



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(in thousands of Canadian dollars)



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Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements for Karora Resources Inc. (the "**Corporation**") are the responsibility of its management. The audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The significant accounting policies are disclosed in the notes to the audited consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the audited consolidated statement of financial position date. In the opinion of management, the audited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with IFRS as issued by the IASB.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of and for the periods presented by the consolidated financial statements, and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as at the date of and for the periods presented by the audited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the audited consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Paul Huet

Paul Huet
President and Chief Executive Officer

/s/ Barry Dahl

Barry Dahl
Chief Financial Officer

Toronto, Canada

March 28, 2023



Independent auditor's report

To the Shareholders of Karora Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Karora Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards 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 December 31, 2022 and 2021;
- the consolidated statements of earnings and comprehensive earnings for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter

Assessment of impairment indicators of property, plant and equipment and mineral property interests (PP&E)

Refer to note 4(ii) – Accounting policy judgments, estimates and assumptions and note 8 – Property, plant and equipment and mineral property interests to the consolidated financial statements.

The net book value of PP&E amounted to \$363.1 million as at December 31, 2022. Management assesses at each reporting period-end whether there is an indication that the carrying value of PP&E may not be recoverable. 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 quantity of the recoverable resources and reserves; (iii) changes in metal 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. Management identified no impairment indicators for the Beta Hunt and Spargos Mines and the Higginsville Gold Operation (HGO) and Lakewood Mills with a total carrying value of \$351.3 million. There were two satellite pit assets at HGO where management identified impairment indicators and completed an impairment test.

We considered the assessment of impairment indicators of PP&E a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the reasonableness of management's assessment of impairment indicators, which included the following:
 - Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E, including consideration of evidence obtained in other areas of the audit.
 - Assessed significant declines in the market capitalization, which may indicate a decline in value of the Company's PP&E.
 - Assessed the changes in metal prices, quantity of the recoverable resources and reserves, capital and operating costs, foreign exchange and interest rates by considering external economic and market data, current and past performance of the Company and evidence obtained in other areas of the audit, as applicable.



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 Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 28, 2023



Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

As at	Note	December 31, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		68,786	91,005
Trade and other receivables	5	8,530	5,673
Inventories	6	32,686	32,878
Prepaid expenses		4,338	2,321
Marketable securities	7	1,517	3,549
		115,857	135,426
Non-current assets			
Property, plant and equipment and mineral property interests	8	426,962	300,680
Deferred tax asset	19	363	207
Inventories	6	12,628	-
Other non-current assets		1,302	20
Total assets		557,112	436,333
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	64,285	53,913
Current tax liability	19	-	254
Share incentive plan liabilities	16	2,884	7,522
Debt	10	-	3,010
Lease obligations	11	4,240	3,399
Derivative financial liabilities	12	3,383	2,881
Asset retirement obligations	13	443	-
Other current liabilities		2,602	-
		77,837	70,979
Non-current liabilities			
Debt	10	38,613	29,647
Lease obligations	11	5,797	5,580
Derivative financial liabilities	12	23,220	22,391
Asset retirement obligations	13	30,439	31,136
Deferred tax liability	19	31,919	25,135
Other non-current liabilities		644	100
Total liabilities		208,469	184,968
SHAREHOLDERS' EQUITY			
Share capital	14	395,532	310,143
Contributed surplus		33,071	31,523
Accumulated other comprehensive income		2,595	2,009
Deficit		(82,555)	(92,310)
Total shareholders' equity		348,643	251,365
Total liabilities and shareholders' equity		557,112	436,333

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



Consolidated Statements of Earnings and Comprehensive Earnings

(Expressed in thousands of Canadian dollars, except per share amounts)

For the years ended December 31,		2022	2021
	Note	\$	\$
Revenue	25	317,042	264,186
Cost of operations:			
Production and processing costs	25	179,265	121,893
Royalty expense		17,987	16,418
General and administrative	17	26,723	20,916
General and administrative: share incentive plans	16	9,203	8,937
Depreciation and amortization		55,585	29,250
Sustainability initiatives		1,181	613
Operating earnings		27,098	66,159
Other expenses (income)			
Finance expense, net	18	5,533	4,021
Loss on derivatives	12	4,405	3,921
Foreign exchange loss (gain)		(2,294)	11,028
Unrealized loss on revaluation of marketable securities	7	2,032	902
Other expense, net		772	223
Earnings before income tax		16,650	46,064
Income tax expense - current	19	215	293
Income tax expense - deferred	19	6,534	18,304
Net earnings		9,901	27,467
Currency translation adjustments		586	(3,780)
Comprehensive earnings		10,487	23,687
Net earnings attributable to common shareholders per share			
Basic		0.06	0.18
Diluted		0.06	0.18
Weighted average number of shares			
Basic	20	164,437,670	148,698,289
Diluted	20	167,978,693	153,697,019

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



Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

For the years ended December 31,	2022 \$	2021 \$
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Net earnings for the period	9,901	27,467
Changes not affecting cash:		
Depreciation and amortization	55,541	29,750
Income tax expense	6,749	18,597
Share incentive plans	7,647	8,258
Foreign exchange loss (gain)	(2,154)	11,251
Net change in fair value of derivative instruments	4,405	3,921
Finance expense, net	5,533	4,021
Loss on disposal of property, plant and equipment	308	125
Unrealized loss on revaluation of marketable securities	2,032	902
Changes in non-cash working capital	89,962	104,292
Trade and other receivables	(2,657)	(1,708)
Inventories	(8,068)	(13,372)
Prepaid expenses	1,717	(408)
Accounts payable and accrued liabilities	8,734	17,738
Other current liabilities	(465)	-
Asset retirement obligations	89,223	106,542
Income taxes paid	(441)	-
Net cash provided by operating activities	(558)	(82)
	88,224	106,460
INVESTING ACTIVITIES		
Property, plant and equipment and mineral property interests	(171,144)	(92,016)
Proceeds on disposal of property, plant and equipment	265	-
Investment in marketable securities	-	(119)
Interest received	546	134
Net cash used in investing activities	(170,333)	(92,001)
FINANCING ACTIVITIES		
Issuance of shares	69,000	-
Share issue costs	(3,891)	-
Share repurchase and cancellation	(492)	(814)
Additions to debt	40,000	-
Debt issue costs	(3,512)	(55)
Repayments of debt	(33,344)	(3,086)
Loan standby fee	(127)	-
Proceeds from exercise of options and warrants	2,140	13,789
Payments on leases	(4,454)	(3,134)
Settlements in respect of derivative instruments	(2,997)	(3,664)
Interest paid on debt	(3,044)	(3,031)
Net cash provided by financing activities	59,279	5
Effect of exchange rate changes on cash and cash equivalents	611	(3,154)
Net increase (decrease) in cash and cash equivalents	(22,219)	11,310
Cash and cash equivalents, beginning of year	91,005	79,695
Cash and cash equivalents, end of year	68,786	91,005
Components of cash and cash equivalents:		
Cash	63,444	90,788
Cash equivalents	5,342	217
	68,786	91,005

