455,975)**	**(112,734)**	**(1,180,542)**
Net book value at December 31, 2023	**1,496,909**	**923,178**	**76,291**	**124,228**	**2,620,606**

(i) Buildings include right-of-use assets with net book value of $120,627 (December 31, 2022 – $186,418).
(ii) Vehicles include right-of-use assets with net book value of $105,319 (December 31, 2022 – $141,472).

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT (cont'd)

($)	Land	Buildings	Furniture and equipment	Vehicles	Total
Cost					
At January 1, 2022	1,496,909	1,268,916	470,219	209,213	3,445,257
Additions	–	266,095	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, 2023	1,496,909	1,024,790	114,742	172,988	2,809,429

9. MINERAL PROPERTIES

As of December 31, 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 2022	Additions net of recoveries	Sale of SRSR NSR royalty	Balance December 31 2022
	($)	($)	($)	($)
Goliath Gold Project	24,629,460	–	(7,109,600)	17,519,860
Goldlund Gold Project	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

	Balance January 1 2023	Additions, net of recoveries and write downs **(b)**	Sale of SRSR NSR royalty **(a)**	**Balance December 31 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**

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.

Goldeye Explorations

Goldeye is the Weebigee Project in Northwestern Ontario.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES (cont'd)

Weebigee Project

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

(a) 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 December 31, 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 13).

2. 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($)	**December 31 2023**	December 31 2022
Trade accounts payable	**595,315**	523,264
Accrued liabilities	**523,261**	696,105
	1,118,576	1,219,369

(Expressed in Canadian Dollars)

11. LONG-TERM DEBT

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

($)	Convertible Debt (a)	Lease Payable (b)	**December 31 2023**
Loan amount	7,488,658	267,951	**7,756,609**
Unaccreted amount	(121,808)	(16,114)	**(137,922)**
Carrying value of the debt	7,366,850	251,837	**7,618,687**
Current portion of the debt	–	(109,951)	**(109,951)**
Long-term debt	7,366,850	141,886	**7,508,736**

($)	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	7,133,681
Current portion of the debt	(6,775,746)	(106,097)	(6,881,843)
Long-term debt	–	251,837	251,837

(a) Convertible Debt

At December 31, 2023, the convertible debt was $7,488,658 (US$5.57 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 it was determined that there was no gain or loss on the extinguishment. 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 year ended December 31, 2023, $727,059, (December 30, 2022 – $602,981) of interest has been capitalized to the facility.

As consideration for the amendment, Extract was granted 8,220,655 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 was recorded as a loss on debt modification.

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.

11. LONG-TERM DEBT (cont'd)

($)	**December 31, 2023** Convertible Debt	**December 31, 2023** Derivative	December 31, 2022 Convertible Debt	December 31, 2022 Derivative
Beginning balance	**6,775,746**	**22,738**	**5,409,515**	**710,032**
Accretion	**163,151**	**–**	**–**	**–**
Change in fair value	**–**	**(22,738)**	**–**	**–**
Capitalised 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	**16,775**	**–**	**357,085**	**–**
Change in fair value	**–**	**(78,958)**	**–**	**(687,294)**
Capitalized interest	**399,320**	**–**	**602,981**	**–**
Foreign exchange adjustment	**22,093**	**–**	**406,165**	**–**
Ending balance	**7,366,850**	**59,544**	**6,775,746**	**22,738**

(i) Does not include transaction costs incurred on debt amendment.

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a non-cash derivative liability. As at December 31, 2023, the non-cash derivative liability of the debt was assigned a fair value of $59,544 (December 31, 2022 - $22,738) using the Black-Scholes option pricing model with the following assumptions: share price $0.18 (December 31, 2022 - $0.32), dividend yield 0%, expected volatility based on historical volatility 61.25% (December 31, 2022 – 79.8%), a risk free interest rate of 3.93% (December 31, 2022 – 4.03%) and an expected life of 2.5 years (December 31, 2022 – 0.5 years). The fair value gain of $101,696 (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 December 31, 2023, the Company is committed to pay $267,951 (December 2022: $390,353) through monthly payments until the end of the lease agreements.

