GOLD MOUNTAIN

GOLD MOUNTAIN MINING CORP.

Consolidated Financial Statements
Years Ended January 31, 2023 and 2022

(Expressed in Canadian Dollars)

Table of Contents

Independent auditor's report

To the Shareholders of Gold Mountain Mining Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gold Mountain Mining Corp. and its subsidiaries (together, the Company) as at January 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2023 and 2022;
- the consolidated statements of loss 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;
- 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.

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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 January 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the 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
Impairment assessment of property and equipment for the Elk Gold Property cash generating unit *Refer to note 2 – Significant accounting policies and basis of presentation and note 7 – Property and equipment to the consolidated financial statements.* As at January 31, 2023, the total net book value of the property and equipment amounted to $38.0 million, which includes a significant portion related to the Elk Gold Property cash generating unit (CGU). At each reporting date, management reviews the carrying amount of the property and equipment to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the property and equipment is estimated in order to determine the extent of the impairment loss. For property and equipment that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the property and equipment belongs. An impairment loss is recognized whenever the carrying amount of the property and equipment or its CGU exceeds its recoverable amount. During the year ended January 31, 2023, management identified an impairment indicator due to the Company's market capitalization falling below the carrying value of net assets. Accordingly,	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of property and equipment related to the Elk Gold Property CGU, which included the following: – Tested the appropriateness of the fair value less cost of disposal method and the mathematical accuracy of the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – Evaluated the reasonableness of key assumptions such as gold price, operating costs and capital expenditures by: (i) comparing the gold price with external market and industry data; (ii) comparing operating costs and capital expenditures to recent actual operating costs and capital expenditures incurred; and (iii) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the estimates associated with the production volumes and gold grades. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the

Key audit matter	How our audit addressed the key audit matter
management estimated the recoverable amount of the Elk Gold Property CGU and compared it to the carrying value of the CGU. The recoverable amount of the CGU was based on a fair value less cost of disposal method using a discounted cash flow model. The determination of the recoverable amount included the following key assumptions: gold price, production volumes, operating costs and capital expenditures, gold grades and the discount rate. Management's estimates of the production volumes and gold grades are prepared by or under the supervision of and verified by Qualified Persons as defined in National Instrument 43-101 of the Canadian Securities Administrators (management's experts). Upon completion of the impairment assessment, management determined that the Elk Gold Property CGU was not impaired. We considered this a key audit matter due to the significant audit effort and subjectivity in performing procedures to test key assumptions used by management in determining the recoverable amount of property and equipment related to the Elk Gold Project CGU, which involved significant judgment by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts and an evaluation of their findings. – Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rate used within the discounted cash flow model.

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 Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2023

Gold Mountain Mining Corp.
Consolidated Statements of Financial Position
As of January 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	January 31, 2023	January 31, 2022
Assets			
Current assets			
Cash		$ 3,203,419	$ 2,557,764
Trade and other receivables	4	2,618,634	675,449
Tax credit receivable	7	737,165	650,328
Inventory	5	35,049	-
Prepaid expenses and deposits	6	38,689	133,361
		6,632,956	4,016,902
Non-current assets			
Prepaid expenses and deposits	6	22,063	267,812
Property and equipment	7	38,069,876	27,605,578
Reclamation deposits	8	1,290,761	775,551
Total Assets		**$ 46,015,656**	**$ 32,665,843**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9,17	$ 2,872,914	$ 2,236,473
Short-term loans	10	82,379	80,223
Current portion of lease payable		31,337	31,337
Current portion of promissory note	11	2,861,160	2,860,506
Other provision	13	256,000	-
		6,103,790	5,208,539
Non-current liabilities			
Flow-through share premium liability	12	-	177,666
Lease payable		41,478	62,343
Promissory note	11	-	2,410,040
Reclamation provision	13	2,230,989	1,822,440
Total Liabilities		8,376,257	9,681,028
Shareholders' Equity			
Share capital	14	54,745,984	36,213,153
Warrants reserve	14	6,319,393	4,562,511
Contributed surplus	14	3,001,665	3,772,386
Accumulated deficit		(26,427,643)	(21,563,235)
Total Shareholders' Equity		37,639,399	22,984,815
Total Liabilities and Shareholders' Equity		**$ 46,015,656**	**$ 32,665,843**

Nature of operations and going concern (Note 1)
Commitments (Note 22)
Events after reporting period (Note 23)

Approved on behalf of the Board of Directors:

"Blake Steele"
Blake Steele, Director

"Kevin Smith"
Kevin Smith, Director

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

(Expressed in Canadian Dollars)

	Notes	Year ended January 31, 2023	Year ended January 31, 2022
Revenue	15	$ 10,908,467	$ -
Cost of sales	16	(10,840,314)	-
Gross income		**68,153**	**-**
Other operating expenses			
Management, director and consulting fees	17	1,411,423	2,015,250
General and administration		190,938	106,589
Investor relations		197,491	214,029
Marketing		527,839	3,013,161
Other expense	13	256,000	-
Professional fees		451,148	338,725
Regulatory and transfer agent fees		79,696	327,798
Share-based payments	14,17	1,369,985	5,534,154
Travel		4,692	21,902
Total other operating expenses		**(4,489,212)**	**(11,571,608)**
Loss from operations		**(4,421,059)**	**(11,571,608)**
Other items			
Finance income		22,334	742
Finance and accretion expense	10,11,13	(643,349)	(945,316)
Recovery of flow-through share premium	12	177,666	100,889
Total other items		**(443,349)**	**(843,685)**
Loss and comprehensive loss		**$ (4,864,408)**	**$ (12,415,293)**
Basic and diluted loss per common share		**$ (0.06)**	**$ (0.19)**
Weighted average number of common shares outstanding		**84,459,975**	**65,261,768**

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

(Expressed in Canadian Dollars except number of shares)

	Notes	Number of shares	Share capital	Warrants reserve	Contributed surplus	Deficit	Total
Balance at January 31, 2021		49,069,852	$ 11,628,629	$ 1,406,273	$ 1,135,288	$ (9,147,942)	$ 5,022,248
Shares issued for bonus shares	14,17	230,000	289,800	-	-	-	289,800
Shares issued on exercise of warrants	14	2,695,894	4,472,859	(1,439,562)	-	-	3,033,297
Shares issued on exercise of options	14	1,209,258	919,350	-	(409,217)	-	510,133
Shares issued for RSUs	14	847,500	1,681,409	-	(1,681,409)	-	-
Shares issued for PSUs	14	1,070,000	1,513,207	-	(1,513,207)	-	-
Shares issued in private placements	14	15,891,640	17,271,218	4,450,926	-	-	21,722,144
Broker warrants	14	-	-	527,127	-	-	527,127
Share issuance costs	14	-	(1,562,427)	(382,253)	-	-	(1,944,680)
Shares subscription	14	-	(892)	-	-	-	(892)
Share-based payments	14	-	-	-	6,240,931	-	6,240,931
Net loss for the year		-	-	-	-	(12,415,293)	(12,415,293)
Balance at January 31, 2022		**71,014,144**	**$ 36,213,153**	**$ 4,562,511**	**$ 3,772,386**	**$ (21,563,235)**	**$ 22,984,815**
Shares issued on exercise of warrants	14	658,027	1,197,913	(413,745)	-	-	784,168
Shares issued on exercise of options	14	196,000	301,554	-	(157,554)	-	144,000
Shares issued for RSUs	14	791,500	1,349,465	-	(1,349,465)	-	-
Shares issued for PSUs	14	540,000	760,497	-	(760,497)	-	-
Shares issued in public offering	14	14,800,000	16,305,357	2,194,643	-	-	18,500,000
Broker warrants	14	-	-	224,855	-	-	224,855
Share issuance costs	14	-	(1,381,955)	(186,007)	-	-	(1,567,962)
Share-based payments	14	-	-	-	1,433,931	-	1,433,931
Expired warrants	14	-	-	(62,864)	62,864	-	-
Net loss for the year		-	-	-	-	(4,864,408)	(4,864,408)
Balance at January 31, 2023		**87,999,671**	**$ 54,745,984**	**$ 6,319,393**	**$ 3,001,665**	**$ (26,427,643)**	**$ 37,639,399**