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



Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except share numbers)

	Note	Share capital (note 14)		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
		Number	\$				
Balance as at December 31, 2021		154,076,242	310,143	31,523	2,009	(92,310)	251,365
Exercise of restricted share units	16	1,733,297	7,117	(2,020)	-	-	5,097
Exercise of performance share units	16	573,530	2,319	(2,319)	-	-	-
Exercise of stock options	16	1,237,269	3,540	(1,400)	-	-	2,140
Share incentive plans	16	-	-	7,287	-	-	7,287
Private placement	14	14,375,000	69,000	-	-	-	69,000
Share issue costs	14	-	(3,891)	-	-	-	(3,891)
Shares issued in respect of an acquisition	8	2,100,000	6,300	-	-	-	6,300
Shares issued to settle an obligation	14	297,718	1,350	-	-	-	1,350
Share repurchase and cancellation	14	(157,660)	(346)	-	-	(146)	(492)
Comprehensive earnings		-	-	-	586	9,901	10,487
Balance as at December 31, 2022		174,235,396	395,532	33,071	2,595	(82,555)	348,643

	Note	Share capital (note 14)		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
		Number	\$				
Balance as at December 31, 2020		146,129,181	289,483	31,413	5,789	(119,481)	207,204
Exercise of restricted share units	16	874,191	3,287	(1,119)	-	-	2,168
Exercise of performance share units	16	428,351	1,177	(1,177)	-	-	-
Exercise of warrants	15	5,017,972	12,780	(1,502)	-	-	11,278
Exercise of stock options	16	1,887,547	3,934	(1,423)	-	-	2,511
Share-based payments	16	-	-	5,331	-	-	5,331
Share repurchase and cancellation	14	(261,000)	(518)	-	-	(296)	(814)
Comprehensive earnings (loss)		-	-	-	(3,780)	27,467	23,687
Balance as at December 31, 2021		154,076,242	310,143	31,523	2,009	(92,310)	251,365

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



Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Karora Resources Inc. ("**Karora**" or "**Karora Resources**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the Canada Business Corporations Act. The corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: KRR) (OTCQX: KRRGF). The corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

These consolidated financial statements of the Corporation as at and for the year ended December 31, 2022 are comprised of Karora, its subsidiaries including its Australian operating subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**") and the group of subsidiaries collectively referred to as Higginsville Gold Operation ("**HGO**") which includes Lakewood Mining Pty Ltd ("**Lakewood**"). Collectively, these entities are referred to as the "**Corporation**".

Karora is a multi-asset mineral resource company. The Corporation's main assets are: 1) its 100% interest in the Beta Hunt Mine ("**Beta Hunt**") which is owned by SLM; 2) its 100% interest in the HGO toll processing and gold mining operation; 3) its Lakewood mill processing facility (note 8); and 4) its 100% interest in the Spargos Reward Gold Project ("**Spargos**") which is owned by HGO and included as a part of that business segment, all of which are located in Western Australia.

In response to the global COVID-19 pandemic, in conjunction with federal and state protocols in the countries where the Corporation operates, the Corporation established policies and practices which mitigated impacts of the pandemic on its operations. All of the Corporation's mines continued production throughout the year ended December 31, 2022. The Corporation's ongoing response to the COVID-19 pandemic is to continue to prioritize the safety of its workforce and host communities while mitigating operational impacts.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2023.

(b) Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Corporation's presentation currency is Canadian dollars (\$).



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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these consolidated financial statements are consistent with those of the previous year.

The Corporation's consolidated financial statements consolidate the accounts of Karora and the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Beneficial Ownership	Principal Activity	Functional Currency
Salt Lake Mining Pty Ltd.	Australia	100%	Gold and nickel mining	AUD
Subsidiaries collectively referred to as HGO:				
Avoca Mining Pty Ltd.	Australia	100%	Gold mine and milling	AUD
Avoca Resources Pty Ltd.	Australia	100%	Exploration	AUD
Corona Minerals Pty Ltd.	Australia	100%	Exploration	AUD
Hill 51 Pty Ltd.	Australia	100%	Holding company	AUD
Karora Australia Pty Ltd.	Australia	100%	Corporate office	AUD
Karora Resources Pty Ltd.	Australia	100%	Holding company	AUD
Polar Metals Pty Ltd.	Australia	100%	Exploration	AUD
Lakewood Mining Pty Ltd.	Australia	100%	Gold milling	AUD
Red Hill Gold USA Corp.	United States	100%	Corporate office	USD
VMS Ventures Inc.	Canada	100%	Copper mining; now dormant	CAD

Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control is transferred to the Corporation and are de-consolidated from the date control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Corporation. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Canadian dollars.

Foreign Currency Translation of Transactions

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statement of earnings and comprehensive earnings are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items on the statement of financial position are translated at the closing spot exchange rate. Exchange differences on



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the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive earnings (loss).

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who has been identified as the Chief Executive Officer, is responsible for allocating resources and assessing performance of the operating segments.

(d) Revenue recognition

Revenue from the sale of goods to customers is measured at the fair value which represents the amount of consideration which the Corporation expects to be entitled to in exchange for transferring the promised good. Sales revenue is recognized when control of the goods sold has been transferred to the buyer. Control is deemed to have passed to the customer at the point in time when the significant risks and rewards of the product have passed to the customer, the Corporation has a present right to payment and physical possession of the product has been transferred to the buyer. Gold bullion and doré is sold primarily to the Perth Mint, Macquarie Bank Ltd. and to bullion traders. The sales price is fixed on the date of sale based on the market spot or future price.

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss ("FVTPL"), then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; or
- measured subsequently at fair value (either through other comprehensive earnings, or through net earnings).

The classification depends on the Corporation's business model for managing the financial assets and the contractual terms which give rise to the cash flows.

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:



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- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets measured at fair value

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

For investments in debt instruments, the classification will depend on the business model in which the investment is held.

Investments in equity instruments that are held for trading are measured at FVTPL.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives, shall be subsequently measured at fair value.

Derivatives

Derivatives are initially recognized at fair value when the Corporation becomes a party to the derivative contract and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statement of comprehensive earnings immediately unless the derivative is designated and effective as a hedging instrument. Contracts to buy or sell items that meet the definition of a derivative but were entered into and are held in accordance with the Corporation's expected purchase, sale or usage requirements are not recognized as derivatives. Such contracts would be recorded as executory purchases and sales contracts.

