Lahontan Gold Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(expressed in United States dollars)

Independent auditor's report

To the Shareholders of Lahontan Gold Corp.

Our opinion

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

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

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation assets *Refer to note 2 – Significant accounting policies, note 3 – Critical accounting estimates and judgments, and note 7 – Exploration and evaluation assets to the consolidated financial statements.* The carrying amount of exploration and evaluation assets amounted to $14.6 million as at December 31, 2022. Determining if there are any facts and circumstances indicating impairment loss is a subjective process involving judgment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Determining whether to test for impairment of exploration and evaluation assets requires management's judgment regarding the following factors, among others: (1) the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; (2) substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; (3) exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;	Our approach to addressing the matter included the following procedures, among others: • Assessed the judgment made by management in determining the impairment indicators such as: - Obtained, for all claims, by reference to government registries where available, evidence to support (i) the right to explore the area and (ii) claim expiration dates. - Read the board of directors' minutes and obtained budget approvals to evidence continued and planned substantive expenditure on further exploration and evaluation of mineral resources, and whether the right to explore in specific areas is expected to be renewed. - Assessed whether exploration for and evaluation of mineral resources in specific areas have not lead to the discovery of commercially viable quantities of mineral resources and whether sufficient data exists to indicate that the carrying amounts of the exploration and evaluation assets are unlikely to be recovered in full from successful development or by sale, based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
or (4) sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as at December 31, 2022. We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgment made by management in its assessment of the factors of impairment related to exploration and evaluation assets which have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.	

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accounts, Licensed Public Accountants

Ottawa, Ontario
April 26, 2023

Lahontan Gold Corp.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(expressed in United States dollars)

	December 31, 2022 $	December 31, 2021 $
Assets		
Current assets:		
Cash and cash equivalents	806,724	1,044,831
Amounts receivable (note 5)	7,802	72,701
Prepaid expenses	65,082	372,868
	879,608	1,490,400
Reclamation deposits (note 6)	317,793	317,793
Exploration and evaluation assets (note 7)	14,576,489	12,344,407
	14,894,282	12,662,200
Total assets	15,773,890	14,152,600
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	85,324	137,495
Asset retirement obligation (note 8)	363,223	357,223
Deferred tax liability (note 10)	924,986	806,040
	1,288,209	1,163,263
Total liabilities	1,373,533	1,300,758
Shareholders' equity		
Capital stock (note 9)	45,419,989	42,880,244
Warrants (note 9)	1,687,125	1,054,120
Contributed surplus (note 9)	7,544,907	6,592,207
Accumulated deficit	(40,183,119)	(37,771,687)
Accumulated other comprehensive income (loss)	(68,545)	96,958
Total shareholders' equity	14,400,357	12,851,842
Total liabilities and shareholders' equity	15,773,890	14,152,600

Going concern (note 1)

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

Approved by the Board of Directors:

/s/ John McConnell	*/s/ Chris Donaldson*
Director	Director

Lahontan Gold Corp.
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss

(expressed in United States dollars)

	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Expenses		
Promotion and website	444,273	66,570
Regulatory authority and transfer agent fees	87,992	6,160
Legal, accounting and audit	153,132	232,501
Office, general and administrative	393,556	209,592
Share based compensation (note 9)	881,100	-
Total expenses	(1,960,053)	(514,823)
Other income/(expense)		
Interest income	12,692	3,495
Listing expense (note 4)	(345,125)	-
Other income (note 7)	-	250,000
	(332,433)	253,495
Loss before tax	(2,292,486)	(261,328)
Deferred income tax expense	(118,946)	(206,506)
Net loss for the year	(2,411,432)	(467,834)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(165,503)	6,789
Total comprehensive loss for the year	(2,576,935)	(461,045)
Loss per common share:		
Basic and diluted	(0.03)	(0.01)
Weighted average number of common shares outstanding:		
Basic and diluted	90,214,474	74,774,439

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

Lahontan Gold Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity

(expressed in United States dollars)

	Capital stock #	Capital stock $	Warrants #	Warrants $	Contributed surplus $	Accumulated deficit $	Accumulated other comprehensive income (loss) $	Total shareholders' equity $
Balance, December 31, 2020	67,840,532	39,931,014	528,325	71,600	6,592,207	(37,303,853)	90,169	9,381,137
Net loss for the year	-	-	-	-	-	(467,834)	-	(467,834)
Foreign currency translation adjustment	-	-	-	-	-	-	6,789	6,789
Total comprehensive loss for the year	-	-	-	-	-	(467,834)	6,789	(461,045)
Common shares issued for property acquisition (notes 7 and 9)	196,500	47,280	-	-	-	-	-	47,280
Private placement of common shares and warrants (note 9)	14,623,469	3,165,486	7,311,734	913,670	-	-	-	4,079,156
Finder warrants (note 9)	-	(68,850)	575,304	68,850	-	-	-	-
Share issue costs	-	(194,686)	-	-	-	-	-	(194,686)
Balance, December 31, 2021	82,660,501	42,880,244	8,415,363	1,054,120	6,592,207	(37,771,687)	96,958	12,851,842
Net loss for the year	-	-	-	-	-	(2,411,432)	-	(2,411,432)
Foreign currency translation adjustment	-	-	-	-	-	-	(165,503)	(165,503)
Total comprehensive loss for the year	-	-	-	-	-	(2,411,432)	(165,503)	(2,576,935)
Shares issued to shareholders of 1246765 B.C. Ltd. (note 4)	1,111,111	320,000	-	-	-	-	-	320,000
Private placement of units (note 9)	8,888,889	2,558,508	4,444,444	642,542	-	-	-	3,201,050
Broker warrants issued to finders (note 9)	-	(62,063)	429,291	62,063	-	-	-	-
Share issue costs	-	(314,854)	-	-	-	-	-	(314,854)
Stock option compensation charge (note 9)	-	-	-	-	881,100	-	-	881,100
Common shares issued for Moho property interest (notes 7 and 9)	800,000	38,154	-	-	-	-	-	38,154
Expiry of finder warrants (notes 9)	-	-	(528,325)	(71,600)	71,600	-	-	-
Balance, December 31, 2022	93,460,501	45,419,989	12,760,773	1,687,125	7,544,907	(40,183,119)	(68,545)	14,400,357