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

(Expressed in Canadian Dollars)

	Year ended January 31, 2023	Year ended January 31, 2022
Operating activities		
Net loss	$ (4,864,408)	$ (12,415,293)
Adjustments for non-cash items:		
Depletion and amortization	510,694	5,613
Bonus shares issued to management	-	289,800
Share-based payments	1,439,468	5,534,154
Finance and accretion expense	635,318	945,240
Recovery of flow-through share premium	(177,666)	(100,889)
Other expense	256,000	-
Changes in non-cash working capital items:		
Trade and other receivables	(1,841,619)	(542,373)
Tax credit receivable	-	(808,253)
Prepaid expenses and deposits	84,171	334,530
Inventory	(35,049)	-
Accounts payable and accrued liabilities	(10,345)	(659,871)
Net cash flows used in operating activities	(4,003,436)	(7,417,342)
Investing activities		
Exploration and evaluation expenditures	(3,300,235)	(4,642,318)
Tax credit received	367,012	-
Mineral property expenditures	(6,587,182)	(6,879,862)
Deposits for exploration and evaluation expenditures	-	(365,775)
Deposits for mineral property expenditures	(20,290)	(133,839)
Increase in reclamation bonds	(515,210)	(615,551)
Purchase of building and equipment	(288,471)	(1,188,523)
Net cash flows used in investing activities	(10,344,376)	(13,825,868)
Financing activities		
Repayment of promissory note	(2,160,988)	(840,521)
Repayment of interest on promissory note	(839,012)	(2,159,479)
Lease payments	(31,337)	(7,641)
Shares issued for cash, net of share issuance costs	17,416,541	20,773,780
Transaction costs on share issuances	(319,905)	(199,084)
Proceeds from exercise of warrants	784,168	3,032,404
Proceeds from exercise of options	144,000	510,133
Net cash flows provided by financing activities	14,993,467	21,109,592
Net increase (decrease) in cash	645,655	(133,618)
Cash, beginning of the year	2,557,764	2,691,382
Cash, end of the year	**$ 3,203,419**	**$ 2,557,764**

Supplemental cash flow information (Note 18)

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Gold Mountain Mining Corp. (the "Company" or "GMTN") was incorporated pursuant to the provisions of the Business Corporations Act of British Columbia on November 5, 2018. The registered head office and principal address of the Company is 1285 West Pender Street, Suite 1000, Vancouver, British Columbia, Canada, V6E 4B1. The Company's common shares trade on the Toronto Stock Exchange under the symbol "GMTN", on the Frankfurt Stock Exchange under the ticker "5XFA" and on the OTCQB Venture Market under the stock symbol "GMTNF".

GMTN is focused on the exploration, development and operation of gold properties. The Company operates the Elk Gold Property located in British Columbia, Canada.

The Company considers itself to operate in a single segment, being the production of crushed ore and mineral exploration and development of resources. The Company's principal product is crushed ore produced from the Elk Gold Property. The Company's significant non-current assets as of January 31, 2023 were all within Canada.

Going concern

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for at least twelve months from January 31, 2023. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

As at January 31, 2023, the Company had working capital of $529,166 and for the year ended January 31, 2023, the Company incurred a loss of $4,864,408 and used cash of $4,003,436 for operating activities and, $10,344,376 for investing activities and received cash of $14,993,467 from financing activities.

The ongoing operations and capital expenditures of the Elk Gold Property are dependent on the Company's ability to generate sufficient cash flow from production, which is subject to operational effectiveness, achieving targeted production levels and the price of gold or the Company's ability to raise additional financing. In the year ended January 31, 2023, the Company has experienced challenges during commissioning with respect to both grade control and sampling processes, which has resulted in lower than forecast ore production. To continue operations at the Elk Gold Property, and to be able to make the $3,000,000 promissory note payment due in May 2023, the Company will need to improve operational performance and will require additional equity, debt or an alternative form of financing. Management intends to fund operating costs over the next twelve months with cash generated from operations and equity, debt or an alternative form of financings. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future. These consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These consolidated financial statements were authorized for issue by the directors of the Company on April 27, 2023.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis of presentation

These consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments, which are measured at fair value through profit and loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars unless otherwise specified.

(Expressed in Canadian Dollars)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are entities controlled by the Company, where control is achieved by the Company being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. The subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

			Percentage owned*	
	Functional Currency	Country of incorporation	January 31, 2023	January 31, 2022
Bayshore Minerals Incorporated ("Bayshore")	CAD	Canada	100%	100%
Elk Gold Mining Corp. ("Elk Mining")	CAD	Canada	100%	100%
Gold Mountain Resources Corp. ("GMRC")	CAD	Canada	100%	100%

*Percentage of voting power is in proportion to ownership.

New IFRS pronouncements

<u>Amendments to IAS 12 – Income Taxes</u>

In May 2021, the IASB issued amendments to IAS 12, *Income Taxes*. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2023. The amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented. The Company does not expect these amendments to have a have material effect on its consolidated financial statements.

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Reclamation provision

The Company records a reclamation provision from the legal and constructive obligations to restore exploration, development and mining operations in the period in which the obligation is incurred. When the liability is initially recognized the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property asset. The provision is reviewed at each reporting date and all changes to the liability, including changes in discount rate, are recorded as a change to the mineral property asset to which it relates. Over time the discount is unwound through accretion expenses in the statement of loss and comprehensive loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

Loss per share
Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

Valuation of equity units issued in private placements
The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value of warrants is determined using the Black-Scholes Option Pricing Model and is recorded separately under warrant reserve within shareholders' equity.

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

The fair value of options granted is measured at the grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. At grant date, the fair value of the options is charged to share-based payments, with the offset credit to contributed surplus over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized remains in contributed surplus. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

The Black-Scholes Option Pricing Model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including expected future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The Company intends to settle Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") in equity. Share-based payment amounts for RSUs are recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to contributed surplus. Share-based payment amounts for PSUs are determined by calculating the fair value of the PSUs using the Black-Scholes option pricing model and recognized ratably over the vesting period, with a corresponding credit to the contributed surplus. Adjustments to the number of RSUs and PSUs expected to vest are recognized in the current year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial Asset/Liability	IFRS 9 Classification
Cash	Amortized cost
Trade and other receivables excluding GST receivables	Amortized cost
Reclamation deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short-term loans	Amortized cost
Promissory note	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any loss allowance.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Financial instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. 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.

