P2 GOLD INC.

UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

P2 GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
Unaudited - Expressed in Canadian Dollars

	Note		September 30, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents		$	1,713,093	$	7,796,236
Receivables and other	3		757,816		202,781
			2,470,909		7,999,017
Non-current assets					
Restricted cash	4		-		146,603
Property, plant and equipment	5		292,524		306,493
Total assets		$	2,763,433	$	8,452,113
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	6	$	1,349,940	$	418,825
Current portion of lease obligations	7		129,340		117,620
Current portion of acquisition liabilities - Gabbs Project	8		11,545,133		4,885,095
Flow-through share ("FTS") premium liability			90,513		1,425,728
			13,114,926		6,847,268
Non-current liabilities					
Lease obligations	7		34,617		133,446
Acquisition liabilities - Gabbs Project	8		-		5,918,567
			13,149,543		12,899,281
SHAREHOLDERS' EQUITY					
Share capital	10		32,793,965		28,196,973
Other reserves	10		3,539,370		2,285,635
Accumulated other comprehensive income (loss) ("AOCI")			(688,014)		154,430
Deficit			(46,031,431)		(35,084,206)
			(10,386,110)		(4,447,168)
Total liabilities and shareholders' equity		$	2,763,433	$	8,452,113
Nature of operations and going concern	1				
Commitments	13				

Approved on behalf of the Board of Directors:

"Ron MacDonald"	*"Joseph Ovsenek"*
Ron MacDonald	Joseph Ovsenek
Chair of the Audit Committee	Chair of the Board, President and CEO

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

P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited - Expressed in Canadian dollars, except for share data

	Note	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Exploration and evaluation ("E&E") expenditures	8	$ 6,489,914	$ 2,610,338	$ 10,303,541	$ 23,490,075
Administrative expenses					
Share-based compensation	10	394,336	285,854	1,116,369	855,107
General and administrative		227,990	263,120	718,777	556,994
Investor relations and travel		51,867	35,277	303,293	94,035
Professional fees		68,493	15,790	147,166	185,137
Depreciation	5	39,607	32,737	110,478	95,035
Shareholder information		40,575	37,293	105,330	78,771
Total administrative expenses		822,868	670,071	2,501,413	1,865,079
Operating loss		(7,312,782)	(3,280,409)	(12,804,954)	(25,355,154)
Interest and finance expense	9	(261,204)	(196,001)	(753,510)	(300,753)
Gain on sale exploration property		-	-	-	10
Foreign exchange gain (loss)		(165)	(8,775)	1,077	(2,961)
Interest and finance income		9,333	325	19,967	2,244
Gain on modification of acquisition liabilities	8	-	-	729,012	-
Loss before taxes		(7,564,818)	(3,484,860)	(12,808,408)	(25,656,614)
Current income tax expense		-	-	(199)	-
FTS premium recovery		1,372,346	235,000	1,861,382	291,717
Net loss for the period		$ (6,192,472)	$ (3,249,860)	$ (10,947,225)	$ (25,364,897)
Other comprehensive loss, net of tax					
Items that may be subsequently reclassified to earnings or loss:					
Currency translation adjustments		(671,372)	(160,942)	(842,444)	53,130
Comprehensive loss for the period		$ (6,863,844)	$ (3,410,802)	$ (11,789,669)	$ (25,311,767)
Loss per share - basic and diluted		$ (0.08)	$ (0.05)	$ (0.15)	$ (0.57)
Weighted average number of shares		79,962,697	59,965,699	74,144,174	44,529,600

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

P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited - Expressed in Canadian dollars