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

Lahontan Gold Corp.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows

(expressed in United States dollars)

	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(2,411,432)	(467,834)
Items not affecting cash:		
Accretion of asset retirement obligation (note 8)	6,000	4,980
Share based compensation (note 9)	881,100	-
Listing expense (note 4)	320,000	-
Deferred income tax expense	118,946	206,506
Changes in working capital items:		
Amounts receivable	64,899	(62,843)
Prepaid expenses	307,786	(372,868)
Accounts payable and accrued liabilities	(73,992)	41,762
	(786,693)	(650,297)
Investing activities		
Reclamation deposits (note 6)	-	(71,530)
Exploration and evaluation assets (note 7)	(2,172,107)	(4,018,805)
	(2,172,107)	(4,090,335)
Financing activities		
Private placement of shares and warrants (note 9)	3,201,050	4,079,156
Share issue costs	(314,854)	(194,686)
	2,886,196	3,884,470
Effect of exchange rate changes on cash and cash equivalents	(165,503)	6,789
Net change in cash and cash equivalents	(238,107)	(849,373)
Cash and cash equivalents - Beginning of year	1,044,831	1,894,204
Cash and cash equivalents - End of year	806,724	1,044,831

Supplemental cash flow information (note 15)

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

(expressed in United States dollars)

1. Nature of operations and going concern

General information

Lahontan Gold Corp. was incorporated under the *Business Corporations Act (Ontario)* on May 14, 2020 and is referred to herein as "Original Lahontan". On September 25, 2020, Original Lahontan completed a reverse takeover transaction with Gateway Gold Corp. ("Gateway"). Gateway is considered the accounting acquirer, and accordingly, the Company was considered a continuation of Gateway for accounting purposes. On April 5, 2022, Original Lahontan completed a transaction (the "Amalgamation") with 1246765 B.C. Ltd. ("765 BC") that resulted in 765 BC indirectly acquiring interests in the Santa Fe, Moho and Redlich projects located in Nevada. The transaction was effected through an amalgamation agreement and constitutes a reverse takeover (the "RTO") of 765 BC by Original Lahontan. In connection with the Amalgamation, 765 changed its name to Lahontan Gold Corp. and Original Lahontan's name was changed to 1000166543 Ontario Inc. ("1000 Ont."). As a result of the RTO, 1000 Ont. was identified as the acquiror (legal subsidiary) and 765 BC was treated as the accounting subsidiary (legal parent). On April 11, 2022 the TSX Venture Exchange ("TSXV") issued its final acceptance of the listing statement dated March 28, 2022. Trading of the resulting issuer shares commenced on April 13, 2022 under the trading symbol "LG" (see note 4). Lahontan Gold Corp. (formerly 765 BC) is referred to herein with all of its subsidiaries as "Lahontan" or the "Company".

The Company is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of mineral properties in Nevada, USA. The Company has not determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for exploartion and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company's registered office is located at 600-890 West Pender Street, Vancouver, BC, V6C 1J9, Canada where it is domiciled. The Company's subsidiaries are comprised of: 1000166543 Ontario Inc., domiciled in Ontario, Canada; Lahontan Gold (US) Corp., domiciled in Nevada, USA; Gateway Gold Corp. ("Gateway"), incorporated in British Columbia, Canada; and, Gateway Gold (USA) Corp., domiciled in Nevada, USA.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

For the year ended December 31, 2022, the Company generated a net loss from operations of $2,411,432 (year ended December 31, 2021 - net loss of $467,834). As at December 31, 2022, the Company had working capital of $794,284. Given the Company's plans for significant exploration expenditures focused on the Santa Fe, Nevada project during the coming year, existing funds on hand are not sufficient to support planned exploration costs and ongoing corporate costs over the coming year. These conditions raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. Between February and March 2023, the Company closed a private placement financing raising gross proceeds of CDN$3,114,364 (see note 16). The Company will require additional funding to be able to acquire, advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

There is no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Significant accounting policies

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). The Board of Directors of the Company approved these consolidated financial statements for issue on April 26, 2023.

General information and basis of consolidation

Original Lahontan was incorporated under the *Business Corporations Act (Ontario)* on May 14, 2020. On July 29, 2020, a wholly-owned subsidiary Lahontan Gold (US) Corp. was incorporated in Nevada, USA. On September 25, 2020, the Company completed a reverse takeover transaction with Gateway Gold Corp., a British Columbia, Canada company. Gateway has a wholly-owned subsidiary, Gateway Gold (USA) Corp., a Nevada, USA company which holds the Santa Fe project. For accounting purposes with respect to the reverse takeover, Gateway was considered the accounting acquirer, and accordingly, the Company is considered a continuation of Gateway. The net assets of Original Lahontan at the date of the reverse takeover were deemed to have been acquired by Gateway. On April 5, 2022, Original Lahontan completed the RTO transaction with 1246765 B.C. Ltd. in connection with its public listing transaction. Since 765 BC did not meet the accounting definition of a business, the consolidated entity is considered to be a continuation of Original Lahontan prior to the RTO (see note 4).

The Company's financial statements consolidate those of Lahontan (the legal parent company) and each of its 100% wholly-owned subsidiaries. All inter-company balances and transactions are eliminated upon consolidation. The consolidated financial statements are expressed in United States dollars and are prepared using the historical cost method.

(expressed in United States dollars)

Acquisition accounting

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in net loss. If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

Cash and cash equivalents

Cash and cash equivalents includes cash held in banks and investments which have a term to maturity at the time of purchase of 90 days or less and which are readily convertible into cash.

Reclamation deposit

The Company's reclamation deposits comprise bonds held by the Nevada Bureau of Land Management in the United States with respect to the Santa Fe, Moho and Redlich projects. These restricted cash deposit would be returned to the Company upon successful completion of reclamation at each project.