(iv) Derecognition

Financial assets
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 to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit and loss.

Provisions
Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as a finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Exploration and evaluation assets

The title to exploration and evaluation assets including mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the historical characteristic of many properties. The Company has investigated title to all its mineral properties, and to the best of its knowledge title to all of its properties are in good standing.

The Company accounts for exploration and evaluation assets in accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources ("IFRS 6"). Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation are recognized and capitalized, in addition to the acquisition costs. These expenditures include but are not limited to acquiring licenses, researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling and payments made to contractors and consultants in connection with the exploration and evaluation of the property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Acquisition costs incurred in obtaining legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to exploration and evaluation assets or mineral properties. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of the estimated recoverable amount, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mineral property. Exploration and evaluation assets are also tested for impairment before the assets are transferred to mineral properties.

Income taxes

<u>Current income tax:</u>
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>
Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Property and equipment

Building and equipment
Items are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. All items are subsequently carried at depreciated cost less impairment loss, if any.

Depreciation is calculated to write off the carrying value of items over their expected useful economic lives. It is applied using the straight-line method using the following useful lives:

Asset category	Useful life (years)
Field equipment	5
Computer equipment	3
Vehicles	4-5
Machinery and equipment	5
Buildings, structures, and other infrastructure	11 (Life of Mine)

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Mineral property
The cost of acquiring and developing mineral properties or property rights, including pre-production waste rock stripping costs related to mine development and costs incurred during production to increase future output, are capitalized.

Waste rock stripping costs incurred in the production phase of a surface mine are recorded as capitalized production stripping costs within property and equipment when it is probable that the stripping activity will improve access to the orebody, when the component of the orebody or pit to which access has been improved can be identified, and when the costs relating to the stripping activity can be measured reliably. When the actual waste-to-ore stripping ratio in a period is greater than the expected life-of-component waste-to-ore stripping ratio for that component, the excess is recorded as capitalized production stripping costs.

Once available for use, mineral properties and mine development costs are depreciated on a units-of-production basis over the mineral resources to which they relate. Since the stripping activity within a component of a mine improves access to the resources of the same component, capitalized production stripping costs incurred during the production phase of a mine are depreciated on a units-of-production basis over the mineral resources expected to be mined from the same component.

Amendments to IAS 16 – Property, plant and equipment: Proceeds before intended use
In May 2020, the International Accounting Standards Board issued amendments to IAS 16, Property, Plant and Equipment (IAS 16). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit (loss). An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Company adopted the amendments during the current fiscal period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Flow-through units

The Company may, from time to time, issue flow-through common shares or units to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements and the Income Tax Act (Canada) (the "ITA"), these equity instruments transfer the tax deductibility of qualifying resource expenditures to investors.

Upon the issuance of a flow-through share, the Company bifurcates the flow-through share into i) fair value of capital stock issued, based on market price at time of issuance, and ii) the residual as a flow-through share premium, which is recognized as a liability. If a flow-through unit is issued concurrently with the regular unit, the flow-through share premium is calculated as the difference in prices of these units.

Upon incurring qualifying expenses, the Company derecognizes the flow-through share premium liability and recognizes a credit to recovery of flow-through share premium. Proceeds received from the issuance of flow-through shares are to be used for Canadian resource property exploration expenditures within a certain time period as prescribed by the Government of Canada's flow-through regulations, as contained in the ITA. The portion of the proceeds received but not yet expended at the end of the Company's relevant reporting period is disclosed separately in the notes to the consolidated financial statements as flow-through expenditure commitments. The Company is also subject to Part XII.6 of the ITA, which imposes a tax on flow-through proceeds renounced under the "Look-back Rule", in accordance with the Government of Canada's flow-through regulations.

New accounting policies adopted in the reporting year

Inventory

Finished products and work in process inventories are valued at the lower of weighted average cost and net realizable value. Work in process inventory includes the ore that is not crushed or is in the crushing phase of operations.

For work in process and finished product inventories, cost includes all direct costs incurred in production, including direct labor and materials, freight, depletion, depreciation and amortization, and directly attributable overhead costs. Production stripping costs that are not capitalized are included in the cost of inventories as incurred. Depletion of capitalized production stripping costs are included in the cost of inventory.

When operations are producing at reduced levels, fixed overhead costs are only allocated to inventory based on normal production levels.

When inventories have been written down to net realizable value, the Company will make a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down on inventory not yet sold is reversed.

Revenue recognition

The Company's revenue consists of sales of crushed ore and its performance obligation relates primarily to the delivery of crushed ore to its one customer, with each separate shipment representing a separate performance obligation.

Revenue is recognized at the point in time when the customer obtains control of the crushed ore. Control is achieved when crushed ore is delivered to the customer, the Company has a present right to payment for the crushed ore, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the crushed ore.

NOTE 3 - MANAGEMENT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgments, estimates and assumptions
The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during this period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include property and equipment, reclamation provision, other provision and share-based payments.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) *Exploration and evaluation assets*
Determination of whether any impairment indicators exist at each reporting date giving consideration to factors such as mining title expiration dates, budgeted expenditures on the project, discontinuation of activities in any area and evaluation of any data which would indicate that the carrying amount of exploration and evaluation assets is not recoverable; and

Assessing when the commercial viability and technical feasibility of the project has been determined, at which point the asset is reclassified to mineral properties.

ii) *Property and equipment*
The carrying amounts of assets included in property and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts are less than the recoverable amounts. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the quantity and grade of the recoverable reserves or resources; (iii) changes in commodity prices, capital and operating costs; and (iv) changes in foreign exchange and interest rates, are evaluated by management in determining whether there are any indicators of impairment. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Whether the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is determined. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's or CGU's carrying amount exceeds the estimated recoverable amount, and is recorded as an expense immediately.

NOTE 3 - MANAGEMENT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

iii) *Determination of technical feasibility and commercial viability of the Elk Gold Property*

The application of the Company's accounting policy for mineral property development costs requires judgment to determine when technical feasibility and commercial viability of the Elk Gold Property was demonstrable. The Company considered the positive National Instrument ("NI") 43-101 compliant Preliminary Economic Assessment, the receipt of key environmental mine permits and the completion of the financing to fund development as key indicators confirming that technical feasibility and commercial viability of the Elk Gold Property had been established. Accordingly, effective June 1, 2021, the Company commenced capitalization of all direct costs related to the development of the Elk Gold Property, and reclassified capitalized costs from exploration and evaluation assets to property and equipment and tested for impairment. No impairment was recognized after management concluded that the forecast discounted cash flows valuation of the Elk Gold Property, based on the NI 43-101 compliant Preliminary Economic Assessment, exceeded the carrying value of the project of $12.3 million as at the date of the final investment decision.

iv) *Reclamation provision*

The reclamation provision is based on future cost estimates using information available at the reporting period end date that are developed by management's expert. The reclamation provision represents the present value of estimated costs of future reclamation and other site restoration activities including costs associated with the management of water and water quality in and around the site. The reclamation provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted discount rate. The reclamation provision requires significant judgments, estimates and assumptions, including the requirements of the relevant legal and regulatory framework and the timing, extent and costs of required reclamation activities. To the extent the actual costs differ from these estimates, adjustments will be recorded in the statement of income (loss).

v) *Recoverable number of equivalent ounces of gold*

Management uses a recoverable number of equivalent ounces of gold in estimating a depletion rate to calculate depletion expense that is allocated to cost of sales and inventory. The recoverable number of equivalent ounces is based on the geological block model and is available in the published technical report for the Elk Gold Property.

vi) *Going concern*

Determining if the Company has the ability to continue as a going concern is dependent on its ability to secure debt or equity financing, and to achieve profitable operations. Certain judgments were made when determining if and when the Company will secure debt or equity financing and achieve profitable operations. Refer to Note 1 for further details.

vii) *Other provision*

Refer to Note 13.