For financial liabilities, the Corporation considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in a financial liability are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at FVTPL.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:



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- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and;
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Corporation assesses on a forward-looking basis the expected credit loss associated with any debt instruments carried at amortised cost and through other comprehensive earnings. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Such assessment exists if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. An external rating of investment grade is considered to indicate that a financial instrument may be considered as having low credit risk.

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables and other receivables, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand as well as other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalties.

(g) Inventories

Ore stockpiles, in-process and finished metal inventory (gold and nickel) is measured and valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Production costs include the cost of direct labor, contracted services, materials, other direct costs, related mine-site overhead expenses (based on normal operating capacity) and including applicable depreciation on property, plant and equipment ("PPE").

Ore stockpile inventory represents mined ore that is available for further processing. In-process inventory represents material in the mill circuit that is in the process of being converted into a saleable form. Finished metal inventory represents gold doré and nickel ore located at the mine, in transit to customers and at refineries.

Supplies and spare parts are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the value considering the value of the final product less incurred costs and costs to complete the inventory into a saleable form.



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Any write-downs of inventory to net realizable value are recorded within cost of sales in the statement of earnings. If there is a subsequent increase in the value of inventory, the previous write-downs to net realizable value are reversed up to cost to the extent that the related inventory has not been sold.

(h) Property, plant and equipment

PPE is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the statement of comprehensive earnings during the period in which they are incurred unless they are extending the life of the asset as described below. Depreciation is recognized based on the cost of an item of PPE, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Years	Method
Land	Nil	none
Mining properties		Units of production
Mill facilities		Units of production
Building	5 to 20	Straight line
Vehicles	5 to 10	Straight line
Camp, furniture and equipment	5 to 10	Straight line
Computer equipment and software	3 to 5	Straight line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive earnings.

Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The mining properties and mill facilities are recorded at cost and depreciated, using the units of production method, over the expected operating life of the mine based on estimated recoverable ore. However, if the anticipated useful life of the asset is less than the life of the mine, depreciation is based on its anticipated useful life.

As described in the table above, depreciation is also provided for using the straight line method.

At underground mines, the Corporation incurs development costs to build new shafts, drifts and ramps that will enable physical access to ore underground. These underground development costs are capitalized as incurred. Capitalized underground development costs are depreciated on a units of production basis, whereby the denominator is the estimated ounces/pounds of gold/nickel of economic extraction based on the current life of mine plan that benefit from the development.



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The costs of removing waste and overburden (stripping costs) to access ore prior to the commencement of open pit mining operations are capitalized to mineral property interests. Stripping costs after the commencement of open pit operations are incurred both in relation to the production of inventory of that period and also for improved access to ore to be mined in the future. Stripping costs incurred relating to current ore production are included as part of inventory, while stripping costs incurred relating to improved access to reserves, to resources or future development are capitalized as a stripping activity asset. Stripping activity assets are amortized on a unit of production basis over the expected minable contained ounces over the remaining life of each mining phase to which they relate.

(i) Exploration and evaluation costs

The Corporation capitalizes all costs relating to the acquisition, exploration, and evaluation of mineral claims. These costs include:

- gathering exploration data through topographical and geological studies;
- exploration and exploratory drilling, trenching and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting engineering, marketing and financial studies.

All proceeds received for farm-out arrangements, recovery of costs, and royalty sales against the cost of the related claims are offset against the capitalized costs. If proceeds exceed the capitalized costs of an exploration and evaluation asset, then a gain is recognized.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, capitalized expenditures are reclassified to mineral property interests.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- Results of studies;
- Status of permits and rights and other agreements to allow access rights; and
- Approval by management and/or Board of Directors to proceed to development.

Upon transfer into mineral property interests, exploration and evaluation costs are immediately tested for impairment. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mineral property interests.

(j) Mineral property interests

Mineral property interests are measured at cost less accumulated depletion and accumulated impairment losses. Mineral properties include the fair value attributable to mineral reserves and mineral resources acquired in a business combination or asset acquisition, capitalized exploration and evaluation costs, and mine development costs. Upon commencement of production, a mineral property is depleted using the unit-of-production method.



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The Corporation reviews the estimated total recoverable ounces for gold and tonnes for nickel annually and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces or tonnes, respectively, are accounted for prospectively.

(k) Impairment of non-financial assets

PPE and mineral property interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable or for impairment reversal if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of its fair value less costs of disposal and its 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 current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment charge is recognized in the statement of comprehensive earnings. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in the statement of earnings and comprehensive earnings in the period it occurred.

The recoverability of amounts shown for mineral property interests is dependent upon several factors including, but not limited to, the discovery of economically recoverable reserves and resources, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit.

(l) Borrowing costs

All borrowing costs are recognized as interest expense in the consolidated statement of comprehensive earnings in the period in which they are incurred except borrowing costs attributable to the acquisition, construction or production of qualifying assets which are added to the cost of those assets, until such time as the assets are substantially complete and ready for their intended use.

(m) Leases

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of



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the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Corporation's incremental rate of borrowing is used. The lease liability is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation presents right-of-use assets within property, plant and equipment and lease liabilities separately in the consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of twelve months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted each period for the unwinding of the discount rate, and if required, for changes to the current market-based discount rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The Corporation also records a corresponding asset amount which is amortized over the remaining service life of the asset.

(o) Provisions

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

(p) Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period that the transaction occurs.



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(q) Share-based compensation

Share Options

The fair value of share options is measured at the grant date, including an estimate of the forfeiture rate, and recognized 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 financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of share options granted to employees, directors and consultants is recognized as an expense, or capitalized to mineral property interests, over the vesting period with a corresponding increase in contributed surplus.

Deferred Share Units, Restricted Share Units, Performance Share Units and Share Appreciation Rights

A liability for deferred share units, restricted share units, performance share units and share appreciation rights, which have a cash settlement feature at the option of the holder, is measured at fair value on the grant date, including an estimate of the forfeiture rate, and is subsequently adjusted at each financial position reporting date for changes in fair value. The liability is recognized over the vesting period with a corresponding charge as an expense or capitalized to mineral property interests. If a deferred share unit, restricted share unit, performance share unit or share appreciation right does not have a cash settlement feature, then it is measured and accounted for as described above for share options.

(r) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Mining taxes represent taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.



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A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Earnings per share

The Corporation presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, compensation warrants, options, deferred share units, restricted share units and performance share units outstanding that may add to the total number of common shares.

(t) New accounting standards, amendments and interpretations

In October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, titled *Non-current liabilities with covenants*. These amendments sought to improve the information that an entity provides with its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments. *Classification of liabilities as current or non-current*, issued in January 2020, which clarified that liabilities are classified as either current or non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Corporation does not expect these amendments to have material effect on its financial statements.

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and the IFRS Practice Statement *Making Material Judgments* to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption. The Corporation does not expect these amendments to have a material effect on its financial statements.