Exploration and evaluation assets

Acquisition costs of mineral exploration properties together with direct exploration and development expenditures are capitalized and are carried at cost less any impairment loss recognized. When commercial production is attained, these costs will be amortized. If properties are abandoned or it is determined that there is an impairment in value, the costs of the properties and related deferred expenditures will be written down to their estimated recoverable amount at that time. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the consolidated statements of operations. Expenditures of a general nature are expensed to project generation and business development in the consolidated statements of operations.

Proceeds realized from the sale of mineral exploration property interests are credited against exploration and evaluation assets previously capitalized for each project. Any shortfall or excess is recorded as a loss or gain, respectively, in the consolidated statement of operations and comprehensive loss.

Although the Company has taken steps to verify title to the exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Impairment of non-financial assets

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash generating unit is reviewed for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property by property basis.

An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less cost to dispose and its value in use. To determine the value in use, management determines a suitable interest rate and estimates expected future cash flows from each asset or cash generating unit. An impairment loss is recognized immediately in the consolidated statements of operations. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Asset retirement obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation and restoration work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The Company records a provision for environmental rehabilitation in the financial statements when it is incurred and capitalizes this amount as an increase in the carrying amount of the related asset. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted each period for the unwinding of the discount rate, for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. Subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Share capital and equity-settled share-based payments

Share issue costs are recorded as a reduction of share capital when the related shares are issued.

Share capital issued for non-monetary consideration including exploration property assets and other goods or services is measured at the fair values of the property or goods and services received, unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the property or goods and services received, the Company determines their value indirectly by reference to the fair value of the equity instruments granted at an amount based on the most recent price of Company shares.

(expressed in United States dollars)

The Company grants stock options to certain officers, directors, employees and consultants of the Company. The vesting period and life of stock options is determined by the Company's Board of Directors at the time of grant. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation cost related to stock options is charged to expense or is capitalized to exploration and evaluation assets when related to direct exploration activities. Compensation cost is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Lahontan Gold Corp., 1000 Ont. and Gateway Gold Corp. is the Canadian dollar. The functional currency of Lahontan Gold (US) Corp. and Gateway Gold (USA) Corp. is the United States dollar. The presentation currency of the Company is the United States dollar.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Foreign exchange gains or losses on translation to the functional currency of an entity are recorded in the consolidated statements of operations and comprehensive loss as foreign exchange gain or loss.

Consolidation
For entities with a functional currency different from the presentation currency, translation to the presentation currency is required. Assets and liabilities are translated into the presentation currency at the rate of exchange at the consolidated statement of financial position date. Equity balances are translated at the rates of exchange at the transaction dates. Income and expenses are translated at the exchange rates at the dates of the transactions. All resulting exchange differences arising from translation to the presentation currency are recognized in other comprehensive income (loss).

Income taxes

Income tax comprises current and deferred tax, when applicable. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Loss per common share

Loss per common share is calculated based upon the weighted average number of common shares outstanding during the year. As the Company incurred a net loss for the years ended December 31, 2022 and 2021, the diluted number of common shares outstanding excludes all contingently issuable shares as they have an anti-dilutive effect for the periods presented.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as: amortized cost; fair value through profit or loss; or, fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when the it first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at amortized cost
A financial asset is measured at amortized cost if it is held by a business whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. The Company's cash and cash equivalents and amounts receivable are classified as and measured at amortized cost.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVTOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVTOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTOCI
On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of loss. The election is available on an investment-by-investment basis.

(expressed in United States dollars)

Financial liabilities
Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of operations when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

Derecognition of financial assets and liabilities
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statement of operations and comprehensive loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations.

Derivative instruments
Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period end. Any gains or losses arising from changes in fair value of derivatives are recorded in the statement of operations and comprehensive loss.

Fair values
The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 - Fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from 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); and
- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was $Nil as at December 31, 2022 and 2021.

Segmented reporting

The Company presents and discloses segmented information based on information that is regularly reviewed by the Company's President and CEO who is the chief operating decision-maker. The President and CEO has primary responsibility for allocating resources to the Company's operating segments and assessing their performance. The Company has determined that there is only one operating segment being the sector of exploration and development of mineral resource properties. All of the Company's mineral resource properties are located in Nevada, USA.

Changes in IFRS accounting policies and future accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting years beginning on or after January 1, 2022. The Company adopted these standards in the current period, however, they did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain other pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting years beginning on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policies. The amendments aim to help entities provide accounting policy disclosures that are more useful to the users of the financial statements by replacing significant accounting policies with the requirement of disclosing only those accounting policies that are material. The amendments further clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The amendments are applied prospectively and are applicable for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

3. Critical accounting estimates and judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, equity, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, equity, income and expenses are discussed below.

(expressed in United States dollars)

Exploration and evealuation assets
Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment regarding the following factors, among others: the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and for evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

During the year ended December 31, 2022, management determined that there were no indicators of impairment with respect to its exploration and evaluation assets.

Asset retirement obligation
The determination of provisions for environmental rehabilitation and reclamation obligations arising from the Company's evaluation and exploration activities requires the use of estimates and management judgment. Future reclamation costs in relation to changes in estimates are accrued based on management's best estimate at the end of each period of the discounted cash costs expected to be incurred. Accounting for reclamation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation work required to comply with existing laws and regulations. These estimates are dependent upon labor and materials costs, known environmental impacts, the effectiveness of rehabilitation measures, inflation rates, and pre-tax interest rates that reflect a current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on exploration results and future plans.

Actual reclamation costs incurred may differ from those amounts estimated by management. Moreover, future changes to environmental laws and regulations could increase the extent of reclamation work required to be performed by the Company, therefore increasing future costs.

Valuation of stock options and warrants
The estimation of share-based payment costs and the value of warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model. The Company has made estimates as to the volatility of its own common shares, the expected life of share options and warrants granted and the time of exercise of those instruments.