(Expressed in Canadian Dollars)

NOTE 4 – TRADE AND OTHER RECEIVABLES

	January 31, 2023	January 31, 2022
Trade receivables	$ 2,471,107	$ -
GST receivables	141,798	672,694
Other receivables	5,729	2,755
	$ 2,618,634	**$ 675,449**

NOTE 5 – INVENTORY

The Company had $35,049 of crushed ore inventory as of January 31, 2023 (January 31, 2022 - $Nil). The crushed ore inventory was delivered to New Gold's New Afton Mine in February 2023.

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	January 31, 2023	January 31, 2022
Current:		
Prepaid marketing expense	$ -	$ 34,750
Prepaid investor relations	3,008	63,977
Prepaid insurance and other prepaids	-	26,134
Prepaid cost of sales	35,681	-
Other deposits	-	8,500
	$ 38,689	**$ 133,361**
Non-current:		
Deposits for exploration and evaluation expenditures	$ -	$ 176,432
Prepaid mineral property expenditures	11,563	91,380
Other deposits	10,500	-
	$ 22,063	**$ 267,812**

(Expressed in Canadian Dollars)

NOTE 7 - PROPERTY AND EQUIPMENT

	Exploration and evaluation	Mineral property	Building and equipment	Total
Year ended January 31, 2022				
Opening net book value	$ 9,881,559	$ -	$ 73,258	$ 9,954,817
Additions	8,136,562	7,026,514	1,363,351	16,526,427
Depreciation and amortization	-	-	(46,629)	(46,629)
Transfers between classifications	(12,288,108)	12,288,108	-	-
Exploration tax credits	-	(591,477)	-	(591,477)
Change in estimate in reclamation obligation	-	1,762,440	-	1,762,440
Closing net book value	**$ 5,730,013**	**$ 20,485,585**	**$ 1,389,980**	**$ 27,605,578**
At January 31, 2022				
Cost	$ 5,730,013	$ 20,485,585	$ 1,474,629	$ 27,690,227
Accumulated depreciation	-	-	(84,649)	(84,649)
Net book value	**$ 5,730,013**	**$ 20,485,585**	**$ 1,389,980**	**$ 27,605,578**
Year ended January 31, 2023				
Opening net book value	$ 5,730,013	$ 20,485,585	$ 1,389,980	$ 27,605,578
Additions	3,502,599	7,258,760	328,471	11,089,830
Depletion and amortization	-	(257,356)	(290,801)	(548,157)
Exploration tax credits and adjustments	-	(453,849)	-	(453,849)
Change in estimate in reclamation obligation	-	376,474	-	376,474
Closing net book value	**$ 9,232,612**	**$ 27,409,614**	**$ 1,427,650**	**$ 38,069,876**
At January 31, 2023				
Cost	$ 9,232,612	$ 27,666,970	$ 1,803,100	$ 38,702,682
Accumulated depreciation and depletion	-	(257,356)	(375,450)	(632,806)
Net book value	**$ 9,232,612**	**$ 27,409,614**	**$ 1,427,650**	**$ 38,069,876**

(Expressed in Canadian Dollars)

NOTE 7 - PROPERTY AND EQUIPMENT (continued)

Effective June 1, 2021, the Company commenced capitalization of all direct costs related to the development of the Elk Gold Property, as management determined that the technical feasibility and commercial viability of the project had been established. Accordingly, the Company reclassified capitalized costs associated with the Elk Gold Property from exploration and evaluation assets to mineral property within property and equipment. Costs related to development work are capitalized in property and equipment as mineral property.

Concurrent with the development decision, the Company completed an impairment test of the Elk Gold Property which compared the carrying value to the recoverable amount. The recoverable amount is the greater of the value in use and the fair value less disposal costs. The fair value less disposal costs was used to determine the recoverable amount of the Elk Gold Property and was calculated using a discounted cash flow model based on the preliminary economic assessment prepared by independent experts. The significant assumptions that impacted the fair value included future gold prices, capital cost estimates, operating cost estimates, estimated mineral resources, and the discount rate. Based on the result of the impairment test, the Company concluded that there was no impairment.

During the year ended January 31, 2023, the Company capitalized $4,620,024 of stripping costs to mineral property.

The Company claims BC Mineral Exploration Tax Credits ("BCMETC") for eligible expenditures incurred on its properties. The BCMETC is subject to adjustments due to reassessments.

The balances and changes in tax credit receivable during the years ended January 31, 2023 and 2022 are as follows:

	January 31, 2023	January 31, 2022
Balance, beginning	$ 650,328	$ 58,851
Adjustments	(223,055)	(216,776)
Collected	(427,273)	-
Claimed	737,165	808,253
Balance, ending	**$ 737,165**	**$ 650,328**

<u>Indicators of impairment</u>

As a single asset business, the Company's market capitalization is directly related to the Elk Gold Mine's performance. Management of the Company completed an impairment indicator assessment and concluded that an impairment indicator existed at July 31, 2022 as the Company's market capitalization fell below the carrying value of net assets. Accordingly, the Company estimated the recoverable amount of the cash generating unit ("CGU") and compared it to the carrying value of the CGU. The recoverable amount of the CGU was based on a fair value less cost of disposal method using discounted cash flow model. Upon completion of the Company's impairment assessment, it was determined that the Elk Gold Property CGU was not impaired.

<u>Key assumptions in impairment assessment and sensitivity analysis</u>

The projected cash flows used in impairment testing are significantly impacted by changes in assumptions, including: a) gold price, b) production volumes, c) operating costs and capital expenditures, d) gold grades and e) the discount rate of 5%. The Company's impairment testing of property and equipment and near-mine exploration and evaluation assets incorporates the following key assumptions:

a. Gold price

Forecast gold prices are based on analyst consensus estimates as follows:

	2022	2023	2024	2025+
Gold (US$ per Oz)	1,800	1,800	1,700	1,700

NOTE 7 - PROPERTY AND EQUIPMENT (continued)

Key assumptions in impairment assessment and sensitivity analysis (continued)

b. Production volumes
Estimated production volumes and timing are based on life-of-mine plans and internal management forecasts and consider the long-term development plans and expectations for the mine based on the preliminary economic assessment.