	Note	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Cash flows used in operating activities					
Net loss for the period		$ (6,192,472)	$ (3,249,860)	$ (10,947,225)	$ (25,364,897)
Items not affecting cash:					
Current income tax expense		-	-	199	-
Depreciation	5	39,607	32,737	110,478	95,035
FTS premium recovery		(1,372,346)	(235,000)	(1,861,382)	(291,717)
Gain on modification of acquisition liabilities	8	(6,479)	-	(735,491)	-
Interest and finance expense, net		251,871	195,676	733,053	298,509
Share-based compensation	10	394,336	285,854	1,116,369	855,107
Shares issued for acquisition of Gabbs Project and property option payments	8, 10	295,000	130,000	379,000	7,730,000
Unrealized foreign exchange loss (gain)		4,079	2,563	4,757	(1,695)
Changes in non-cash working capital items:					
Receivables and other assets		(199,492)	(634,706)	(553,404)	(510,956)
Accounts payable and accrued liabilities		585,114	(141,042)	988,390	144,753
Acquisition liabilities - Gabbs Project		(122,080)	127,651	(122,080)	10,437,759
Income taxes paid		-	-	(199)	-
Net cash used in operating activities		(6,322,862)	(3,486,127)	(10,887,535)	(6,608,102)
Cash flows generated by (used in) investing activities					
Interest received		9,333	325	19,967	2,244
Purchase of property, plant and equipment	5	(96,509)	(27,196)	(96,509)	(77,225)
Restricted cash		168,603	7,000	146,603	(139,603)
Net cash generated by (used in) investing activities		81,427	(19,871)	70,061	(214,584)
Cash flows generated by financing activities					
Payment of lease obligations	7	(34,358)	(33,519)	(103,074)	(100,560)
Proceeds from exercise of share options		204,000	-	447,400	6,250
Proceeds from exercise of warrants		-	-	19,500	-
Proceeds from FTS private placement	10	-	1,010,000	3,157,000	2,760,302
Proceeds from private placements	10	-	-	1,441,900	5,949,030
Share issuance costs		(165,948)	(13,665)	(238,034)	(226,424)
Net cash generated by financing activities		3,694	962,816	4,724,692	8,388,598
(Decrease) increase in cash and cash equivalents for the period		**(6,237,741)**	**(2,543,182)**	**(6,092,782)**	**1,565,912**
Cash and cash equivalents, beginning of period		7,942,937	5,748,316	7,796,236	1,634,964
Effect of foreign exchange rate changes on cash and cash equivalents		7,897	(762)	9,639	3,496
Cash and cash equivalents, end of period		**$ 1,713,093**	**$ 3,204,372**	**$ 1,713,093**	**$ 3,204,372**

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

P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited - Expressed in Canadian dollars, except for share data

	Note	Number of common shares	Share capital	Other reserves	AOCI	Deficit	Total
Balance - December 31, 2020		29,518,331	$ 8,490,458	$ 948,771	$ -	$ (7,696,870)	$ 1,742,359
Private placement		11,898,060	5,949,030	-	-	-	5,949,030
FTS private placements		5,437,170	2,365,785	-	-	-	2,365,785
Share issuance costs		-	(245,424)	-	-	-	(245,424)
Share issuance costs - brokers warrants		-	(81,983)	81,983	-	-	-
Shares issued for acquisition of Gabbs Project	8	15,000,000	7,500,000	-	-	-	7,500,000
Shares issued for property option payments	8 , 10	500,000	230,000	-	-	-	230,000
Issuance of warrants		-	(87,515)	87,515	-	-	-
Exercise of share options		20,834	11,011	(4,761)	-	-	6,250
Value assigned to share options vested	10	-	-	855,107	-	-	855,107
Currency translation adjustments		-	-	-	53,130	-	53,130
Loss for the period		-	-	-	-	(25,364,897)	(25,364,897)
Balance - September 30, 2021		62,374,395	$ 24,131,362	$ 1,968,615	$ 53,130	$ (33,061,767)	$ (6,908,660)
Balance - December 31, 2021		70,347,882	$ 28,196,973	$ 2,285,635	$ 154,430	$ (35,084,206)	$ (4,447,168)
Private placements	10	2,883,800	1,441,900	-	-	-	1,441,900
FTS private placement	10	5,261,667	2,630,834	-	-	-	2,630,834
Share issuance costs		-	(184,276)	-	-	-	(184,276)
Share issuance costs - brokers warrants	10	-	(37,131)	37,131	-	-	-
Shares issued for property option payments	8, 10	850,000	379,000	-	-	-	379,000
Issuance of warrants	10	-	(466,367)	466,367	-	-	-
Exercise of share options	10	1,060,000	813,532	(366,132)	-	-	447,400
Exercise of warrants	10	30,000	19,500	-	-	-	19,500
Value assigned to share options vested	10	-	-	1,116,369	-	-	1,116,369
Currency translation adjustments		-	-	-	(842,444)	-	(842,444)
Loss for the period		-	-	-	-	(10,947,225)	(10,947,225)
Balance - September 30, 2022		80,433,349	$ 32,793,965	$ 3,539,370	$ (688,014)	$ (46,031,431)	$ (10,386,110)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