The Company allocates values to share capital and to warrants according to their fair value using the proportional method when the two are issued together as a unit. The Company uses the Black-Scholes valuation model to determine the fair value of warrants issued.

Going concern
These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions. Further information regarding going concern is outlined in note 1.

(expressed in United States dollars)

4. Reverse takeover transaction with 1246765 B.C. Ltd.

On April 5, 2022, Original Lahontan completed a transaction with 765 BC that resulted in 765 indirectly acquiring interests in the Santa Fe, Moho and Redlich projects located in Nevada (the "Transaction"). The Transaction was effected through an amalgamation agreement (the "Amalgamation Agreement"). The Transaction was conditional on the Company completing a private placement of subscription receipts (as described below) and the TSX Venture Exchange ("TSXV") approving the listing of the post-consolidation common shares of 765 BC and other customary conditions.

The Amalgamation Agreement, dated January 29, 2021, as amended, provided for, among other things, a three-cornered amalgamation (the "Amalgamation") pursuant to which: (i) Original Lahontan amalgamated with a newly formed wholly-owned subsidiary of 765 BC incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario); (ii) all of the outstanding common shares, warrants and stock options of Original Lahontan were cancelled and, in consideration therefor, the holders were provided resulting issuer shares, warrants and stock options of 765 BC at an exchange ratio of one-for-one; and, (iii) the amalgamated company became a wholly-owned subsidiary of 765 BC. After giving effect to the Amalgamation, the shareholders of Original Lahontan collectively exercised control over 765 BC. The combination arising from the Amalgamation has been accounted for as a reverse takeover transaction.

Pursuant to the Amalgamation, Original Lahontan shares and other securities (including the common shares and warrants issued upon conversion of the subscription receipts) were exchanged for common shares ("Resulting Issuer Shares") and other securities of 765 BC.

In accordance with the terms of the Amalgamation Agreement, 765 BC effected a consolidation (the "Consolidation") of its outstanding 3,000,000 common shares on the basis of one post-consolidation share for every 2.7 pre-consolidation shares and changed its name to "Lahontan Gold Corp." (the "Name Change"). Shareholders of 765 BC therefore received 1,111,111 Resulting Issuer Shares.

All conditions of the Amalgamation Agreement were satisfied, including among others: (i) the requirement for Original Lahontan to obtain approval of at least $66\frac{2}{3}$ percent of the votes cast by shareholders of the company at a special meeting of shareholders held on March 29, 2022; (ii) the requirement for 765 BC to obtain applicable approvals for the Consolidation and the Name Change; (iii) completion of the private placement of subscription receipts; and, (iv) obtaining conditional approval of the TSXV for the listing of 765 BC's common shares.

For accounting purposes, 765 BC did not meet the definition of a business, therefore the Transaction is outside the scope of IFRS 3 "Business Combinations". Instead, the Transaction has been accounted for as a capital transaction of Original Lahontan under IFRS 2 "Share-based payments". Under this basis of accounting, the consolidated entity is considered to be a continuation of Original Lahontan, with the identifiable assets and liabilities of 765 BC deemed to have been acquired by Original Lahontan. The Transaction also constitutes a reverse takeover of 765 BC. Accordingly, 765 BC is deemed to be the acquired company and its liabilities are brought forward at their book values, which approximate their fair values. Original Lahontan is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values.

A summary of the consideration deemed to be issued by Original Lahontan and the fair value of liabilities assumed are as follows:

	$
Value of 1,111,111 common shares deemed to be issued	320,000
Liabilities of 765 BC assumed	25,125
Fair value of consideration / Listing expense	345,125

5. Amounts receivable

Amounts receivable of $7,802 is comprised entirely of harmonized sales tax (HST) receivable (December 31, 2021 - HST of $58,611 and an amount related to a reclamation bond refund of $14,090).

6. Reclamation deposits

The Company's reclamation deposits comprise bonds in a total amount of $317,793 (December 31, 2021 - $317,793) held by the Nevada Bureau of Land Management Nevada State Office with respect to the Santa Fe, Moho and Redlich projects. These restricted cash deposits will be returned to the Company upon successful completion of reclamation at the projects or after the bonds are replaced by other bonds related to changes in activity at the project sites.

(expressed in United States dollars)

7. Exploration and evaluation assets

	Santa Fe (Nevada, USA) $	Moho (Nevada, USA) $	Redlich (Nevada, USA) $	Total $
Balance, December 31, 2020	**5,493,922**	**1,922,422**	**766,997**	**8,183,341**
Claim staking and renewal fees	68,581	17,527	13,464	99,572
Common shares issued for property acquisition	47,280	-	-	47,280
Cash option payments	50,000	185,000	150,000	385,000
Personnel and consultants	671,744	43,301	7,459	722,504
Exploration management and support	106,485	8	8	106,501
Field office rent, storage and telecommunication	98,720	7,888	246	106,854
Travel and accommodation	117,713	3,632	580	121,925
Drilling and related	1,859,490	216,998	-	2,076,488
Machinery, drill pads and road work	14,755	-	-	14,755
Geological	54,633	10,130	-	64,763
Geochemistry analysis	69,971	-	-	69,971
Geophysical	37,172	-	-	37,172
Technical reports and special consulting	27,193	-	-	27,193
Vehicle costs and fuel	129,801	11,320	56	141,177
Security and equipment	624	-	-	624
Community and related	434	-	-	434
Environmental	99,294	7,143	619	107,056
Field equipment	31,289	508	-	31,797
Balance, December 31, 2021	**8,979,101**	**2,425,877**	**939,429**	**12,344,407**
Claim staking and renewal fees	80,722	21,099	888	102,709
Advance royalty payments	-	15,000	15,000	30,000
Cash option and share payments	50,000	168,029	-	218,029
Personnel and consultants	582,134	650	-	582,784
Exploration management and support	113,706	-	-	113,706
Field office rent, storage and telecommunication	88,919	371	-	89,290
Travel and accommodation	63,392	292	-	63,684
Drilling and related	399,682	44	-	399,726
Geological	35,859	-	-	35,859
Geochemistry analysis	338,655	-	-	338,655
Technical reports and special consulting	56,020	-	-	56,020
Vehicle costs and fuel	146,370	1,420	-	147,790
Security and equipment	2,395	-	-	2,395
Environmental	23,135	-	-	23,135
Field equipment	28,275	25	-	28,300
Balance, December 31, 2022	**10,988,365**	**2,632,807**	**955,317**	**14,576,489**