Production volumes are dependent on several variables, including the amount of recoverable resources, production and other cost estimates, future capital expenditures and exploration potential.

c. Operating costs and capital expenditures
Operating costs and capital expenditures are based on the most recent preliminary economic assessment, adjusted as needed for current operating results and costs. Operating cost and capital expenditure assumptions are continuously subjected to review.

d. Gold grades
Projected gold grades are based on the technical report published in January 2022.

The Company performed a sensitivity analysis of key assumptions as follows:

- a 50% decrease in gold grades would not result in an impairment
- a 10% decrease in the short and long-term gold price would not result in an impairment
- a 10% decrease in gold recoveries would not result in an impairment
- a 10% increase in operating costs and capital expenditures would not result in an impairment
- a 5% increase in the real after-tax discount rate would not result in an impairment

Management's estimates of the production volume and gold grade are prepared by or under the supervision of and verified by Qualified Persons as defined in National Instrument 43-101 of the Canadian Securities Administrators (management's experts).

The Company completed an impairment indicators assessment at January 31, 2023 and did not identify any additional impairment indicators.

Elk Gold Property
On May 16, 2019, pursuant to the acquisition of Elk Mining and GMRC, the Company acquired the Elk Gold Property in British Columbia, Canada from Equinox Gold Corp. ("Equinox") for total consideration of $10,000,000 as follows:

- Cash of $1,000,000 paid at the closing date; and
- A secured promissory note for $9,000,000 payable in annual installments of $3,000,000 commencing two years from closing (Note 11).

The Elk Gold Property is located near Merritt, British Columbia, Canada within the Similkameen Mining District and consists of 27 contiguous mineral claims and one mining lease. Production from the Elk Gold Property is subject to a 2% net smelter return ("NSR") royalty held by Star Royalties Ltd. A further 1% NSR royalty is payable to Don Agur on production from the Agur Option block which is outside of any of the identified mineralized zones.

(Expressed in Canadian Dollars)

NOTE 7 - PROPERTY AND EQUIPMENT (continued)

The following table summarizes the cumulative costs capitalized as exploration and evaluation assets at January 31, 2023 and 2022 by their nature:

Elk Gold Property	January 31, 2023	January 31, 2022
Property acquisition costs:		
Balance, beginning	$ -	$ 6,248,405
Transfer to property and equipment	-	(6,248,405)
Property acquisition costs, ending	-	-
Exploration and evaluation costs:		
Balance, beginning	5,730,013	3,633,154
Costs incurred during the year:		
Aircraft	-	27,083
Assaying	149,709	380,505
Camp operations	368,329	423,366
Consulting	63,880	491,295
Drilling	1,754,812	3,362,404
Depletion and amortization	37,463	34,797
Geological	440,598	2,031,538
Maintenance	430,051	881,557
Share-based payments	38,073	399,158
Travel and accommodation	219,684	104,859
	3,502,599	8,136,562
Other Items:		
Transfer to property and equipment	-	(6,039,703)
Exploration and evaluation costs, ending	9,232,612	5,730,013
Total	**$ 9,232,612**	**$ 5,730,013**

The remaining exploration and evaluation asset balance as at January 31, 2023 and 2022 relates to ongoing exploration programs outside of the mine development zone.

NOTE 8 – RECLAMATION DEPOSITS

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the British Columbia – Ministry of Energy, Mines and Low Carbon Innovation.

	January 31, 2023	January 31, 2022
Balance, beginning	$ 775,551	$ 160,000
Increase	515,210	615,551
Balance, ending	**$ 1,290,761**	**$ 775,551**

(Expressed in Canadian Dollars)

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		January 31, 2023		January 31, 2022
Accounts payable	$	2,125,848	$	1,432,759
Amounts due to related parties (Note 17)		363,848		517,415
Accrued liabilities		383,218		286,299
	$	**2,872,914**	**$**	**2,236,473**

NOTE 10 – SHORT-TERM LOANS

On April 30, 2020, the Company received a loan in the amount of $50,000 from K2 Solutions Ltd., an arm's-length company. The loan is unsecured, bears interest at 5% per annum and was due on December 31, 2022. In January 2023, the loan's due date was extended to December 31, 2023. During the year ended January 31, 2023, the Company recorded $2,156 (year ended January 31, 2022 - $3,293) in interest on the loan. The balance of the loan at January 31, 2023 is $57,379 (January 31, 2022 - $55,223).

On May 1, 2020, the Company received a loan in the amount of $25,000 from K2 Solutions Ltd. The loan is unsecured, non-interest bearing and has no specified terms of repayment. The balance of the loan at January 31, 2023 is $25,000 (January 31, 2022 - $25,000).

NOTE 11 - PROMISSORY NOTE

On May 16, 2019, the Company entered into a secured promissory note agreement with Equinox in the amount of $9,000,000 with respect to the purchase of 100% of the common shares of Elk Mining, which is the owner of the Elk Gold Property and its subsidiary GMRC. On May 16, 2019, the fair value of the promissory note was $5,527,813, calculated by discounting the future cash payments at an effective interest rate of interest of 18%.

During the year ended January 31, 2023, interest of $590,614 was recorded in the consolidated statements of loss and comprehensive loss (year ended January 31, 2022 - $939,022). At January 31, 2023 and 2022, the promissory note balance is comprised of the following:

		January 31, 2023		January 31, 2022
Current portion	$	2,861,160	$	2,860,506
Long term portion		-		2,410,040
	$	**2,861,160**	**$**	**5,270,546**

The promissory note is non-interest bearing. In the event of default, the outstanding amount shall bear interest at a rate of 10% per annum, payable monthly from the date of default until the earlier of (i) the date of repayment; or (ii) the date of default is cured. The promissory note is a direct first ranking secured obligation of the Company in priority to all current and future debt and other liabilities of the Company and in priority to all equity securities of the Company of any nature whatsoever. If the Company defaults on the payment of the promissory note, Equinox may take possession of the Elk Mining common shares.

The principal is payable as follows:

- $3,000,000 shall be payable on the second anniversary date of the promissory note ("First Installment Date"). Paid on May 17, 2021;
- $3,000,000 shall be payable on the third anniversary date of the promissory note ("Second Installment Date"). Paid on May 16, 2022; and
- $3,000,000 shall be payable on the fourth anniversary date of the promissory note. Due on May 16, 2023.

(Expressed in Canadian Dollars)

NOTE 12 - FLOW-THROUGH SHARE PREMIUM LIABILITY

The Company's flow-through share premium liability movement resulting from the issuance of flow-through shares in connection with a previously completed private placement for the years ended January 31, 2023 and 2022 are as follows:

	January 31, 2023	January 31, 2022
Balance, beginning	$ 177,666	$ -
Liability incurred on flow-through shares issued	-	278,555
Settlement of flow-through share premium liability upon incurring qualifying expenses	(177,666)	(100,889)
Balance, ending	**$ -**	**$ 177,666**

During the year ended January 31, 2023, the Company incurred a total of $1,954,324 (year ended January 31, 2022 - $1,109,776) qualifying flow-through expenditures on the Elk Gold Property. The Company derecognized the associated flow-through share premium liability and recognized a deferred income tax recovery of flow-through share premium of $177,666 for the year ended January 31, 2023 (year ended January 31, 2022 - $100,889).