There are no other IFRS standards or IFRS Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a material impact on the Corporation.

4. ACCOUNTING POLICY JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on



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management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant accounting policy judgment affecting the amounts recognized in the consolidated financial statements include:

(i) Establishment of technical feasibility and commercial viability of a mineral property

Technical feasibility - the establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

Commercial viability - the Corporation uses judgment in application of reserves and resources and other information to assess the basis for units to be applied in units-of-production which include the determination of value beyond proven and probable reserves. Changes in reserves and resources could impact asset carrying values and prospectively depreciation and amortisation rates.

(ii) Impairment of property, plant and equipment and mineral property interests

The recoverability of amounts shown for property, plant and equipment and mineral property interests is dependent upon several factors including, but not limited to, the discovery of economically recoverable reserves, resources, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material impairment of the carrying values of property, plant and equipment and mineral property interests.

The net book value of property, plant and equipment and mineral property interests amounted to \$363.1 million as at December 31, 2022. Management assesses at each reporting period-end whether there is an indication that the carrying value of PP&E may not be recoverable. 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 quantity of the recoverable resources and reserves; (iii) changes in metal prices, capital and operating costs; (iv) changes in foreign exchange and interest rates, are evaluated by management in determining whether there are any indicators of impairment. Management identified no impairment indicators for the Beta Hunt and Spargos Mines, and HGO and Lakewood Mills with a total carrying value of \$351.3 million. There were two satellite pit assets at HGO where management identified impairment indicators and completed an impairment test. Management concluded that the assets were not impaired.

Property, plant and equipment and mineral property interests are reviewed for impairment if there are indicators that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine whether impairment exists and the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal ("FVLCD") and its value in use ("VIU"). If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the



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carrying amount is reduced to the recoverable amount. The reduction is recognized immediately as an impairment loss in the consolidated statement of earnings.

In assessing fair value less cost of disposal, the estimated future cash flows are discounted to their present value, using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

When impairment reversal indicators relating to previously impaired assets exist, an impairment reversal assessment is conducted at the level of the asset or CGU. An impairment reversal is recognized if the recoverable amount of the asset or CGU exceeds the carrying amount that would have been determined, net of depreciation, had no previous impairment charge been recognized. The impairment reversal is recognized immediately in the consolidated statement of earnings.

The estimate of recoverable amounts with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts, and these differences may be significant and could have a material impact on the Corporation's financial position and results of operations.

(iii) Impairment of exploration & evaluation assets

Exploration and evaluation assets are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or in the near future, and which is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted metal prices.

(iv) Application of IFRS 3

The Corporation accounted for the acquisition of Lakewood (note 8) as an asset acquisition. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transaction. This included, among others, the determination that Lakewood was not considered a business under IFRS 3 – Business combinations. The Corporation elected to apply the optional test to identify the concentration of assets and determined that the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets and therefore accounted for the acquisition as an asset purchase.

Areas of significant estimation and uncertainty affecting the amounts recognized in the consolidated financial statements include:



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(i) Derivative financial instruments

Derivatives are measured at fair value through profit and loss and their fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of comprehensive earnings. To estimate the fair value of the derivatives at the inception date and again at the statement of financial position date, derivative valuation models are used.

(ii) Provision for restoration, rehabilitation and environmental obligations

The Corporation's exploration, mining and milling activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for restoration, rehabilitation and environmental obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

(iii) Income taxes

The Corporation recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make a significant judgment of future taxable profit. Management is required to assess whether it is probable that the Corporation will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods from deferred tax assets. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	December 31, 2022	December 31, 2021
Trade accounts receivable	\$4,535	\$2,185
Sales taxes and rebates	3,901	3,488
Income tax receivable	94	-
	\$8,530	\$5,673

6. INVENTORIES

Inventories consist of the following:

As at	December 31, 2022	December 31, 2021
Gold stockpile	\$27,934	\$24,066
Gold in process	8,843	4,626
Nickel stockpile	209	285
Stores, spares and fuel	8,328	3,901
	\$45,314	\$32,878
Less current portion	32,686	-
Non-current portion	\$12,628	\$32,878



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Cost of operations includes production and processing costs of \$179.3 million (2021 - \$121.9 million) that were recognized as part of inventories and subsequently expensed when sold during the year.

As at December 31, 2022, \$10.0 million (December 31, 2021 – \$5.6 million) of depreciation was included in inventory.

Non-current inventories consist of stockpiles not expected to be processed within one year.

7. MARKETABLE SECURITIES

The following table reflects the continuity of the Corporation's marketable securities:

For the years ended December 31,	2022	2021
Opening balance	\$3,549	\$3,154
Additions	-	119
Reclassification from other non-current assets	-	1,178
Unrealized loss on revaluation of marketable securities	(2,032)	(902)
Closing balance	\$1,517	\$3,549

The Corporation's marketable securities are traded in an active market on stock exchanges and are therefore considered Level 1 assets in the fair value hierarchy. The marketable securities are recorded at fair values derived using quoted market prices.

During the year ended December 31, 2021, the investment in Sudbury Platinum Corporation ("SPC") was reclassified from other non-current assets to marketable securities upon its listing on the TSX Venture exchange. At the time of the listing, the SPC shares had a fair value of \$1.2 million. Following the reclassification, the SPC investment is a Level 1 financial asset, consistent with all of the Corporation's other marketable securities.

8. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following tables reflect the continuity of the Corporation's property, plant and equipment and mineral property interests.



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	Plant and Equipment	Mineral Property Interests	Exploration and Evaluation	Total
As at December 31, 2021	\$81,796	\$172,269	\$46,615	\$300,680
Additions	53,293	40,381	16,628	110,302
Acquisition - Lakewood (i)	78,236	-	-	78,236
Adjustment in respect of rehabilitation obligations (note 13)	-	(4,484)	-	(4,484)
Transfers	(37,626)	37,331	295	-
Disposals	(573)	-	-	(573)
Change due to foreign exchange translation	1,775	413	321	2,509
Depreciation	(10,295)	(49,413)	-	(59,708)
As at December 31, 2022	\$166,606	\$196,497	\$63,859	\$426,962

As at December 31, 2022				
Cost	\$194,086	\$306,453	\$63,859	\$564,398
Accumulated depreciation	(27,480)	(109,956)	-	(137,436)
Net book value	\$166,606	\$196,497	\$63,859	\$426,962

	Plant and Equipment	Mineral Property Interests	Exploration and Evaluation	Total
As at December 31, 2020	\$66,153	\$139,720	\$33,171	\$239,044
Additions	27,664	46,708	26,228	100,600
Adjustment in respect of rehabilitation obligations (note 13)	-	6,979	-	6,979
Transfers	-	10,813	(10,813)	-
Disposals	(126)	-	-	(126)
Change due to foreign exchange translation	(4,586)	(9,656)	(1,971)	(16,213)
Depreciation	(7,309)	(22,295)	-	(29,604)
As at December 31, 2021	\$81,796	\$172,269	\$46,615	\$300,680