Santa Fe, Nevada, USA
The Company holds a 100% beneficial interest in the Santa Fe project which is comprised of 290 unpatented mining claims, 67 unpatented millsite claims and 24 patented mining claims. The Santa Fe project is located 12 kilometres east of the town of Luning in Mineral County, Nevada, USA. A total of 46 of the Santa Fe project claims, including all patented claims, are subject to a 1.25% net smelter return ("NSR") royalty interest. The NSR royalty applies to all ore mineral, metals and materials produced from the claims after the first 67,886 ounces of gold and 147,157 ounces of silver.

On March 17, 2021 the Company entered into a property purchase agreement with Andoria Resources Pty Ltd. and its subsidiary Andoria Resources US Corp. with respect to 45 unpatented mining claims that now form part of the Santa Fe project. Consideration provided under the terms of the agreement consisted of 196,500 common shares of the Company issued upon closing of the transaction. These common shares were valued at CDN$0.30 per share for a total value of $47,280. Additionally, the Company assumed the obligations of a Mining Lease and Option to Purchase Agreement (the "MLOPA") with GenGold2 LLC relating to 15 of the property claims. Minimum cash payments payable to GenGold2 LLC under the terms of the MLOPA are as follows:

Minimum payment due date	Amount $
October 15, 2020 (paid by Andoria)	10,000
April 15, 2021 (paid by the Company)	15,000
October 15, 2021 (paid September 2021)	35,000
October 15, 2022 (paid October 2022)	50,000
October 15, 2023	75,000
October 15, 2024	100,000
October 15, 2025 and October 15 of each succeeding year	150,000

(expressed in United States dollars)

The claims are subject to a net smelter returns ("NSR") royalty of 2% when the average price of gold is less than $1,600 per ounce and 3% when the average price of gold is equal to or greater than $1,600 per ounce. Cumulative minimum cash payments made prior to commercial production are creditable against any NSR royalty obligation. The MLOPA also provides an option to acquire a 100% interest in the claims, subject to the NSR royalty, for a cash payment of $2,000,000. Both the minimum payment and option payment amounts are subject to adjustment for increases in the United States Consumer's Price Index.

During April 2021, the Company entered into a binding letter of intent with an arm's length party for the potential sale of the Santa Fe project asset. The letter of intent contained a 45 day due diligence review period and provided for a non-refundable exclusivity payment to the Company of $250,000 in the event that the letter of intent was not terminated during the 30 day period following its execution. The party determined it would not proceed with the proposed acquisition subsequent to this 30 day period. During June 2021, the Company received this exclusivity payment in the amount of $250,000 which has been recorded in other income in the statement of operations and other comprehensive loss.

Moho and Redlich, Nevada, USA Property Purchase Agreement

The Company acquired interests in the Moho and Redlich exploration property assets located in Nevada, USA through the reverse takeover transaction with Lahontan. Lahontan had previously acquired the properties from KA Gold LLC and its subsidiary Pyramid Gold (US) Corp. At the time of the reverse takeover transaction these properties had a cost of $2,585,056. Of this total cost, $1,856,523 was allocated to the Moho project interest and $728,533 was allocated to the Redlich project interest based on estimates of the relative fair values of each project. Both projects are subject to underlying option agreements providing rights to earn a 100% interest in each project. The Company has assumed the obligations under the terms of these option agreements. Details with respect to the Moho and Redlich projects and the related underlying option agreements are described below.

Moho, Nevada, USA

The Moho project is comprised of a total of 119 unpatented mining claims located in Mineral County, Nevada. Of this total, 9 claims are subject to the Moho Option Agreement dated May 26, 2017 with Nevada Select Royalty, Inc. ("Nevada Select", a wholly-owned subsidiary of Ely Gold Royalties Inc. ("Ely Gold"), since acquired by Gold Royalty Corp.); 50 claims are subject to the Mining Lease and Option to Purchase Agreement dated August 30, 2017 with Minquest Ltd. ("Minquest"); and, 60 claims are held directly, with 25 of these claims staked during 2021.

Moho Option Agreement, Ely Gold

The Moho Option Agreement provides an exclusive option to purchase a 100% interest in 9 claims forming part of the Moho project. On October 26, 2020, the Company issued common shares valued at $35,899 to Ely Gold in satisfaction of the third anniversary option payment of $25,000 (which had been extended until December 15, 2020) and for reimbursement of $10,899 of annual claim renewal fees for the Moho project. A final option payment of $150,000 was paid during August 2021. The Company is responsible for annual claim maintenance costs.

Following the final option payment and exercise of the option, Gold Royalty Corp. retains a 2.5% NSR royalty on the 9 claims. On the first three anniversaries of the option exercise, the Company would pay advance minimum royalty ("AMR") payments of $15,000 per year. On the fourth anniversary and each year thereafter, the Company would pay AMR payments of $25,000 annually. A total of $60,000 related to payments under the option agreement and 80% of all AMR payments made are creditable toward future production royalty amounts payable.

Additionally, the Moho Option Agreement defines an area-of-interest ("AOI") being a one-mile distance from the outermost perimeter of the 9 property claims. Any additional property claims added in the AOI are subject to a 2% NSR royalty (the "AOI Royalty"). Both the 50 claims subject to the Minquest option agreement and the 35 claims held directly by the Company fall within the AOI and are subject to the AOI Royalty. If a third party royalty exists on any of the AOI claims, the AOI Royalty would be reduced such that the total royalty burden does not exceed 3%. The Company has a right to buy-down 1% of the NSR royalty on the 9 claims along with 1% of the AOI Royalty for a total amount of $1,000,000.