As at January 31, 2023, the Company had met its obligation to spend qualifying expenditures in connection with its flow-through offerings (January 31, 2022 - $1,954,324 remaining to be spent).

NOTE 13 - RECLAMATION AND OTHER PROVISIONS

Reclamation provision

The reclamation provision represents the present value of estimated costs for required future reclamation and restoration activities. These activities include removal of site structures and infrastructure, recontouring and revegetation of previously mined areas and the management of water and water quality in and around the site. Most of the reclamation and site restoration expenditures occur near the end of, or after, the life of mine.

At January 31, 2023, the reclamation provision was calculated using a nominal discount rate of 2.98% and an inflation rate of 2.00% and the reclamation provision increased by $408,549 due to changes in estimates of reclamation costs and accretion.

Other provision

During the year ended January 31, 2023, the Company received an order from the Ministry of Energy, Mines and Low Carbon Innovation ("EMLI") to relocate waste rock stored at the Elk Gold Property's east waste rock storage facility. Management is currently working with EMLI to achieve a mitigating alternative that enables compliance with the applicable requirements. An administrative penalty could be administered by EMLI as a result of the order.

The estimated costs to mitigate or complete the work ranges from a nominal amount to $1.6 million. Management applied a probability weighted average methodology to estimate the provision by considering the likelihood of each outcome. As a result, the Company recognized a provision of $256,000 as of January 31, 2023 and recorded this amount in the consolidated statement of loss and comprehensive loss as other expense. This provision will be reviewed at each reporting period. The critical judgments made in estimating the provision that create a high degree of estimation uncertainty are:

- estimated costs to mitigate/fulfill the order, and
- weighting assigned to each possible outcome.

NOTE 14 - SHARE CAPITAL AND SHARE-BASED PAYMENTS

Authorized share capital
An unlimited number of common shares and preferred shares without par value.

Issued share capital
At January 31, 2023, there were 87,999,671 issued and fully paid common shares outstanding (January 31, 2022 – 71,014,144).

Year ended January 31, 2023

On April 21, 2022, the Company closed its bought-deal public offering by issuing 14,800,000 units at a price of $1.25 per unit for gross proceeds of $18,500,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each full warrant is exercisable for one common share of the Company at a price of $1.75 for a period of two years following the closing of the public offering. A broker commission of $825,000 in cash and 660,000 warrants with a fair value of $224,855 were paid. Each brokers' warrant is exercisable for one common share of the Company at a price of $1.25 for a period of eighteen months. Total share issuance costs of $1,381,955 in connection with the public offering were allocated to share capital.

During the year ended January 31, 2023, 658,027 warrants were exercised for gross proceeds of $784,168 and 196,000 stock options were exercised for gross proceeds of $144,000.

During the year ended January 31, 2023, 791,500 of vested Restricted Share Units ("RSUs") with a fair value of $1,349,465 and 540,000 of vested Performance Share Units ("PSUs") with a fair value of $760,497 were converted to common shares.

Year ended January 31, 2022

On June 24, 2021, the Company closed its bought deal private placement by issuing a total of 4,255,190 units (the "HD Units") at a price of $2.10 per HD Unit and 1,326,450 flow-through units (the "FT Units") at a price of $2.31 per FT Unit, for total gross proceeds of $11,999,999. Each FT Unit consists of one common share of the Company and one-half of one common share purchase warrant where each common share entitles the holder to a renunciation of qualifying expenditures incurred by the Company in respect of the Elk Gold Property. Each HD Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each HD Unit and FT Unit warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $3.15 for a period of two years following the closing date of the private placement. Further, a broker commission of $690,000 in cash and 320,612 warrants with a fair value of $283,348 were paid. Each brokers' warrant is exercisable for one common share of the Company for a price of $2.10 for a period of two years. Share issuance costs of $999,840 in connection with the private placement were allocated to share capital. The Company recorded an initial flow-through share premium liability of $278,555 related to the value of the flow-through component (Note 12).

On March 24, 2021, 230,000 bonus shares were issued to officers of the Company with a fair value of $289,800 included in the consolidated statement of loss and comprehensive loss (Note 17).

On February 23, 2021, the Company closed its brokered private placement by issuing 10,310,000 units at a price of $0.97 per unit. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each full warrant is exercisable for one common share of the Company for a price of $1.25 for a period of three years following the closing of the private placement. Further, a broker commission of $262,507 in cash and 270,626 warrants with a fair value of $243,779 were paid. Each brokers' warrant is exercisable for one common share of the Company for a price of $0.97 for a period of two years. Share issuance costs of $562,587 in connection with the private placement were allocated to share capital.

During the year ended January 31, 2022, 847,500 of vested RSUs with a fair value of $1,681,409 and 1,070,000 PSUs with a fair value of $1,513,207 were converted to common shares. During the year ended January 31, 2022, 2,695,894 warrants were exercised for gross proceeds of $3,033,297 and 1,209,258 stock options were exercised for gross proceeds of $510,133.

(Expressed in Canadian Dollars)

NOTE 14 - SHARE CAPITAL AND SHARE-BASED PAYMENTS (continued)

Warrants

Year ended January 31, 2023

In connection with the April 21, 2022 bought-deal public offering, 7,400,000 warrants were issued. Each warrant gives the holder the right to acquire one common share of the Company at a price of $1.75 for a term of two years. Proceeds from the public offering were allocated between warrants and common shares based on the relative fair value method. The warrants were valued at $2,194,643 using the Black-Scholes option pricing model with the following input assumptions: exercise price of $1.75, risk-free rate of 2.58%, volatility of 69.86%, dividends of $Nil, and expected life of 2 years.

Further, 660,000 broker warrants were issued valued at $224,855 using the Black-Scholes option pricing model with the following assumptions: exercise price of $1.25, risk-free rate of 2.46%, volatility of 65.62%, dividends of $Nil, and expected life of 1.5 years.

During the year ended January 31, 2023, 658,027 warrants were exercised for gross proceeds of $784,168.

Year ended January 31, 2022

In connection with the February 23, 2021 brokered private placement, 5,154,999 warrants were issued. Each warrant gives the holder the right to acquire one common share of the Company at a price of $1.25 for a term of three years. Proceeds from the private placement were allocated between warrants and common shares based on the relative fair value method and the warrants were valued at $2,973,499 using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.40%, volatility of 167%, dividends of $Nil, and expected life of 3 years.

In connection with the June 24, 2021 bought-deal private placement, 2,790,820 warrants were issued. Each warrant gives the holder the right to acquire one common share of the Company at a price of $3.15 for a term of two years. Proceeds from the private placement were allocated between warrants and common shares based on the relative fair value method and the warrants were valued at $1,477,427 using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.43%, volatility of 73%, dividends of $Nil, and expected life of 2 years.

During the year ended January 31, 2022, 2,695,894 warrants were exercised for gross proceeds of $3,033,297.