As at December 31, 2021				
Cost	\$101,240	\$231,797	\$46,615	\$379,652
Accumulated depreciation	(19,444)	(59,528)	-	(78,972)
Net book value	\$81,796	\$172,269	\$46,615	\$300,680

The tables below summarizes the balances in respect of right-of-use assets which are included in the tables above:

	Plant and Equipment
As at December 31, 2021	\$11,223
Additions	4,932
Depreciation	(2,327)
Change due to foreign exchange translation	(5)
As at December 31, 2022	\$13,823



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	Plant and Equipment
As at December 31, 2020	\$4,571
Additions	8,256
Depreciation	(1,234)
Change due to foreign exchange translation	(370)
As at December 31, 2021	\$11,223

(i) Lakewood mill acquisition

On July 27, 2022, the Corporation completed the acquisition of the Lakewood mill and certain related assets and liabilities. The purchase was accounted for as an asset acquisition. The assets were acquired by a newly formed subsidiary named Lakewood Mill Pty Ltd. The Corporation paid AUD\$71.9 million (\$64.2 million) in cash, including acquisition costs of \$3.4 million, and 2.1 million Karora shares valued at \$6.3 million (note 14) for total purchase consideration of \$70.5 million. The purchase price was allocated as follows:

Purchase price allocation

Inventory	\$282
Property, plant and equipment and mineral property interests	78,236
Accounts payable and accrued liabilities (note 9)	(4,336)
Asset retirement obligations (note 13)	(3,696)
	\$70,486

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	December 31, 2022	December 31, 2021
Trade accounts payable	21,756	\$18,683
Lakewood acquisition (note 8)	4,136	-
Royalty accrual	6,330	4,915
Spargos accrual	-	1,382
Employee related accruals	11,000	9,798
Accrued liabilities	21,063	19,135
	\$64,285	\$53,913

Accounts payable and accrued liabilities include \$4.2 million (December 31, 2021 - \$7.6 million) in respect of property, plant and equipment and mineral property interests and \$4.1 million in respect of stamp duty for the Lakewood acquisition (note 8).



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10. DEBT

Debt consist of the following:

	Morgan Stanley			Total
	Macquarie (i)	Bridge (ii)	Installments (iii)	
As at December 31, 2021	\$-	\$29,647	\$3,010	\$32,657
Additions	40,000	-	-	40,000
Repayments	-	(30,000)	(3,344)	(33,344)
Debt issue costs	(1,756)	-	-	(1,756)
Accretion expense	369	125	197	691
Loss on extinguishment of debt	-	228	-	228
Change due to foreign exchange translation	-	-	137	137
As at December 31, 2022	\$38,613	\$-	\$-	\$38,613

	Morgan Stanley		Total
	Bridge (ii)	Installments (iii)	
As at December 31, 2020	\$29,300	\$5,787	\$35,087
Extension fee	(55)	-	(55)
Repayments	-	(3,086)	(3,086)
Accretion expense	402	116	518
Change due to foreign exchange translation	-	193	193
As at December 31, 2021	29,647	3,010	32,657
Less current portion	-	3,010	3,010
Non-current portion	\$29,647	\$-	\$29,647

(i) Macquarie

On July 14, 2022, the Corporation closed an \$80 million Amended and Restated Credit Agreement with Macquarie Bank Limited ("**Macquarie**"), which was subsequently amended by Amendment No. 1 to Amended and Restated Credit Agreement dated October 14, 2022 (collectively, the "**Credit Agreement**"). The Credit Agreement provides for a \$40 million term loan and a \$40 million revolving credit facility, both bearing an interest rate of the Canadian Dollar Offered Rate plus 4.5% per annum on the drawn principal paid quarterly and a standby fee of 1.5% per annum on the undrawn revolving credit facility. During the year ended December 31, 2022, with respect to this facility, the Corporation incurred interest expense totalling \$1.5 million at an average rate of 8.3%.

The term loan became available and was fully drawn on July 14, 2022. The revolving credit facility became available to draw upon the amendment date on October 14, 2022. The term of the Credit Agreement is to June 28, 2024 and any amounts outstanding under both the term and revolving credit facility are repayable on or before that date. The Corporation may request an extension for an additional 12 months no earlier than 120 days before the June 28, 2024 maturity date and, upon approval, pay Macquarie an extension fee equal to 0.50% of the then current aggregate amount of the term loan and revolving credit facility commitments.

Issue costs totalling \$1.8 million were allocated to the term loan and are accreted over the term to June 28, 2024. Issue costs totalling \$1.7 million were allocated to the revolving credit facility and are accounted for as prepaid expenses and other non-current assets in the statement of financial position. The fees associated with the revolving credit facility are expensed on a straight line basis to June 28, 2024. The proceeds of the



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Credit Agreement were used to refinance the Corporation's existing \$30 million Bridge facility and for general working capital purposes.

(ii) Bridge

As at December 31, 2021, the Corporation had an outstanding bridge facility in the amount of \$30 million (“**Bridge**”). The Bridge was initiated in June 2019 with an interest rate of 10% which was amended during 2021 to an annual interest rate of 9% paid monthly and was maturing on June 2023. On July 14, 2022, the Corporation closed and drew on the Macquarie Credit Agreement term loan and the Bridge was fully repaid. During the year ended December 31, 2022, with respect to this facility, the Corporation incurred interest expense totalling \$1.5 million (2021 - \$3.0 million) at the rate of 9.0% (2021 – 9.9%).

(iii) Morgan Stanley Installments

As part of a royalty buyback arrangement with Morgan Stanley Capital Group Inc. (“**Morgan Stanley**”) entered in 2020, the Corporation agreed to pay USD\$6.3 million comprising 5 installments of US\$1.26 million starting on November 18, 2020 and payable each six months thereafter until fully paid in 2022. The net present value of these payments using a 10% discount rate was recorded in mineral property interest at the time of the arrangement.

11. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the years ended December 31, 2022 and 2021:

For the years ended December 31,	2022	2021
Opening balance	\$8,979	\$3,863
Additions	4,932	8,256
Accretion	551	268
Cash payments	(4,454)	(3,134)
Change due to foreign exchange translation	29	(274)
Closing balance	10,037	8,979
Less current portion	4,240	3,399
Non-current portion	\$5,797	\$5,580

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation has a participation royalty agreement with Morgan Stanley whereby the Corporation shall pay Morgan Stanley 27.5% of the first 2,500 troy ounces of gold sold in each quarter, multiplied by the difference between the average gold London pm fix price for that quarter and AUD\$1,340 per ounce. The Corporation may terminate its obligation to pay participation royalties on or after January 1, 2035 (unless extended under certain conditions) by paying USD\$0.7 million to Morgan Stanley. The Corporation has recognised a derivative liability for the participation royalty agreement which is fair valued at each reporting period.