P2 Gold Inc. (the "Company") was incorporated under the laws of the Canada Business Corporations Act on November 10, 2017. The Company's common shares are traded on the TSX Venture Exchange ("Exchange") under the symbol "PGLD" and the OTCQB Venture Market under the symbol "PGLDF". The address of the Company's head office is Suite 1100 – 355 Burrard Street, Vancouver, British Columbia ("BC"), Canada, V6C 2G8.

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral resource properties primarily in BC, Canada and the western United States of America ("USA"). Currently, the Company is focused on acquiring ownership rights to these properties and financing exploration programs to identify potential mineral reserves.

The Company has not yet determined whether its mineral resource properties contain mineral reserves that are economically recoverable. The continued operation of the Company is dependent upon the preservation of its interest in its properties, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

(b) Going concern assumption

These condensed consolidated interim financial statements are prepared on a going concern basis, which contemplates that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for at least twelve months from September 30, 2022. The Company has incurred ongoing losses and expects to incur further losses in the advancement of its business activities. For the nine months ended September 30, 2022, the Company incurred a net loss of $10,947,225 and used cash in operating activities of $10,887,535. As at September 30, 2022, the Company had cash and cash equivalents of $1,713,093, a working capital (current assets less current liabilities) deficit of $10,644,017 and an accumulated deficit of $46,031,431. The Company is committed to spend $1,675,165 prior to December 31, 2023 on qualifying exploration expenditures in accordance with the terms of its FTS financings.

The Company continues to incur losses, has limited financial resources and has no current source of revenue or cash flow generated from operating activities. To address its financing requirements, the Company plans to seek financing through, but not limited to, debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of or eliminate one or more of its exploration programs or relinquish some or all of its rights under its existing option and acquisition agreements.

The above factors give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

Expressed in Canadian dollars, except for share data and as otherwise noted

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The Company's significant accounting policies applied in these condensed consolidated interim financial statements are the same as those disclosed in note 3 of the Company's annual consolidated financial statements as at and for the years ended December 31, 2021 and 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements.

The functional currency of the parent company is the Canadian dollar ("CAD") and the functional currency of each of the Company's subsidiaries is the United States dollar ("USD" or "US$"). The presentation currency of these condensed consolidated interim financial statements is CAD.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 9, 2022.

(b) Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates. It also requires management to exercise judgment in the process of applying its accounting policies. Estimates and policy judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant accounting policy judgments aside from the ability to continue as a going concern (refer to note 1b) and there are no sources of material estimation uncertainty which could result in material changes within the next twelve months in the carrying amounts of assets and liabilities.

3. RECEIVABLES AND OTHER

		September 30, 2022		December 31, 2021
Prepaid expenses and deposits	$	473,479	$	165,506
Tax receivables		284,337		37,275
	$	757,816	$	202,781

Expressed in Canadian dollars, except for share data and as otherwise noted

4. RESTRICTED CASH

As at September 30, 2022, the Company has no restricted cash (December 31, 2021 – $146,603). The Company replaced its restricted cash (i.e. reclamation security deposits) with surety bonds of $136,103 in favour of the BC Ministry of Energy, Mines and Low Carbon Innovation in support of the reclamation requirements for the BAM Project and Silver Reef Property. The reclamation security deposits were returned to the Company.

The reclamation security deposit for the Natlan Property, in the amount of $32,500, was returned due to the termination of the option agreement.