12. SRSR PAYMENT OBLIGATION

($)	**December 31 2023**	December 31 2022
Opening balance	**11,276,297**	–
Initial recognition	**–**	10,958,800
Accretion	**976,185**	829,859
Repayment	**(2,692,323)**	(1,337,150)
Foreign exchange revaluation	**(237,225)**	824,788
Carrying value of the SRSR payment obligation	**9,322,934**	11,276,297
Current portion of the SRSR payment obligation	**(1,860,845)**	(1,729,207)
Long-term portion of SRSR payment obligation	**7,462,089**	9,547,090

(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 or the date that

(Expressed in Canadian Dollars)

12. SRSR PAYMENT OBLIGATION (cont'd)

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 year ended December 31, 2023, the Company elected to satisfy three of the quarterly payments, to the value of $2,011,273 (US$1,500,000), through the issuance of 6,925,456 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 December 31, 2023, the SRSR obligation was $9,322,934 (US$7.1 million).

13. FLOW THROUGH PREMIUM

($)	**December 31 2023**	December 31 2022
Opening balance	**–**	1,561,508
Initial recognition (i)	**566,978**	
Flow-through share premium recovery (ii)	**(464,400)**	(1,561,508)
Closing balance	**102,578**	–

(i) 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 $566,978 were attributed to the flow-through share premium liability in connection with the financing using a fair market value of $0.27 per share.

(ii) During the year a flow-through share premium recovery was recognized as a result of incurring eligible flow-through exploration expenditures during the year.

14. CAPITAL STOCK

(a) Authorized

COMMON SHARES	Number of Shares	Stated Value ($)
Balance, January 1, 2022	**138,168,087**	**209,595,606**
Restricted share units redeemed (Note 16)	288,753	142,194
Balance, December 31, 2022	**138,168,087**	**209,595,606**
Issuance of shares for SRSR payment obligation (i)	6,925,456	2,011,273
Issuance of shares for flow-through common shares (ii)	3,115,265	1,408,100
Flow-through share premium liability (ii)	–	(566,978)
Restricted share units redeemed (Note 16)	437,235	133,954
Issuance of shares in private placement, net of issue costs (iii)	29,603,572	4,128,490
Fair value of warrant issue (Note 15)	–	(453,214)
Returned and cancelled shares	(17,144)	–
Balance, December 31, 2023	**178,232,471**	**216,257,231**

(Expressed in Canadian Dollars)

14. CAPITAL STOCK (cont'd)

Unlimited common shares Issued.

(i) During the year, the Company issued 6,925,456 common shares to Sprott Resource Streaming and Royalty Corporation in relation to the quarterly payment 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 $566,978 were attributed to the flow-through share premium liability in connection with the financing (Note 13).

(iii) On December 19, 2023, the Company closed a non-brokered private placement raising gross proceeds of $4,144,500 million through the issuance of 29,603,572 units. Each unit consisted of one common share and one-quarter share purchase warrant (Note 15).

15. WARRANTS

The following table reflects the continuity of warrants for the years ended December 31, 2023 and December 31, 2022, respectively:

	Number of Warrants at December 31 2023	Number of Warrants at December 31 2022	**Weighted Average Exercise Price 2023**	Weighted Average Exercise Price 2022
			($)	($)
Balance, beginning of year	**18,433,000**	24,592,635	**1.48**	1.54
Issued (a) and (b)	**15,621,547**	–	**0.33**	–
Expired	**(18,433,000)**	(6,159,635)	**(1.48)**	(1.71)
Balance, end of the year	**15,621,547**	18,433,000	**0.33**	1.48

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	**Number of Warrants at December 31 2023**	Number of Warrants at December 31 2022	Exercise Price ($)
December 19, 2028	Warrants (b)	**7,400,892**	–	0.21
June 15, 2026	Warrants (a)	**8,220,655**	–	0.44
June 6, 2023	Warrants	**–**	2,798,082	0.96
June 25, 2023	Warrants	**–**	3,968,253	1.80
August 7, 2023	Warrants	**–**	11,666,665	1.50
		15,621,547	18,433,000	

(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, at the time of grant, 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.