The changes in warrants during the years ended January 31, 2023 and 2022 are as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, January 31, 2021	3,092,466	1.10
Issued	8,537,057	1.89
Exercised	(2,695,894)	1.13
Balance, January 31, 2022	8,933,629	1.85
Issued	8,060,000	1.71
Expired	(192,806)	0.90
Exercised	(658,027)	1.19
Balance, January 31, 2023	**16,142,796**	**1.82**

(Expressed in Canadian Dollars)

NOTE 14 - SHARE CAPITAL AND SHARE-BASED PAYMENTS (continued)

Warrants (continued)

Warrants outstanding and exercisable as at January 31, 2023 are as follows:

Number of Warrants	Exercise Price ($)	Expiry Date
160,626	0.97	February 23, 2023
320,612	2.10	June 24, 2023
2,790,820	3.15	June 24, 2023
660,000	1.25	October 31, 2023
1,108,596	1.20	December 23, 2023
3,702,142	1.25	February 23, 2024
7,400,000	1.75	April 21, 2024
16,142,796		

The weighted average contractual life remaining on the warrants is 0.97 years as at January 31, 2023.

Share-based compensation

On January 14, 2021, the Company adopted a new equity incentive compensation plan ("New Plan") which provides for the granting of options which equal a maximum of 10% of the Company's issued and outstanding common shares at any given time. The New Plan also provides for the issuance of up to 4,800,000 fixed share awards which include Deferred Share Units ("DSUs"), RSUs and PSUs.

(i) Stock options

The changes in stock options during the years ended January 31, 2023 and 2022 are as follows:

	Number of Stock options	Weighted Average Exercise Price ($)
Balance, January 31, 2021	4,321,354	0.39
Stock options granted	1,025,000	1.79
Stock options exercised	(1,209,258)	0.42
Balance, January 31, 2022	4,137,096	0.73
Stock options granted	1,230,000	1.11
Stock options cancelled	(90,000)	1.57
Stock options exercised	(196,000)	0.73
Balance, January 31, 2023	**5,081,096**	**0.80**

(Expressed in Canadian Dollars)

NOTE 14 - SHARE CAPITAL AND SHARE-BASED PAYMENTS (continued)

Share-based compensation (continued)

(i) Stock options (continued)

Stock options outstanding and exercisable at January 31, 2023 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price ($)	Expiry Date
50,000	50,000	2.21	May 31, 2023
325,000	325,000	2.00	August 23, 2023
170,455	170,455	0.10	January 25, 2024
200,000	200,000	2.00	October 15, 2024
150,000	37,500	0.14	January 1, 2025
1,684,000	1,684,000	0.25	February 1, 2025
314,141	314,141	0.25	July 30, 2025
972,500	972,500	0.90	January 14, 2026
185,000	185,000	1.20	April 9, 2026
1,030,000	515,000	1.25	April 30, 2027
5,081,096	**4,453,596**		

The weighted average contractual life remaining on the stock options is 2.55 years as at January 31, 2023.

During the year ended January 31, 2023, the Company granted 1,230,000 stock options (year ended January 31, 2022 – 1,025,000). The fair value of options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2023	January 31, 2022
Exercise price	$1.12	$1.79
Risk-free interest rate	2.78%	0.70%
Expected life	4.64 years	3.22 years
Estimated volatility	80.08%	100.02%
Dividend rate	N/A	N/A
Fair value per option	$0.51	$0.94

During the year ended January 31, 2023, the Company recorded share-based payments expense of $488,029 related to the stock options granted and vested during the year (year ended January 31, 2022 – $1,473,101).

During the year ended January 31, 2023, 196,000 stock options were exercised for gross proceeds of $144,000. The weighted average trading price of the Company's shares on the date of exercise was $1.42.

During the year ended January 31, 2022, 1,209,258 stock options were exercised for gross proceeds of $510,133. The weighted average trading price of the Company's shares on the date of exercise was $0.42.

(Expressed in Canadian Dollars)

NOTE 14 - SHARE CAPITAL AND SHARE-BASED PAYMENTS (continued)

Share-based compensation (continued)

(ii) Restricted Share Units (RSUs) and Performance Share Units (PSUs)

The Company intends to settle RSUs and PSUs in equity and each may be granted to directors, consultants, officers and employees of the Company. Share-based payment amounts for RSUs are recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to the contributed surplus. Share-based payment amounts for PSUs are determined by calculating the fair value of the PSUs using the Black-Scholes option pricing model and recognized ratably over the vesting period, with a corresponding credit to the contributed surplus. Adjustments to the number of RSUs and PSUs expected to vest are recognized in the current year.

The continuity of RSUs and PSUs for the year ended January 31, 2023 is as follows:

	Number of RSUs	Number of PSUs
Balance, January 31, 2021	170,000	405,000
Issued	1,055,000	1,340,000
Converted	(847,500)	(1,070,000)
Balance, January 31, 2022	377,500	675,000
Issued	805,500	150,000
Cancelled	(70,000)	(40,000)
Converted	(791,500)	(540,000)
Balance, January 31, 2023	**321,500**	**245,000**

Share-based payments were recorded for vested RSUs and PSUs as follows:

	Year ended January 31, 2023	Year ended January 31, 2022
Share-based payment expense	$ 881,956	$ 4,061,053
Cost of sales	69,484	-
Mineral property	(43,611)	684,545
Exploration and evaluation asset	38,073	22,232
	$ 945,902	$ 4,767,830

NOTE 15 – REVENUE

The Company's primary source of revenue is the sale of crushed ore from its Elk Gold Property. The Company has a contract with one customer for its crushed ore. All of the Company's sales are considered to occur in one demographic market, Canada.

NOTE 16 – COST OF SALES

	Year ended January 31, 2023	Year ended January 31, 2022
Site operating costs	$ 10,276,854	$ -
Depletion and amortization	493,976	-
Share-based payments	69,484	-
	$ 10,840,314	**$ -**

(Expressed in Canadian Dollars)

NOTE 17 - RELATED PARTY TRANSACTIONS

Transactions

The Company has identified the CEO and President (Mr. Kevin Smith), Vice President Permitting (Mr. Ronald Woo), former CFO (Mr. Braydon Hobbs), COO (Mr. Grant Carlson) and General Counsel, Head of Indigenous Relations and Corporate Secretary (Mr. Alex Bayer) and the Company's directors as its key management personnel. During the years ended January 31, 2023 and 2022, the following amounts were incurred for key management personnel of the Company:

	Year ended January 31, 2023	Year ended January 31, 2022
Management, director and consulting fees	$ 1,157,500	$ 1,016,519
Share-based payments	844,403	2,589,310
	$ 2,001,903	**$ 3,605,829**

Included in the management, director and consulting fees for the year ended January 31, 2022 was 230,000 bonus shares issued to officers of the Company with a fair value of $289,800 (Note 14).

During the year ended January 31, 2023, the Company converted 540,000 of vested PSUs and 270,000 of vested RSUs (year ended January 31, 2022 – 1,070,000 of vested PSUs and 170,000 of vested RSUs) into common shares and issued them to the directors and officers of the Company (Note 14).