5. PROPERTY, PLANT AND EQUIPMENT

		Property, plant and equipment		Right-of-use ("ROU") asset		Total
Period ended September 30, 2022						
Cost						
Balance - December 31, 2021	$	80,976	$	354,359	$	435,335
Additions		96,509		-		96,509
Balance - September 30, 2022	$	177,485	$	354,359	$	531,844
Accumulated depreciation						
Balance - December 31, 2021	$	10,722	$	118,120	$	128,842
Depreciation		21,888		88,590		110,478
Balance - September 30, 2022	$	32,610	$	206,710	$	239,320
Net book value - September 30, 2022	$	144,875	$	147,649	$	292,524

The ROU asset consists of the Company's corporate head office lease which is depreciated over the term of the lease (36 months).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2022		December 31, 2021
Trade payables	$	1,284,156	$	386,548
Payroll liabilities		51,843		8,737
Accrued liabilities		13,941		23,540
	$	1,349,940	$	418,825

Expressed in Canadian dollars, except for share data and as otherwise noted

7. LEASE OBLIGATIONS

As at September 30, 2022, the Company's undiscounted lease obligations consisted of the following:

	September 30, 2022	December 31, 2021
Gross lease obligations - minimum lease payments		
1 year	$ 139,946	$ 137,432
2-3 years	35,196	140,784
	$ 175,142	$ 278,216
Future interest expense on lease obligations	(11,185)	(27,150)
Total lease obligations	$ 163,957	$ 251,066
Current portion of lease obligations	(129,340)	(117,620)
Non-current portion of lease obligations	$ 34,617	$ 133,446

For the nine months ended September 30, 2022, interest expense on the lease obligations was $15,966 (2021 – $24,062). Total cash payments on lease obligations were $103,074 (2021 – $100,560).

8. E&E EXPENDITURES

The E&E expenditures of the Company, by property, for the three and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
BAM Project	$ 5,906,635	$ 1,028,439	$ 7,910,635	$ 1,784,182
Gabbs Project	323,122	1,121,949	2,107,530	20,403,086
Silver Reef Property	297,250	238,916	302,833	763,742
Lost Cabin Property	43,119	48,467	61,155	105,864
Prospective exploration properties	30,099	(32,685)	30,099	15,000
Natlan Property	-	166,611	1,200	166,611
Todd Creek Property	-	312,085	400	424,992
Stockade Property	-	128,344	-	190,918
Timmins Property	-	-	-	37,468
British Columbia Mineral Exploration Tax Credit ("BCMETC") recovery	(110,311)	(401,788)	(110,311)	(401,788)
	$ 6,489,914	$ 2,610,338	$ 10,303,541	$ 23,490,075

8. E&E EXPENDITURES (Continued)

(a) Gabbs Project

On February 22, 2021, the Company entered into an asset purchase agreement with Borealis Mining Company, LLC ("Borealis"), an indirect, wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP ("Waterton") to acquire all the assets that comprise the Gabbs Project located on the Walker-Lane Trend in the Fairplay Mining District of Nye County, Nevada.

On May 4, 2021, the Company and Borealis agreed to amend the terms of the asset purchase agreement ("Amended Agreement"). Under the Amended Agreement, the Company paid $1,216,600 (US$1,000,000) and issued 15,000,000 common shares ($7,500,000 in fair value) in its capital to Waterton at closing of the transaction. In addition, the Company was required to pay Waterton Nevada Splitter LLC ("Splitter") (a) US$4,000,000 on the twelve-month anniversary of closing and (b) US$5,000,000 on the earlier of the announcement of results of a Preliminary Economic Assessment ("PEA") and the 24-month anniversary of closing. Borealis has reserved for itself a 2% net smelter returns royalty on production from the Gabbs Project, of which one percent may be repurchased at any time by the Company for US$1,500,000 and the remaining one percent of which may be repurchased for US$5,000,000.

On April 28, 2022, the Company and Splitter agreed to amend the terms of the milestone payments under the Amended Agreement for the purchase of the Gabbs Project.

Under the amended terms, the Company would pay Splitter (a) US$500,000 on May 31, 2022; (b) US$500,000 on December 31, 2022, if the Company completes an equity financing in the second half of 2022; and (c) US$8,000,000 or US$8,500,000 on May 14, 2023 (depending on whether US$500,000 is paid on December 31, 2022), provided that if the Company announces the results of a PEA prior to May 14, 2023, all outstanding payments will be due on the earlier of 60 days following the announcement of such results and May 14, 2023, and if the Company sells an interest in the Gabbs Project at any time, including without limitation, a royalty or stream, the proceeds of such sale shall be paid to Splitter up to the amount remaining outstanding. The other terms in respect of the acquisition of the Gabbs Project remain unchanged.