(b) In connection with the private placement on December 19, 2023, the Company issued 7,400,893 warrants, with each whole warrant being exercisable within 60 months of closing date, at an exercise price of $0.21 per whole warrant. The warrants were assigned a relative fair value of $453,214 using the Black-Scholes options model with the following assumptions: share

(Expressed in Canadian Dollars)

15. WARRANTS (Cont'd)

price $0.16, dividend yield 0%, expected volatility 61.7%, based on historical volatility, a risk-free interest rate of 3.93% and an expected life of 5.0 years.

The weighted average life of the outstanding warrants at December 31, 2023 is 3.65 years (December 31, 2022 – 0.55 years).

16. 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 December 31, 2023, the Company had an additional 8,645,586 (December 31, 2022 – 5,692,327) securities available for issuance under the plan.

For the year ended December 31, 2023, the Company recognized share-based payments related to stock options ($131,350) and vesting of RSUs ($1,183,108) totaling $1,314,458 (2022 - $1,646,833).

(a) Options

	Number of Stock Options at December 31 2023	Number of Stock Options at December 31 2022	**Weighted Average Exercise Price 2023**	Weighted Average Exercise Price 2022
			($)	($)
Balance, at beginning of year	**6,688,109**	5,585,325	**0.92**	1.16
Options granted	**670,000**	3,418,675	**0.31**	0.64
Exercised	**–**	–	**–**	–
Expired	**(3,576,526)**	(2,315,891)	**1.18**	0.99
Balance at end of the year	**3,781,583**	6,688,109	**0.62**	0.95

The weighted average life of the outstanding options at December 31, 2023 is 1.27 years (December 31, 2022 – 1.59 years).

(Expressed in Canadian Dollars)

16. SHARE-BASED PAYMENTS (cont'd)

The outstanding stock options are comprised as follows:

Grant Date	Expiry Date	**Number of Options at December 31 2023**	Number of Options at December 31 2022	Exercise Price ($)
November 10, 2020	November 10, 2023	**–**	**1,808,000**	1.35
February 5, 2021	November 10, 2023	**–**	**198,000**	1.35
February 5, 2021	December 7, 2023	**–**	**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	**2,001,037**	**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	**315,000**	**–**	0.32
May 17, 2023	May 17, 2026	**75,000**	**–**	0.31
July 24, 2023	July 24, 2026	**150,000**	**–**	0.27
		3,781,583	6,688,109	

At December 31, 2023, 2,925,163 of the outstanding stock options were fully vested and exercisable (December 31, 2022 – 4,534,172).

On July 24, 2023, the Company granted 150,000 stock options to employees to buy common shares at an exercise price of $0.27, each expiring on July 24, 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 $0.27, dividend yield 0%, expected volatility 53.69% based on historical volatility, a risk-free interest rate of 4.13% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $14,464 and will be recognized in the statement of operations over the periods the stock options vest.

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.

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. As at December 31, 2023, 130,000 stock options were canceled.

(Expressed in Canadian Dollars)

16. SHARE-BASED PAYMENTS (cont'd)

On December 19, 2022, the Company granted 150,000 stock options to employees to buy common shares at an exercise price of $0.32, each expiring on December 19, 2025. The stock options granted to employees vest 25% on June 19, 2023, 25% on December 19, 2023, 25% on June 19, 2024 and the remaining balance of 25% on December 19, 2024. 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 53.23% based on historical volatility, a risk-free interest rate of 3.77% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $15,377 and will be recognized in the statement of operations over the periods the stock options vest.

On July 13, 2022, the Company granted 150,000 stock options to employees to buy common shares at an exercise price of $0.38, each expiring on July 13, 2025. The stock options granted to employees vest 33.3% on date of grant, 33.3% on July 13, 2023 and the remaining balance of 33.4% on July 13, 2024. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.38, dividend yield 0%, expected volatility 57.7% based on historical volatility, a risk-free interest rate of 3.18% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $23,485 and will be recognized in the statement of operations over the periods the stock options vest.

On June 28, 2022, the Company granted 390,546 stock options to directors to buy common shares at an exercise price of $0.41, each expiring on June 28, 2025. The stock options granted to directors vest 50% on date of grant and the remaining balance of 50% on June 28, 2023. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.41, dividend yield 0%, expected volatility 57.63% based on historical volatility, a risk-free interest rate of 2.54% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $65,000 and will be recognized in the statement of operations over the periods the stock options vest.