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The fair value of derivative instruments not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included as a Level 2 measurement. As the discount rate is not an observable input, the Morgan Stanley participation royalty derivative liability is classified within Level 3 of the fair value hierarchy.

The participation royalty obligation was estimated using a forward contract valuation approach model. The key inputs used in the valuation include:

- the gold forward price curve based on the COMEX futures curve, extrapolated where necessary;
- USD/AUD foreign exchange rates based on forward curves;
- discount rates incorporating the Corporation's estimated credit spread of 2.79% as at December 31, 2022;
- a current risk-free rate based on the Australian dollar swaps curve; and
- the Corporation's estimated gold ounce delivery into the participation royalty.

The table below summarizes the movements in the derivative liability for the years ended December 31, 2022 and 2021:

For the years ended December 31,	2022	2021
Opening balance	\$25,272	\$25,556
Settlements	(3,116)	(2,714)
Net change in fair value	4,405	3,921
Change due to foreign exchange translation	42	(1,491)
Closing balance	26,603	25,272
Closing balance	3,383	2,881
Non-current portion	\$23,220	\$22,391

As at December 31, 2022, the following tables summarize the quantitative information about significant unobservable inputs used in Level 3 fair value measurements for the Morgan Stanley Participation Royalty:

Inputs	Unobservable Inputs	Range of Relationship of unobservable inputs on fair value
Credit spread	1.79% - 3.79%	A change in the discount rate of 1% would impact the fair value by \$1.0 million.
Gold price		A change in the gold price of 10% would impact the fair value by \$4.8 million.

13. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's mine and mill operations. The obligations consist of costs associated with reclamation, environmental monitoring and the removal of tangible assets. As at December 31, 2022, the carrying value of the obligations represents the net present value of the estimated undiscounted cash flows required to settle the obligations, which total \$45.5 million (2021 - \$36.9 million) calculated using a discount rate of 4.1% (2021 - 1.6%) and inflation rates ranging from 3% to 4% (2021 - 2.5%). The settlements of these obligations are expected to be completed by 2041.



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The following table reflects the continuity of asset retirement obligations for the years ended December 31, 2022 and 2021:

For the years ended December 31,	2022	2021
Opening balance	\$31,136	\$25,430
Accretion expense	1,000	338
Acquisition - Lakewood (note 8)	3,696	-
Additions	581	5,650
Change in discount and inflation rates	(5,065)	1,329
Spending on progressive reclamation	(441)	-
Change due to foreign exchange translation	(25)	(1,611)
Closing balance	\$30,882	\$31,136
Less current portion	443	-
Non-current portion	\$30,439	\$31,136

14. SHARE CAPITAL

The Corporation is authorized to issue an unlimited amount of common shares.

In the second quarter of 2022, the Corporation closed a bought deal financing of 14,375,000 common shares at a price of \$4.80 per common share, for gross proceeds of \$69 million, including the exercise in full of the Underwriters' over-allotment option. Issue costs with respect to the bought deal totaled \$3.9 million.

On July 27, 2022, the Corporation closed the purchase of the Lakewood mill (note 8). As part of the purchase consideration, the Corporation issued 2,100,000 shares which were valued at \$6.3 million.

In the first quarter of 2022, the Corporation issued 297,718 shares with a value of AUD\$1.5 million (\$1.4 million) in respect of the Spargos Gold project acquisition. The obligation for the payment was recognized as part of the Spargos acquisition in 2020 with the shares issuable upon the commencement of gold production (note 9).

During the three months ended September 30, 2022, 157,660 shares were repurchased and cancelled under the Corporation's normal course issuer bid approved by the TSX on July 15, 2022 and expiring on July 19, 2023. The shares were purchased at an average price of \$3.12 per share for a total of \$0.5 million, with the difference of \$0.1 million compared to the net book value of cancelled shares charged fully to deficit.

During the year ended December 31, 2021, 261,000 shares were repurchased and cancelled under the Corporation's normal course issuer bid approved on May 21, 2021 and expired on May 17, 2022. The shares were purchased at an average price of \$3.10 per share for a total of \$0.8 million, with the difference of \$0.3 million compared to the net book value of cancelled shares charged fully to deficit.



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15. WARRANTS

The following tables reflect the continuity of share purchase warrants for the years ended December 31, 2022 and 2021:

	Number of warrants	Convertible into Common Shares	Weighted Average Exercise Price
As at December 31, 2020	23,490,421	5,220,081	2.25
Exercised	(22,580,930)	(5,017,972)	2.25
Expired	(909,491)	(202,109)	2.24
As at December 31, 2021 and 2022	-	-	\$-

The Corporation had warrants in respect of its common shares all of which were fully exercised or expired during the year ended December 31, 2021. Four and a half (4.5) warrants were exercisable for one common share. For warrants exercised during the year ended December 31, 2021, the related weighted average share price at the time of exercise was \$3.62 per share.

16. SHARE INCENTIVE PLANS

The Corporation has a share incentive plan, amended and restated as of June 16, 2022 (the “**Plan**”), that provides for the granting of share options and other equity-based awards including restricted share units, performance share units, deferred share units and share appreciation rights to key officers, directors, employees and consultants of the Corporation. The maximum number of common shares issuable upon the exercise of share options and the redemption of other equity-based awards issued under the Plan may not exceed, in aggregate, 7.5% of the issued and outstanding common shares from time to time. Further, the maximum number of shares issuable on the redemption of RSUs, PSUs and DSUs issued under the Plan may not exceed, in aggregate, 5.5% of the issued and outstanding common shares from time to time.

Share Purchase Options

At the time of grant or thereafter, the Human Resources and Compensation Committee (the “**Committee**”) of the Board of Directors may determine when a share option will vest and become exercisable and may determine that the share option shall be exercisable in instalments on such terms as to vesting or otherwise as the Committee deems advisable subject to the rules of the Toronto Stock Exchange. Unless otherwise determined by the Committee, share options will vest and become exercisable, as to one third of the share options granted, on each of the first, second and third anniversaries of the date of grant, provided that the participant is an eligible employee, eligible director, consultant or other participant at the time of vesting. Under the Plan, the expiry date of share options may not exceed ten years from the date of grant.

The following table reflects the continuity of share purchase options for the years ended December 31, 2022 and 2021:



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	Number of options	Weighted Average Exercise Price
As at December 31, 2020	4,429,393	\$1.68
Exercised	(1,887,547)	1.33
Forfeited	(4,444)	2.14
Expired	(30,000)	5.13
As at December 31, 2021	2,507,402	1.89
Exercised	(1,237,269)	1.73
As at December 31, 2022	1,270,133	\$2.05

For options exercised during the year ended December 31, 2022, the related weighted average share price at the time of exercise was \$5.39 per share (2021 - \$4.10). There were no options granted during the years ended December 31, 2022 and 2021.