Mining Lease and Option to Purchase Agreement, Minquest

The Mining Lease and Option to Purchase Agreement provides an exclusive option to purchase a 100% interest in 50 claims forming part of the Moho project. A total of $112,250 in minimum option payments, from execution of the agreement and including the final $35,000 option payment during September 2021, have previously been made. On October 3, 2022, the Company signed an amendment to the Mining Lease and Option to Purchase Agreement that provided an extension of the agreement to March 31, 2023 and amended the payments in order to exercise the option. A payment of $193,875 was made on November 3, 2022 as follows: (i) $129,875 in cash; and (ii) 800,000 common shares of the Company at a deemed value of $64,000. A final cash payment of $193,875 to exercise the option to purchase was due by March 31, 2023 and was paid subsequent to year end during March 2023. Annual exploration work commitments of $50,000 per annum during the five-year term of the agreement were required and have been met based on expenditures completed to date. The Company is responsible for annual claim maintenance costs. Following exercise of the option, Minquest retains a 1.5% NSR royalty.

Redlich, Nevada, USA

The Redlich project is comprised of 73 unpatented mining claims located in Esmeralda County, Nevada that are subject to the Redlich Option Agreement dated May 26, 2017 with Nevada Select and Ely Gold. On October 26, 2020, the Company issued common shares valued at $38,464 to Ely Gold in satisfaction of the third anniversary option payment of $25,000 (which had been extended until December 15, 2020) and for reimbursement of $13,464 of annual claim renewal fees for the Redlich project. A final option payment of $150,000 was paid during August 2021. The Company is responsible for annual claim maintenance costs.

Following the final option payment and exercise of the option, Gold Royalty Corp. would retain a 2.5% NSR royalty. On the first three anniversaries of the option exercise, the Company would pay advance minimum royalty ("AMR") payments of $15,000 per year. On the fourth anniversary and each year thereafter, the Company would pay AMR payments of $25,000 annually. A total of $60,000 related to payments under the option agreement and 80% of all AMR payments made are creditable toward future production royalty amounts payable. The Company has a right to buy-down 1% of the NSR royalty for $1,000,000.

(expressed in United States dollars)

8. Asset retirement obligation

Reclamation costs have been estimated based on the Company’s interpretation of current regulatory requirements and measured with the most reliable information available. Management’s estimate is determined based on the net present value of estimated future cash expenditures for reclamation activities. Reclamation costs are capitalized to mineral properties dependent on the nature of the asset related to the obligation. Future changes to those regulations and standards, as well as changes resulting from operations, may result in actual reclamation costs differing from the estimate. Details of the Company’s reclamation performance obligation can be found in Note 6. The Company’s asset retirement obligation arises from its obligation to undertake site reclamation and remediation in connection with the Santa Fe, Moho and Redlich projects.

The estimated costs of reclamation are based on current regulatory requirements using prescribed third-party contractor rates with a 10% contingency. The estimated asset retirement obligation liability at the reporting date utilizes the following assumptions: (i) total undiscounted amount of inflation adjusted future reclamation costs at December 31, 2022 was $397,249 (December 31, 2021 - $397,249); (ii) weighted average risk-free interest rate of 1.7% (December 31, 2021 - 1.7%) and a long-term inflation rate of 2.0% (December 31, 2021 - 2.0%); and (iii) expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2029. The Company's asset retirement obligation is as follows:

	$
Balance, December 31, 2020	280,925
Provision for environmental rehabilitation	71,318
Accretion of asset retirement obligation	4,980
Balance, December 31, 2021	357,223
Accretion of asset retirement obligation	6,000
Balance, December 31, 2022	363,223

9. Capital stock

Authorized
The Company is authorized to issue an unlimited number of common shares, having no par value; and, an unlimited number of special shares, issuable in series.

Issued

Private placement of subscription receipts
On March 24, 2022 in connection with its public listing application and the Amalgamation, the Company entered into an agreement (the "Agency Agreement") with Beacon Securities Inc. as lead agent, on behalf of a syndicate of agents, (the "Agents") in connection with a best-efforts private placement of 8,888,889 subscription receipts (the "Subscription Receipts") at a price of CDN$0.45 per Subscription Receipt for gross proceeds of $3,201,050 (CDN$4,000,000) (the "Offering"). The Offering was closed on March 24, 2022 with the gross proceeds less certain commissions and expenses of the Agents placed in escrow.

On April 5, 2022, all applicable escrow release conditions were satisfied and the Subscription Receipts were converted into 8,888,889 common shares and 4,444,444 common share purchase warrants of the Company. Each warrant entitles the holder to acquire one common share at an exercise price of CDN$0.65 per common share until April 5, 2024. These warrants were valued at $642,542. In connection with the Offering, the Agents and certain eligible finders received cash fees of $154,595 (CDN$193,181) and were issued a total of 429,291 broker warrants. Each broker warrant is exercisable for one common share having the same features as the Subscription Receipts until April 5, 2024. These broker warrants were valued at $62,063.

On April 5, 2022, in connection with the Amalgamation transaction with 765 BC, the Company issued 1,111,111 common shares to the shareholders of 765 BC. These common shares were valued at $320,000.

On November 3, 2022, in connection with the Minquest amended Mining Lease and Option to Purchase Agreement (see note 7), the Company issued 800,000 common shares valued at $38,154.

Share issuances during fiscal 2021
During July 2021, the Company issued 196,500 common shares valued at $47,280 in connection with the property purchase agreement with Andoria Resources Pty Ltd. (see note 7).