Balances

The following amounts due to related parties are unpaid director and management fees and expense reimbursements included in trade payables and accrued liabilities (Note 9). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	January 31, 2023	January 31, 2022
Related party liabilities:		
CEO and President (1)	$ 154,944	$ 156,570
VP - Permitting (formerly President) (3)	76,857	67,333
COO (2)	102,324	76,570
Former CFO (3)	-	44,000
General Counsel, Head of Indigenous Relations and Corporate Secretary (4)	-	157,725
Directors (5)	14,506	9,000
Former director of subsidiary (5)	15,217	6,217
	$ 363,848	**$ 517,415**

(1) *Related party liabilities include management fees and expense reimbursements.*
(2) *Related party liabilities include management and director fees and expense reimbursements.*
(3) *Related party liabilities include management and director fees.*
(4) *Related party liabilities for management fees.*
(5) *Related party liabilities for director fees.*

(Expressed in Canadian Dollars)

NOTE 18 - SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions that occurred during the years ended January 31, 2023 and 2022 are as follows:

	Year ended January 31, 2023	Year ended January 31, 2022
Supplemental cash flow information:		
Non-cash transactions:		
Broker warrants	$ 224,855	$ 527,127
Vested PSUs and RSUs	2,109,962	3,194,616
Reclamation and other provisions	376,474	1,762,440
Fair value of leased asset	-	98,395
Tax credit receivable adjustment	(453,849)	(216,776)
Exploration and evaluation expenditures reclassified from prepaid expenses and deposits	58,727	-
Mineral property expenditures reclassified from prepaid expenses and deposits	91,380	-
Building and equipment expenditures reclassified from prepaid expenses and deposits	40,000	-
Exploration and evaluation expenditures in accounts payable and accrued liabilities	68,102	515,100
Mineral property expenditures in accounts payable and accrued liabilities	623,808	811,073
Building and equipment expenditures in accounts payable and accrued liabilities	-	76,433
Share-based payment adjustment against mineral property expenditures	(43,611)	684,545
Share-based payment capitalized to exploration and evaluation asset	38,073	22,232
Depreciation capitalized to exploration and evaluation asset	37,463	41,016

NOTE 19 - CAPITAL MANAGEMENT

The Company defines its capital as both debt and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration, development and operation of mineral properties.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. As such, the Company expects to rely on cash flows from operations at its Elk Gold Property and the equity/debt markets to fund its activities.

In order to carry out planned exploration, development and operational activities and pay for administrative costs, the Company will need to generate sufficient cash flows from the Elk Gold Property and/or will need to raise additional funds. The Company will also continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in management's approach to capital management during the year ended January 31, 2023.

(Expressed in Canadian Dollars)

NOTE 20 - INCOME TAX

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the years ended January 31, 2023 and 2022 as follows:

	January 31, 2023	January 31, 2022
Loss for the period before income tax recovery	$ (4,864,408)	$ (12,415,293)
Average statutory rate	27%	27%
Recovery of income taxes based on statutory rates	**(1,313,390)**	**(3,352,129)**
Increase (decrease) in income tax recovery resulting from:		
Non-taxable (non-deductible) expenditures	$ 10,752	$ 1,074,040
Origination and reversal of temporary differences	(1,314,822)	17,077
Change in non-recognized deferred assets	2,617,460	2,261,012
Income tax recovery	**$ -**	**$ -**

Deferred income tax assets are recorded to the extent that the realization of the related tax benefit is probable based on estimated future earnings. Deferred income tax assets have not been recognized with respect to the following deductible temporary differences:

	January 31, 2023	January 31, 2022
Deferred Tax Assets		
Non-capital losses carried forward	$ 11,943,516	$ 11,855,446
Capital losses carried forward	62,617	62,617
Property and equipment	4,595,590	-
Lease liability	5,016	-
Share issue costs	2,043,020	1,272,676
Total unrecognized temporary deductible differences	**$ 18,649,759**	**$ 13,190,739**

The Company has non-capital losses of $11,943,516 (January 31, 2022 - $11,855,446) which are available to reduce future year's taxable income. The non-capital losses will commence to expire in 2032 if not utilized. Management estimates future income using forecasts based on the best available current information.

The significant components of the Company's deferred income tax assets are comprised of the following:

	January 31, 2023	January 31, 2022
Deferred income tax assets		
Non-capital losses carried forward	$ 6,027,955	$ 3,200,970
Capital losses carried forward	16,907	16,907
Lease payable	19,660	25,293
Flow-through premium liability	-	47,970
Other provision	69,120	-
Reclamation liability	593,707	-
Property and equipment	1,267,248	-
Finance costs	552,503	343,623
	8,547,100	3,634,763
Unrecognized deferred tax asset	(8,547,100)	(3,634,763)
Total	**$ -**	**$ -**

NOTE 21 - FINANCIAL INSTRUMENTS

The carrying values of cash, trade and other receivables, excluding GST receivables, accounts payable and accrued liabilities and short-term loans approximate their fair value because of the relatively short-term nature of the instruments and are measured and reported at amortized cost. The promissory note and reclamation deposits are measured and reported at amortized cost using the effective interest rate method. Lease liabilities are measured and reported at amortized cost using the incremental borrowing rate. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumption could significantly affect the estimates.

There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. For the year ended January 31, 2023, the Company has recognized revenue from the sale of crushed ore and the Company has a significant credit risk related to its trade receivables as all of them are owed by one customer. To date, all outstanding amounts have been collected.

The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and trade receivables. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one major bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

The Company also has a significant credit risk related to its trade receivables as all of them are owed by one customer. To date, all outstanding trade receivable amounts have been collected.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to have sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its ability to raise equity capital or borrow debt and its holdings of cash. Refer to Note 1.

Historically, the Company's principal source of funding has been the issuance of common shares for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to the necessary levels of funding.

NOTE 21 – FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

	Total carrying amount $	Contractual cash flows $	Less than 1 year $	1 to 5 years $	More than 5 years $
Accounts payable and accrued liabilities	2,872,914	2,872,914	2,872,914	-	-
Short-term loans	82,379	82,379	82,379	-	-
Promissory note	2,861,160	3,000,000	3,000,000	-	-
Total	**5,816,453**	**5,955,293**	**5,955,293**	**-**	**-**

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and price risk and are disclosed as follows:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Foreign exchange risk

The Company and its subsidiaries' functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price risk

The Company sells ore containing gold and silver at world market prices. The market prices of gold and to a lesser extent silver will be a primary driver of our profitability and ability to generate both operating and free cash flow. The Company is committed to be an unhedged gold producer and gold and silver sales are subject to market prices. The Company has not entered into any hedge positions during the year ended January 31, 2023, and does not have any positions outstanding as at January 31, 2023.

NOTE 22 – COMMITMENTS

On January 26, 2021, Elk Mining entered into an Ore Purchase Agreement ("OPA") with New Gold Inc. ("New Gold") for a three-year term. Under the terms of the OPA, GMTN will deliver up to 70,000 tonnes of ore per annum, or approximately 200 tonnes per day, to the mill located at New Gold's New Afton Mine situated 130km from the Elk Gold Property, in Kamloops, British Columbia.

The OPA is effective upon the first delivery of ore to the New Afton Mine, which occurred on February 2022.

NOTE 23 - EVENTS AFTER REPORTING PERIOD

On March 20, 2023, 110,000 stock options and 55,000 RSUs were granted to the new CFO. The stock options are exercisable at $0.20 and expire on March 20, 2028.

Subsequent to January 31, 2023, 27,500 RSUs, 9,500 PSUs, 160,626 warrants and 55,000 stock options expired.

Subsequent to January 31, 2023, 75,000 PSUs were converted to common shares.