During the third quarter of 2022, the Company made a payment of US$100,000 to Splitter with the remaining US$400,000 owing of the May 31, 2022 amount, still outstanding, as of September 30, 2022. As a result of challenging market conditions, the Company and Splitter have been in negotiations to address potential options to restructure the asset purchase agreement.

Under the amended terms, the financial liability associated with the acquisition of the Gabbs Project was remeasured and recognized at a fair value of US$8,148,511, using a discount rate of 10.0%. This resulted in a gain on modification of acquisition liabilities of US$573,348 (C$729,012). As at September 30, 2022, the remaining amounts payable under the Amended Agreement were recorded on the statement of financial position and the Company's undiscounted acquisition liabilities consisted of the following:

Expressed in Canadian dollars, except for share data and as otherwise noted

8. E&E EXPENDITURES (Continued)

	September 30, 2022	December 31, 2021
Gross acquisition liabilities - Gabbs Project		
1 year	$ 12,199,230	$ 5,071,200
2-3 years	-	6,339,000
	$ 12,199,230	$ 11,410,200
Future accretion expense on acquisition liabilities	(654,097)	(606,538)
Total acquisition liabilities - Gabbs Project	$ 11,545,133	$ 10,803,662
Current portion of acquisition liabilities - Gabbs Project	(11,545,133)	(4,885,095)
Non-current portion of acquisition liabilities - Gabbs Project	$ -	$ 5,918,567

For the nine months ended September 30, 2022, accretion of acquisition liabilities related to the Gabbs Project was $737,054 (2021 – $276,691) which was recorded in the statement of loss.

(b) Option agreements

For the nine months ended September 30, 2022 and year ended December 31, 2021, the Company paid in cash and issued in common shares the following amounts under the option agreements for its mineral projects:

	For the nine months ended September 30, 2022			For the year ended December 31, 2021		
	Cash paid	Common shares issued	Fair value of shares issued	Cash paid	Common shares issued	Fair value of shares issued
BAM Project	$ 200,000	200,000	$ 84,000	$ 150,000	200,000	$ 90,000
Lost Cabin Property	32,114	-	-	18,651	-	-
Silver Reef Property	-	650,000	295,000	200,000	200,000	100,000
Todd Creek Property	-	-	-	150,000	-	-
Stockade Property	-	-	-	25,139	-	-
Natlan Property	-	-	-	25,000	100,000	40,000
	$ 232,114	850,000	$ 379,000	$ 568,790	500,000	$ 230,000

Amendment to option agreement – Silver Reef

On June 20, 2022, the Company entered into an agreement amending the terms of the option agreement by which the Company can acquire up to a 100% interest in the Silver Reef Property.

Under the terms of the amended option agreement, in place of paying the vendor $500,000 and 800,000 common shares on the second anniversary (June 10, 2022) of the option agreement, the Company will now pay the vendor:

- $175,000 (in cash or common shares valued at $0.50 per share) and 300,000 common shares following the approval of the amended option agreement by the Exchange;

Expressed in Canadian dollars, except for share data and as otherwise noted

8. E&E EXPENDITURES (Continued)

- $175,000 (in cash or common shares valued at the greater of the closing price of the common shares on the Exchange on June 9, 2023, and the discounted market price, as defined in Exchange policy 1.1) and 300,000 common shares on June 12, 2023; and
- $200,000 (in cash or common shares valued at the greater of the closing price of the common shares on the Exchange on June 7, 2024, and the discounted market price) and 200,000 common shares on June 10, 2024.

In addition, the Company has until September 30, 2024 to incur any remaining exploration expenditures at the property. The other terms in respect of the option agreement for the Silver Reef Property remain unchanged.

On July 8, 2022, the Exchange approved the amended option agreement with the discounted market price set at $0.33 per common share. On July 11, 2022, the Company issued 650,000 common shares ($295,000 in fair value) to meet the requirements under the amended option agreement.