During July 2021, the Company closed a non-brokered private placement financing in two tranches issuing a total of 14,623,469 units at CDN$0.35 per unit for gross proceeds of $4,079,156 (CDN$5,118,214). Each unit was comprised of one common share and one-half common share purchase warrant with a total of 7,311,734 warrants issued. Each whole warrant entitles the holder to acquire one common share at an exercise price of CDN$0.40 per common share for a period of twenty-four months after the closing dates. These warrants were valued at $913,670. In connection with this financing, the Company paid cash commissions of $162,710 and issued 575,304 warrants to finders. Each finder warrant entitles the finder to acquire one common share at a price of CDN$0.35 per common share for a period of twenty-four months from the closing dates of the private placement. These finders' warrants were valued at $68,850. In total, cash commissions of $162,710 were paid and 575,304 finders' warrants were issued.

(expressed in United States dollars)

Warrants

On April 5, 2022, the Company issued 4,444,444 warrants and 429,291 broker warrants in connection with the Subscription Receipts financing. During July 2021, the Company issued a total of 7,311,734 warrants and 575,304 broker warrants in connection with a private placement financing. On October 26, 2022, 528,325 warrants with an exercise price of CDN$0.30 expired.

As at December 31, 2022, details with respect to outstanding warrants are as follows:

Number	Exercise price CDN$	Expiry
413,361	0.35	July 12, 2023
161,943	0.35	July 22, 2023
5,623,513	0.40	July 12, 2023
1,688,221	0.40	July 22, 2023
4,873,735	0.65	April 5, 2024
12,760,773	0.49	

The fair value of warrants has been estimated using the Black-Scholes option pricing model at the grant date and this value has been presented as a separate component of shareholders' equity. The Company has determined expected volatility related to analysis of comparable companies in the mineral exploration sector. The assumptions used for the valuation of warrants during fiscal 2022 and 2021 are as follows:

	2022	2021
Expected life in years	2.0	2.0
Expected volatility	112%	121%
Risk-free interest rate	2.50%	0.38%
Dividend yield	Nil	Nil

Stock options

In connection with the Amalgamation with 765 BC, the Company's board of directors approved a new stock option plan which is a 10% rolling plan (the "Plan") under which the maximum number of stock options issuable under the Plan is equal to 10% of the Company's outstanding common shares from time to time. Eligible participants in the Plan include directors, officers, employees and consultants to the Company. Stock option exercise prices, vesting periods and the term to expiry are determined by the board of directors at the time of grant. The Plan replaced the private company stock option plan which was approved on August 15, 2020 by the Company's board of directors. In connection with the Amalgamation and public listing transaction with 765 BC, all previously outstanding stock options were replaced with Resulting Issuer stock options.

On April 8, 2022, the board of directors of the Company approved the grant of 3,950,000 stock options to directors, officers and consultants. These stock options are exercisable at CDN$0.45 per stock option; expire April 8, 2027; and were immediately vested. On October 22, 2020, the Company granted a total of 5,950,000 stock options to officers, directors and consultants of the Company. These stocks are exercisable at CDN$0.30 per stock option; expire on October 22, 2025; and were immediately vested.

	Number	Weighted-average exercise price CDN $	Expiry
Balance, December 31, 2020 and 2021	5,950,000	0.30	October 2025
Granted	3,950,000	0.45	April 2027
Forfeited	(650,000)	0.30	October 2025
Balance, December 31, 2022	9,250,000	0.36	October 2025 to April 2027

As at December 31, 2022 outstanding stock options are as follows:

Options outstanding			Options exercisable		
Exercise price CDN$	Number of options	Weighted-average remaining contractual life (years)	Number of options	Weighted-average remaining contractual life (years)	Expiry
0.30	5,300,000	2.8	5,300,000	2.8	October 22, 2025
0.45	3,950,000	4.3	3,950,000	4.3	April 8, 2027
	9,250,000	3.4	9,250,000	3.4	

(expressed in United States dollars)

During the year ended December 31, 2022, the Company recorded a total of $881,100 in share based compensation expense related to stock options. Share based compensation amounts are included in shareholders' equity as contributed surplus and are included in share based compensation expense in the statement of operations and comprehensive loss. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during fiscal 2022, utilized the following assumptions and values.

	2022
Expected volatility	112%
Expected option life (in years)	5.0
Risk-free interest rate	2.50%
Expected dividend yield	Nil
Weighted-average exercise price	CDN$0.45
Weighted-average market price at grant date	CDN$0.36
Weighted-average fair value	CDN$0.28

The Company determined expected volatility related to analysis of comparable companies in the mineral exploration sector.

10. Income taxes

For the years ended December 31, 2022 and 2021, a reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Loss before income taxes	(2,292,486)	(261,328)
Statutory rate	26.50%	26.50%
Expected recovery of income tax	607,509	69,252
Effect of reverse acquisition	(14,841)	-
Foreign tax rate difference	(83,384)	(58,806)
Effect of exchange rate differences	(100,796)	247
Share issue costs recorded in equity	34,460	17,773
Origination and reversal of temporary differences	(324,003)	178,040
Deferred income tax expense	118,946	206,506

Statutory tax rates presented above reflect the combined Canadian federal and provincial income tax rates enacted as at the Company's fiscal year ends. Significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2022 $	December 31, 2021 $
Deferred income tax assets and liabilities		
Non-capital loss carry forwards	10,195,734	9,260,333
Asset basis differences	(1,071,213)	(843,250)
Share issue costs	112,614	63,638
Net deferred income tax assets not recognized	(8,312,149)	(7,674,681)
Deferred tax liability	924,986	806,040

As at December 31, 2022 the Company has tax losses for income tax purposes which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. The future expiration and potential tax benefit of the losses are as follows:

(expressed in United States dollars)

Year	Canada $	United States $	Total $
2042	1,948,039	1,516,074	3,464,112
2041	788,705	1,069,200	1,857,906
2040	252,726	969,330	1,222,057
2039	-	2,400,788	2,400,788
2038	-	1,868,575	1,868,575
2037	-	2,901,463	2,901,463
2036	-	2,015,059	2,015,059
2035	-	1,969,673	1,969,673
2034	-	2,550,529	2,550,529
2033	44,308	3,296,555	3,340,863
2032	52,850	3,037,392	3,090,242
2031	194,019	2,872,220	3,066,239
2030	273,065	3,032,469	3,305,534
2029	75,431	2,434,883	2,510,314
2028	2,495,581	2,199,507	4,695,088
2027	1,473,469	1,667,445	3,140,914
2026	1,084,356	1,163,290	2,247,646
2025	-	531,896	531,896
2024	-	97,332	97,332
2023	-	883	883
	8,682,549	37,594,563	46,277,112