On February 18, 2022, the Company granted 2,728,129 stock options to directors, officers and certain employees to buy common shares at an exercise price of $0.70, each expiring on Feb 18, 2025. The stock options granted to directors' vest 50% on date of grant and the remaining balance of 50% on February 18, 2023. The stock options granted to officers and certain employees vest 33.3% on date of grant, 33.3% vest on February 18, 2023 and the remaining balance 33.34% % vest on February 18, 2024. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.70, dividend yield 0%, expected volatility 58.09% based on historical volatility, a risk-free interest rate of 1.42% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at $760,690 and will be recognized in the statement of operations over the periods the options vest. As at December 31, 2023, 440,526 stock options were canceled.

(b) Restricted Share Units ("RSUs")

For the years ended December 31, 2023 and 2022, the Company recognized share-based payment expense related to the vesting of RSUs amounting to $1,183,108 (2022 - $773,113) being charged to stock-based compensation expense. RSU's are exercisable once the RSU's have vested; as at December 31, 2023, 1,948,675 had vested.

	Number of Units at December 31 2023	Number of Units at December 31 2022	**Weighted Fair Value at December 31 2023**	Weighted Fair Value December 31 2022
			($)	($)
Balance, at beginning of year	**1,296,293**	**–**	**0.68**	**–**
Granted	**4,757,825**	**1,623,669**	**0.31**	**0.64**
Redeemed	**(437,235)**	**(288,752)**	**0.31**	**0.49**
Forfeited	**(399,036)**	**(38,624)**	**0.39**	**0.70**
Balance at end of the year	**5,217,847**	**1,296,293**	**0.40**	**0.68**

16. SHARE-BASED PAYMENTS (cont'd)

On September 12, 2023, the Company granted 42,391 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 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.

On December 15, 2022, the Company granted 76,753 RSUs to officers that have an expiry date of December 31, 2025. The RSUs vested immediately. 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.

On August 12, 2022, the Company granted 50,891 RSUs to directors that have an expiry date of December 31, 2025. 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, 2025, 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 June 28, 2022, the Company granted 158,536 RSUs to directors that have an expiry date of December 31, 2025. 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, 2025, 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

(Expressed in Canadian Dollars)

16. SHARE-BASED PAYMENTS (cont'd)

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 recognized over the vesting period.

On February 18, 2022, the Company granted 1,337,489 RSUs to directors, officers and certain employees that have an expiry date of December 31, 2025. 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, 2025, 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 recognized over the vesting period.

17. EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation expenditures comprised of the following amounts during the year:

	Years ended	
($)	**December 31 2023**	December 31 2022
Drilling	**1,304,627**	**5,347,062**
Field programs	**385,623**	**226,717**
Salaries and benefits	**1,556,485**	**2,156,639**
Environmental studies	**1,785,012**	**1,716,221**
Technical studies	**1,227,773**	**2,749,420**
Vehicle expenses	**76,726**	**134,222**
Site costs and utilities	**188,463**	**261,833**
Community relations	**126,553**	**179,577**
Legal and other fees	**172,142**	**1,238,680**
Royalty payments	**104,727**	**104,437**
	6,928,131	**14,114,808**

18. 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:

	Years ended	
($)	**December 31 2023**	December 31 2022
Salaries	**634,251**	**610,632**
Director fees (ii)	**216,013**	**260,315**
Other cash compensation	**405,346**	**257,213**
Share-based compensation, at fair value (i)	**1,015,730**	**1,197,211**
	2,271,340	**2,325,371**

(i) Stock Option compensation is disclosed at fair value.
(ii) Directors' fees outstanding at December 31, 2023 was $32,875 (December 31, 2022 - $62,500).