As at December 31, 2022, the Corporation had the following share purchase options outstanding:

Exercise Price Range	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.45-\$1.20	239,754	0.3	\$0.83	239,754	0.3	\$0.83
\$1.21-\$1.70	268,147	2.0	\$1.52	268,147	2.0	\$1.52
\$1.71-\$2.43	255,178	1.3	\$2.05	255,178	1.3	\$2.05
\$2.44-\$2.75	168,388	0.9	\$2.52	168,388	0.9	\$2.52
\$2.76-\$3.95	338,666	1.4	\$3.11	313,666	1.3	\$3.05
	1,270,133	1.2	\$2.05	1,245,133	1.2	\$2.02

During the year ended December 31, 2022, the Corporation recorded share-based payments expense related to share options of \$0.2 million (2021 - \$0.5 million).

Restricted Share Units

Under the Plan, redemption of vested restricted share units (“RSUs”) shall take place no later than the third anniversary of the date of grant. The Corporation has granted the following three types of RSUs: (i) cash settled units, (ii) units settled in cash and/or shares at the option of the participant and (iii) units settled for shares. Upon redemption of vested units, the participant will either receive cash equal to the multiple obtained if the number of vested units is multiplied by the fair market value of a common share of the Corporation on the redemption date, or for RSUs with an option, the participant may choose to receive (i) the number of underlying common shares of the Corporation or ii) a combination of common shares of the Corporation and/or cash. The expense for both of these types of RSUs is recorded in the consolidated statement of earnings and comprehensive earnings in general and administrative expenses: share-based compensation and credited to liabilities under share incentive plan liabilities since some units will settle for cash only, while other units will settle for cash or common shares at the option of the participant. With respect to RSUs which can only be settled for shares, the expense is also recorded in the statement of comprehensive earnings in general and administrative expenses: share-based compensation and the credit is to contributed surplus in the equity section of the statement of financial position.



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The following table reflects the continuity of RSUs for the years ended December 31, 2022 and 2021:

	Number of Restricted Share Units
As at December 31, 2020	3,299,769
Granted	1,077,930
Exercised for shares	(874,191)
Exercised for cash	(178,412)
Forfeited	(96,320)
As at December 31, 2021	3,228,776
Granted	1,578,660
Exercised for shares	(1,733,297)
Exercised for cash	(215,091)
Forfeited	(192,059)
As at December 31, 2022	2,666,989

As at December 31, 2022, the weighted average remaining contractual life of the outstanding RSUs was 1.7 years and 238,641 RSUs were vested with a remaining contractual life of 1.0 years.

Included in the 2,666,989 RSUs outstanding as at December 31, 2022, are 386,638 units, of which 162,928 were vested as at December 31, 2022, that can be settled for cash or equity at the option of the holder. With respect to these vested units, the Corporation has a liability of \$1.1 million (December 31, 2021 - \$5.7 million) to recognize the estimated fair value as at December 31, 2022 of the RSUs in share incentive plan obligations on the statement of financial position. With respect to the RSUs which can be settled for shares or cash, during the year ended December 31, 2022, the Corporation recorded share-based payments expense of \$1.5 million (2021 - \$2.9 million).

With respect to the RSUs which can only be settled for shares, during the year ended December 31, 2022, the Corporation recorded share-based payments expense of \$3.3 million (2021 - \$2.4 million).

During the year ended December 31, 2022, the Corporation granted 1,437,391 (2021 – 1,006,129) RSUs which can only be settled with shares. The Corporation valued the shares at \$3.13 (2021 – \$3.37) per unit representing the fair value at the time of grant.

Performance Share Units

Under the Plan, the redemption of vested performance share units (“PSUs”) shall take place no later than the third anniversary of the date of grant. PSUs vest based on certain performance criteria and, if vested, will be redeemed for fully paid common shares of the Corporation. The vesting criteria are based on the total shareholder return (“TSR”) of the common shares of the Corporation relative to the TSR of the Van Eck Vectors/Jr Gold Miners ETF (the “Index”) over a three-year period (the “Performance Period”). The value of the PSUs at the end of the Performance Period will be calculated based on the value of the Corporation’s common shares and the number of PSUs that ultimately vest. The expense for the PSUs is recorded in the statement of comprehensive earnings in general and administrative expenses and credited to contributed surplus in the Consolidated Statement of Financial Position.

The following table reflects the continuity of PSUs for the years ended December 31, 2022 and 2021:



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	Number of Performance Share Units
As at December 31, 2020	900,338
Granted	981,125
Additional units due to performance	135,318
Exercised	(428,351)
Forfeited	(96,313)
As at December 31, 2021	1,492,117
Granted	1,291,911
Exercised	(573,530)
Forfeited	(191,792)
As at December 31, 2022	2,018,706

The fair value of the PSU grants was determined using a Monte Carlo simulation approach. This approach uses random numbers, together with various market assumptions to generate potential future outcomes for share prices using Geometric Brownian Motion which is an industry standard method for simulating the expected future path of share prices. The following assumptions were used:

	August 26, 2022	August 11, 2021
Share price	\$3.12	\$3.45
Risk free interest rate	3.8%	1.1%
Expected life	3 years	3 years
Expected volatility	64.2%	92.0%
Expected dividends	nil	nil
Index share price	\$40.32	\$53.37
Correlation coefficient	0.60	0.25

As at December 31, 2022, the weighted average remaining contractual life of the outstanding PSUs is 1.9 years and no awards were vested.

During the year ended December 31, 2022, the Corporation recorded share-based payments expense related to PSUs of \$3.3 million (2021 - \$2.4 million).

Deferred Share Units

Under the Plan, a participant is only entitled to payment in respect of a deferred share units (“DSUs”) when the participant ceases to be a director of the Corporation or any affiliate thereof for any reason. Upon redemption of a vested unit, the participant has the option to receive (i) one common share of the Corporation or (ii) an amount in cash equal to the fair market value of a common share of the Corporation on the date of redemption. The expense is recorded in the statement of comprehensive earnings in general and administrative expenses and credited to share-based incentive liabilities since the payment in cash or common shares is at the option of the participant.

The following table reflects the continuity of DSUs for the years ended December 31, 2022 and 2021:



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	Number of Deferred Share Units
As at December 31, 2020	289,998
Granted	129,627
As at December 31, 2021	419,625
Granted	166,051
Exercised for cash	(82,558)
As at December 31, 2022	503,118

As at December 31, 2022, all 503,118 DSUs were vested.