Amendment to option agreement – Lost Cabin

On July 7, 2022, the Company entered into an agreement amending the terms of the option agreement for the Lost Cabin Property. Under the terms of the amended option agreement, the Company has until September 2023 to complete a minimum of 2,000 meters of drilling on the property. The other terms in respect of the option agreement for the Lost Cabin Property remain unchanged.

Future requirements under option agreements

The Company has the following cash and share requirements under its existing option agreements:

Project	Ownership under option	Form	2022	2023	2024	Total
BAM Project[(1)]	70%	Cash	$ -	$ 550,000	$ -	$ 550,000
		Shares	-	800,000	-	800,000
Silver Reef Property[(2)]	70%	Cash or shares	$ -	$ 175,000	$ 200,000	$ 375,000
		Shares	-	300,000	200,000	500,000
Lost Cabin Property[(3)]	100%	Cash	$ -	$ 54,828	$ 54,828	$ 109,656

(1) Following exercise of the option for the BAM Project, the Company has the right for a period of 120 days to acquire the remaining 30% interest, for a total of 100%, on payment of $7,500,000, of which, up to $4,000,000 may be paid in shares of the Company. If the Company elects not to purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator. In the first three years of the joint venture, if the vendor fails to sell its interest, the vendor's interest will convert to a 2% net smelter returns royalty with the Company having the opportunity to purchase the vendor's interest prior to conversion for $7,500,000.

(2) Following exercise of the option for the Silver Reef Property, the Company has the right for a period of 120 days to acquire the remaining 30% interest, for a total of 100%, on payment of $7,500,000, of which, up to $4,000,000 may be paid in shares of the Company. If the Company elects not to purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator. In the first three years of the joint venture, if the vendor fails to sell its interest, the vendor's interest will convert to a 3% net smelter returns royalty with the Company having the opportunity to purchase the vendor's interest prior to conversion for $7,500,000.

(3) Pre-production payments of US$20,000 are required every six months after March 10, 2023.

Expressed in Canadian dollars, except for share data and as otherwise noted

8. E&E EXPENDITURES (Continued)

In addition to the cash and share requirements under the existing option agreements, there are minimum cumulative spending requirements on the properties as follows:

Project	2021	2022	2023	2024	Status
BAM Project	$ 150,000	$ 400,000	$ 750,000	$ -	Completed
Silver Reef Property	250,000	750,000	-	2,000,000	In progress
Lost Cabin Property[1]	30,000	-	-	-	Completed

(1) The spending requirements for the Lost Cabin Property are in USD. The option agreement for the Lost Cabin Property also requires a minimum of 2,000 meters of drilling by September 2023, which remains in progress.

(c) E&E expenditures – Nature of expense

The E&E expenditures of the Company, by nature of expense, for the three and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Drilling	$ 2,178,493	$ 653,877	$ 2,942,495	$ 852,789
Helicopters	1,611,207	329,640	2,153,834	663,045
Camp costs and access road	764,161	255,302	1,199,325	433,383
Assays	433,943	169,316	786,761	226,885
Acquisition costs	316,848	500,435	636,130	20,053,867
Technical and assessment reports	160,788	28,615	638,217	84,635
Salaries and benefits	347,078	253,300	617,149	253,300
Equipment rentals	293,947	96,008	395,853	132,044
Geophysical and other surveys	93,105	164,574	362,778	302,334
Consulting	142,798	263,617	308,136	519,023
Government payments	167,398	149,996	213,937	159,083
Travel expenses	75,693	108,486	122,134	127,479
Other E&E expenditures	14,766	38,960	37,103	83,996
BCMETC recovery	(110,311)	(401,788)	(110,311)	(401,788)
	$ 6,489,914	$ 2,610,338	$ 10,303,541	$ 23,490,075

Expressed in Canadian dollars, except for share data and as otherwise noted

9. INTEREST AND FINANCE EXPENSE

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Accretion of acquisition liabilities - Gabbs Project	$ 256,608	$ 188,618	$ 737,054	$ 276,691
Interest expense on leases	4,596	7,383	15,966	24,062
Interest expense - other	-	-	490	-
	$ 261,204	$ 196,001	$ 753,510	$ 300,753

10. SHARE CAPITAL AND OTHER RESERVES

(a) Share capital

At September 30, 2022, the authorized share capital of the Company consisted of an unlimited number of common shares without par value.