(Expressed in Canadian Dollars)

19. INCOME TAX

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory rate of 26.5% (2022 – 26.5%). A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31 2023	December 31 2022
Loss before income taxes	**(13,850,611)**	**(21,855,033)**
Expected income tax recovery based on the statutory rate	**(3,670,412)**	**(5,791,583)**
Adjustment to expected income tax benefit:		
Share-based compensation	**348,331**	**436,410**
Effects of renouncing flow-through expenditures	**305,609**	**1,732,842**
Other	**241,044**	**(944,284)**
Prior year reallocation	**(178,715)**	**(14,118)**
Deferred exploration expenses	**(2,168,000)**	**(4,400,000)**
Change in tax benefits not recognized	**5,122,143**	**8,980,733**
Deferred income tax provision (recovery)	–	–

The Company's deferred tax assets and liabilities as at December 31, 2023 and 2022:

Deferred income tax assets	**December 31 2023**	December 31 2022
Undeducted finance costs	**234,951**	435,939
Excess book value of investments	**93,365**	93,561
Excess book value of derivative liabilities	**273,749**	394,876
Capital losses carried forward	**477,746**	477,746
Non-capital losses carried forward	**13,671,967**	12,410,816
Long-term assets and other	**203,047**	203,047
Deferred exploration expenses	**13,526,951**	9,828,447
Total deferred tax assets	**28,481,776**	23,844,432
Less: allocated against deferred income tax liabilities	**(300,044)**	(722,447)
Less: unrecognized portion of deferred taxes	**(28,181,732)**	(23,121,985)
Total	**–**	–

Deferred income tax liabilities	**December 31 2023**	December 31 2022
Royalty Loan	**(271,277)**	(420,853)
Accrued Liabilities	**–**	(20,101)
Property and equipment	**(28,766)**	(281,393)
Less: reduction due to allocation	**300,043**	722,347
Total	**–**	–

(Expressed in Canadian Dollars)

19. INCOME TAX (cont'd)

The Company's non-capital income tax losses expire as follows:

	($)
2027	1,776,000
2028	2,314,000
2029	1,783,000
2030	3,361,000
2031	2,803,000
2032	1,171,000
2033	1,932,000
2034	2,892,000
2035	2,878,000
2036	3,391,000
2037	5,620,000
2038	8,603,000
2039	4,635,000
2040	442,000
2041	3,155,000
2042	–
2043	4,836,000
	51,592,000

20. COMMITMENTS AND CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

(a) The Company had committed to spend $1,408,100 by December 31, 2024 on Canadian exploration expenses ("CEE") as part of the flow-through financing dated on June 1, 2023. At December 31, 2023, the Company spent $1,153,242. All flow-through spending commitments from previous flow-through financings have been fulfilled.

(b) 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 $271,943.

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 Company is currently still in the litigation discovery stage. Due to the uncertainty of the outcome, no liability has been recorded in the consolidated financial statements.

21. 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 December 31, 2023, the Company has a working capital of $8,594,096 excluding the flow-through share premium liability and derivative liability (December 31, 2022 - $7,718,387); Capital stock, warrants and contributed surplus total $244,766,489 (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 December 31, 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.

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 year ended December 31, 2023.

(b) Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company’s business.

(c) Credit Risk

As at December 31, 2023, the Company had a cash and cash equivalents balance of $9,430,567 (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.

21. FINANCIAL RISK FACTORS (cont'd)

(e) Market Price Risk

The Company has convertible debt and minimum payment obligations denominated in US 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 US dollar. The balance of net monetary liabilities in such currency as of December 31, 2023 was $13,570,281 (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 December 31, 2023, the Company had a cash and cash equivalents balance of $9,430,567 (December 31, 2022 - $16,020,110) to settle current liabilities of $3,089,372 (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 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 December 31, 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 guaranteed investment certificate cash balances. A variance of 1% in the Canadian prime lending rate will affect the annual Company's net comprehensive loss by approximately $5,171 (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 $1,357,028 (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 December 31, 2023 fair market value positions, the comprehensive loss would have varied by $66,591 (2021 **–** $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.

(Expressed in Canadian Dollars)

21. FINANCIAL RISK FACTORS (cont'd)

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.

December 31, 2023	**Level One**	**Level Two**	**Level Three**
	($)	**($)**	**($)**
Investments	**665,911**	**–**	**–**
Derivative liability	**–**	**(59,544)**	**–**
	665,911	**(59,544)**	**–**

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

There have been no transfers between levels 1, 2, or 3 during 2023 and 2022.

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company issued 4,127,879 common shares (US$500,000) to SRSR as part of their quarterly payment obligation.