The ability to use U.S. loss carry forwards in the future is subject to certain limitations under provisions of the Internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Gateway Gold (USA) Corp. and the U.S. tax losses related to Gateway Gold (USA) Corp. may be subject to limitation under Section 382. Accordingly, the Company’s ability to use these losses may be limited or these losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

11. Related party transactions and compensation of key management

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Director of Exploration, Chief Financial Officer, Corporate Secretary and Directors. Compensation awarded to key management has been recorded at the exchange amount, being the amount agreed to by the respective parties, and is with respect to short-term compensation and was conducted in the normal course of business. Amounts are summarized as follows:

	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Management fees	389,469	427,573
Share based compensation	736,109	-
	1,125,578	427,573

As at December 31, 2022, a total of $2,462 (December 31, 2021 - $23,167) is included in accounts payable and accrued liabilities with respect to amounts due to key executive management for service contract obligations and expenses. In addition to the above, a company controlled by the Company's Chief Executive Officer and Vice President, Exploration, charged the Company for services related to exploration personnel costs, field vehicles and equipment, field office rent and utilities and related field office expenses in the amount of $211,653 during the year ended December 31, 2022 (2021 - $189,299). A company controlled by the Company's Chief Financial Officer also provides bookkeeping, accounting and administration services to the Company. For the year ended December 31, 2022, a total of $13,280 (2022 - $8,303) was charged for these services. For the year ended December 31, 2022, under the terms of a service contract with the Company's Chief Executive Officer, the Company reimbursed $29,298 (2022 - $29,298) for medical insurance coverage.

The Company has management service agreements with each of its Chief Executive Officer, Chief Financial Officer and Vice President, Exploration which provide for payments upon termination in certain circumstances. With respect to termination without cause, the Chief Executive Officer and Vice President, Exploration would be entitled to a payment equal to one year's compensation and the Chief Financial Officer would be entitled to a payment equal to three month's compensation. The service agreements also provide that under certain conditions, including a change in control of the Company, that the Chief Executive Officer and Vice President, Exploration would be entitled to a payment equivalent to two year's compensation and the Chief Financial Officer would be entitled to a payment equal to one year's compensation.

(expressed in United States dollars)

12. Financial instruments and risk management

As at December 31, 2022, the Company's financial instruments include cash and cash equivalents, reclamation deposits and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values. The Company examines the various financial risks to which it may be exposed and assesses the impact and likelihood of those risks. The Company may be exposed to various financial risks related to credit risk, liquidity risk and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Company.

Credit risk
Financial instruments that potentially subject the Company to concentrations of credit risk consists of cash and cash equivalents and reclamation deposits. The Company's cash is held at major Canadian and United States financial institutions. The Company's reclamation deposits are supported by non-interest bearing cash deposits held with US governmental agencies representing the state of Nevada. The maximum exposure to credit risk is equivalent to the carrying amount. As at December 31, 2022, the Company does not consider any of its financial assets to be impaired.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through monitoring cash outflows due in its day-to-day business and by regular cash flow forecasting of cash requirements to fund exploration projects and operating costs. As at December 31, 2022, the Company's liabilities included accounts payable and accrued liabilities of $85,324 all of which are due within normal trade terms of generally 30 days (see note 1, going concern).

Currency risk
The Company's cash is held in Canadian dollar and United States dollar accounts. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates with respect to the United States dollar. As at December 31, 2022, the Company held cash in United States dollars of $57,957. The Company has not utilized derivative instruments to reduce its exposure to foreign currency risk.

All of the Company's cash based operating expenses were denominated in the relevant functional currency; therefore, operating costs were not affected by exchange rate changes during the years presented in these financial statements. The Company's property and exploration costs are primarily denominated in United States dollars.

Interest rate risk
As at December 31, 2022, the Company does not have any obligations that bear fixed interest rates. The Company is therefore not exposed to the risk of changes in fair value resulting from interest rate fluctuations.

13. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's reclamation deposits and exploration and evaluation assets all relate to the Company's property interests located in Nevada, USA.

14. Capital management

The Company's capital structure is comprised of shareholders' equity. The Company is not subject to externally imposed capital requirements. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs (see note 1, going concern).

The Company monitors its capital structure using future forecasts of cash flows, particularly those related to its exploration programs.

The Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares and warrants. The Company's capital management objectives have remained unchanged over the periods presented in these consolidated financial statements.

15. Supplemental cash flow information

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Exploration expenditures included in accounts payable and accrued liabilities	21,821	23,663
Provision for environmental rehabilitation capitalized to exploration and evaluation assets	-	71,318
Common shares issued for acquisition of exploration property assets (notes 6 and 7)	38,154	47,280

(expressed in United States dollars)

16. Subsequent events

Private placement of units
On February 28, 2023 and March 8, 2023, the Company closed a private placement financing issuing a total of 28,312,400 units at CDN$0.11 per unit for gross proceeds of CDN$3,114,364. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole warrant issued entitles the holder to purchase one common share of the Company at a price of CDN$0.18 per share until February 28, 2026. In connection with the private placement, the Company paid Beacon Securities Limited ("Beacon") as lead agent and sole bookrunner, and Canaccord Genuity Corp. (together with Beacon, the "Agents"), cash commissions of CDN$193,514 and an aggregate of 1,750,168 finders' warrants. Each finders' warrant entitles the Agents to acquire one common share of the Company at a price of CDN$0.11 until February 28, 2026.

Stock option grant
On March 16, 2023, the board of directors approved the grant of 2,925,000 stock options to directors, officers and consultants of the Company. These stock options are exercisable at CDN$0.18 per common share, expire on March 16, 2028 and vested immediately.