For the nine months ended September 30, 2022, the Company issued 850,000 common shares (2021 – 500,000) with a fair value in the amount of $379,000 (2021 – $230,000) related to obligations under option agreements. For by-property details related to common shares issued under option agreements, refer to note 8b.

On June 30, 2022, the Company completed the following private placements:

- A private placement of 5,261,667 flow-through units at a price of $0.60 per unit for gross proceeds of $3,157,000. Each unit consisted of one flow-through common share in the capital of the Company and one non-flow through common share purchase warrant. Using the residual method, the warrants were valued at $447,242. The Company bifurcated the remaining gross proceeds between share capital of $2,183,592 and flow-through share premium of $526,166 based on the observable market premium.
- A private placement of 225,000 non-flow-through units at a price of $0.50 per unit for gross proceeds of $112,500. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant. Using the residual method, the warrants were valued at $19,125.

For the completed private placements, each warrant entitles the holder to purchase one additional non-flow through common share in the capital of the Company at an exercise price of $0.95 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than $1.90 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Total share issuance costs associated with the private placements were $209,293 including finder's fees of $191,996 consisting of $156,060 in cash and $35,936 related to 260,100 brokers warrants issued.

Expressed in Canadian dollars, except for share data and as otherwise noted

10. SHARE CAPITAL AND OTHER RESERVES (Continued)

On June 2, 2022, the Company completed a private placement for 2,658,800 units at a price of $0.50 per unit for gross proceeds of $1,329,400. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at an exercise price of $0.95 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than $1.90 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Using the residual method, the warrants were valued at nil. Total share issue costs associated with the private placement were $11,592 including finder's fees of $4,195 consisting of $3,000 in cash and $1,195 related to 6,000 brokers warrants issued.

(b) Other reserves

The Company's other reserves consisted of the following:

		September 30, 2022		December 31, 2021
Other reserve - Share options	$	2,654,579	$	1,904,342
Other reserve - Warrants		884,791		381,293
	$	3,539,370	$	2,285,635

(c) Share options

The following table summarizes the changes in share options for the nine months ended September 30:

	2022			2021		
	Number of share options		Weighted average exercise price	Number of share options		Weighted average exercise price
Outstanding, January 1,	4,684,166	$	0.50	2,660,000	$	0.48
Granted	4,040,000		0.55	2,270,000		0.50
Exercised	(1,060,000)		0.42	(20,834)		0.30
Forfeited	-		-	(16,500)		0.47
Expired	(1,025,000)		0.58	-		-
Outstanding, September 30,	6,639,166	$	0.53	4,892,666	$	0.49

For the options exercised during the period, the related weighted average share price at the time of exercise was $0.52 (2021 – $0.49).

Expressed in Canadian dollars, except for share data and as otherwise noted

10. SHARE CAPITAL AND OTHER RESERVES (Continued)

The following table summarizes information about share options outstanding and exercisable at September 30, 2022:

	Share options outstanding		Share options exercisable		
Exercise prices	Number of share options outstanding	Weighted average years to expiry	Number of share options exercisable		Weighted average exercise price
$0.26 - $0.50	3,077,500	1.58	1,483,600	$	0.42
$0.51 - $0.75	3,561,666	1.06	3,025,416		0.60
	6,639,166	1.30	4,509,016	$	0.54

The total share-based compensation expense for the nine months ended September 30, 2022 was $1,116,369 (2021 – $855,107) which was expensed in the statement of loss.

The following are the weighted average assumptions used to estimate the fair value of share options granted for the nine months ended September 30, 2022 and 2021 using the Black-Scholes pricing model:

	For the nine months ended	
	September 30, 2022	September 30, 2021
Expected life	2 years	2 years
Expected volatility	115.43%	195.33%
Risk-free interest rate	2.30%	0.30%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

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

Expressed in Canadian dollars, except for share data and as otherwise noted

10. SHARE CAPITAL AND OTHER RESERVES (Continued)

(d) Warrants

The following table summarizes the changes in warrants for the nine months ended September 30:

	2022			2021		
	Number of warrants		Warrant reserve	Number of warrants		Warrant reserve
Outstanding, January 1,	31,441,832	$	381,293	8,176,666	$	9,489
Transactions during the period:						
Warrants issued - private placements	2,883,800		19,125	11,898,060		-
Warrants issued - FTS private placement	5,261,667		447,242	2,917,170		87,515
Broker's warrants issued - private placements	266,100		37,131	187,140		81,983
Warrants exercised	(30,000)		-	-		-
Warrants expired	(4,600,000)		-	-		-
Outstanding, September 30,	35,223,399	$	884,791	23,179,036	$	178,987

At September 30, 2022, the weighted average exercise price for the outstanding warrants is $0.87 (2021 – $0.80).

For the nine months ended September 30, 2022, brokers warrants issued in connection with the private placements were valued at $37,131 (2021 – $81,983) using the Black-Scholes pricing model. The following are the weighted average assumptions used to estimate the fair value of brokers warrants issued for the nine months ended September 30, 2022 and 2021 using the Black-Scholes pricing model:

	For the nine months ended	
	September 30, 2022	September 30, 2021
Expected life	2.00	2.00
Expected volatility	99.49%	196.15%
Risk-free interest rate	3.09%	0.31%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

11. RELATED PARTIES

Key management includes the Company's directors and officers including its President and Chief Executive Officer, Chief Exploration Officer, Executive Vice President and Chief Financial Officer. It also includes the Company's former directors and officers.

Directors and key management compensation:

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Share-based compensation	$ 306,905	$ 203,673	$ 856,083	$ 726,602
Salaries and benefits	121,843	133,667	404,911	142,305
Management and consulting fees	10,280	-	10,280	76,995
	$ 439,028	$ 337,340	$ 1,271,274	$ 945,902

As at September 30, 2022, accounts payable and accrued liabilities include $32,874 (December 31, 2021 – $16,850) owed to three officers (December 31, 2021 – four officers) of the Company for reimbursement of transactions incurred in the normal course of business.

A total of 480,000 units were purchased in the FTS private placement completed on June 30, 2022 by two officers and directors of the Company. A total of 200,000 units were purchased in the non-FTS private placement completed on June 30, 2022 by one officer of the Company.

A total of 1,600,000 units were purchased in the private placement completed on June 2, 2022 by three officers of the Company.

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk from its use of financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's cash flows or value of its financial instruments.

(i) Currency risk

The Company is subject to currency risk on financial instruments that are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses would impact the statement of loss.

The Company is exposed to currency risk through cash and cash equivalents and accounts payable and accrued liabilities held in the parent entity which are denominated in USD.

12. FINANCIAL RISK MANAGEMENT (Continued)

The following table shows the impact on pre-tax loss of a 10% change in the USD:CAD exchange rate on financial assets and liabilities denominated in USD, as of September 30, 2022, with all other variables held constant:

	Impact of currency rate change on pre-tax loss	
	10% increase	10% decrease
Cash and cash equivalents	$ 13,710	$ (13,710)
Accounts payable and accrued liabilities	(13,271)	13,271

(ii) *Interest rate risk*

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

The impact on pre-tax loss of a 1% change in interest rates on financial assets and liabilities as of September 30, 2022, with all other variables held constant, would be nominal.

(b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-credit quality financial institutions. Management believes there is a nominal expected credit loss associated with its financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Cash flow forecasting is performed regularly to try to ensure that there is sufficient liquidity in order to meet short-term business requirements.

Refer to note 1b for further discussion regarding the Company's ability to continue as a going concern.

(d) Fair value estimation

The Company's financial assets and liabilities are initially measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

Expressed in Canadian dollars, except for share data and as otherwise noted

12. FINANCIAL RISK MANAGEMENT (Continued)

The three levels of fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables and other and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The acquisition liabilities for the Gabbs Project were initially recognized at fair value and subsequently measured at amortized cost.

13. COMMITMENTS

The following table provides the Company's gross contractual obligations as of September 30, 2022:

	1 year	2 -3 years	More than 3 years	Total
Acquisition liabilities - Gabbs Project	$ 12,199,230	$ -	$ -	$ 12,199,230
Lease obligations	139,946	35,196	-	175,142
	$ 12,339,176	$ 35,196	$ -	$ 12,374,372