Included in DSUs outstanding at December 31, 2022, are 381,154 units that can be settled for cash or equity at the option of the holder. The Corporation has a liability of \$1.8 million (December 31, 2021 - \$1.8 million) to recognize the estimated fair value of these units as at December 31, 2022 in share incentive plan obligations in the consolidated statement of financial position. With respect to the DSUs which can be settled for cash or shares, during the year ended December 31, 2022, the Corporation recorded share-based payments expense of \$0.4 million (2021 - \$0.7 million).

With respect to the DSUs totalling 121,964 which can only be settled for shares, during the year ended December 31, 2022, the Corporation recorded share-based payments expense of \$0.5 million (2021 - \$nil).

During the year ended December 31, 2022, the Corporation granted 126,493 (2021 – nil) DSUs which can only be settled with shares. The Corporation valued the shares at \$3.93 (2021 – \$nil) per unit representing the fair value at the time of grant.

Share Appreciation Rights

Under the Plan, participants have the right to receive a cash payment on the redemption of a share appreciation right provided that such share appreciation right has vested. Such cash payment will be equal to the amount if any, by which the fair market value of a common share of the Corporation on the date of redemption exceeds the fair market value of a common share of the Corporation on the date of grant (the “**Base Price**”). The expense for share appreciation rights is recorded in the statement of comprehensive earnings in general and administrative expenses and credited to other non-current liabilities and provisions.

The following table reflects the continuity of share appreciation rights for the years ended December 31, 2022 and 2021:

	Number of Share Appreciation Rights
As at December 31, 2020 and 2021	40,443
Exercised for cash	(40,443)
As at December 31, 2022	-

The weighted average fair value of the share appreciation rights outstanding as at December 31, 2021, was \$1.60 per unit. The calculation used the Black-Scholes option pricing model, using the following assumptions:



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For the year ended December 31,	2021
Share price	\$4.25
Base price	\$1.80
Risk free interest rate	1.0%
Expected life	1.1 years
Expected volatility	44%
Expected dividends	nil

The Corporation has a liability of \$nil million (December 31, 2021 - \$0.1 million) to recognize the estimated fair value as at December 31, 2022 of the cash settled SARs in other non-current liabilities and provisions in the Consolidated Statement of Financial Position.

Summary

The total expense recognized from share-based compensation transactions is shown in the following table:

For the years ended December 31,	2022	2021
Share purchase options	\$160	\$516
Deferred share units	885	690
Restricted share units	4,822	5,309
Share appreciation rights	11	4
Performance share units	3,325	2,418
	\$9,203	\$8,937

17. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	2022	2021
Expense by nature:		
Employee and contractor compensation	\$11,065	\$9,911
Directors' fees	357	238
Professional fees	4,162	2,153
Public company expenses	375	221
Office and general	7,447	6,373
Conference and travel	1,430	668
Investor relations	758	756
Business development	862	310
Depreciation and amortization	267	286
General and administrative	\$26,723	\$20,916



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18. FINANCE EXPENSE, NET

For the years ended December 31,	2022	2021
Interest expense on debt	\$3,044	\$3,031
Accretion expense	2,242	1,124
Loan fee amortization	411	-
Loan standby fee	127	-
Extinguishment of long-term debt (note 10)	228	-
Other	27	-
Finance expense	6,079	4,155
Interest income	(546)	(134)
Finance expense, net	\$5,533	\$4,021

19. INCOME TAX

The major components of income tax expense are as follows:

For the years ended December 31,	2022	2021
Tax expense applicable to:		
Current taxes	\$215	\$293
Deferred taxes	6,534	18,304
Total tax expense	\$6,749	\$18,597

A reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate is as follows:

For the years ended December 31,	2022	2021
Statutory tax rate	25.0%	25.0%
Tax expense at statutory rate	\$4,163	\$11,517
Expenses not deductible for income tax purposes	1,547	1,189
Tax rate differential	1,439	3,212
Tax effect of unrecognized temporary difference and tax losses	3,103	3,726
Previous year adjustments and tax return true-ups	(3,503)	(1,038)
Other	-	(9)
Total tax expense	\$6,749	\$18,597

The Corporation offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefits of the following temporary differences have been recognized in the consolidated financial statements:



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	Balance December 31, 2021	Recognized in Profit and Loss	Recognized in Other Comprehensive Income	Balance December 31, 2022
Deferred tax assets (liabilities):				
Loss carry-forward	\$5,068	\$2,593	\$-	\$7,661
Property, plant and equipment and mineral property interests	(35,951)	(9,796)	-	(45,747)
Long-term debt	1,448	4,079	-	5,527
Other	4,507	(3,410)	(94)	1,003
Net deferred tax assets (liabilities)	\$(24,928)	\$(6,534)	\$(94)	\$(31,556)

	Balance December 31, 2020	Recognized in Profit and Loss	Recognized in Other Comprehensive Income	Balance December 31, 2021
Deferred tax assets (liabilities):				
Loss carry-forward	\$3,036	\$2,032	\$-	5,068
Property, plant and equipment and mineral property interests	(14,317)	(21,634)	-	(35,951)
Long-term debt	1,081	367	-	1,448
Other	2,666	931	910	4,507
Net deferred tax assets (liabilities)	\$(7,534)	\$(18,304)	\$910	\$(24,928)

The tax benefits of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements:

As at December 31,	2022	2021
Tax loss carry-forwards		
Expire 2027–2042	\$115,941	\$102,023
Capital losses	425	335
Property, plant and equipment and mineral property interests	6,099	6,149
Financing costs	7,394	3,129
Unrealized foreign exchange	(2,903)	(582)
Other	257	199



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The Corporation is subject to federal income taxes, provincial income taxes, and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits, and the amount and timing of collection. The Corporation has prepared its tax provision based on the interpretations of tax laws which it believes represent the probable outcome. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

20. NET EARNINGS PER SHARE

Basic net earnings per share has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the periods. Share purchase options and other equity awards are reflected in diluted earnings per share by application of the treasury stock method. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

For the years ended December 31,	2022	2021
Weighted average common shares - basic	164,437,670	148,698,289
Adjustments for dilutive instruments:		
Share purchase options	991,403	1,942,934
Restricted share units	1,291,712	1,037,939
Performance share units	852,972	288,921
Deferred share units	404,936	295,743
Warrants	-	1,433,193
Weighted average common shares - diluted	167,978,693	153,697,019

The following table details the weighted average number of shares which were excluded because they were anti-dilutive:

For the years ended December 31,	2022	2021
Share purchase options	6,065	-
Restricted share units	19,570	2,678
Performance share units	-	5,475
Weighted average common shares exclusions	25,635	8,153

21. RELATED PARTY TRANSACTIONS

The following table reflects remuneration of key management, which consists of the Corporation's directors and executive officers.

For the years ended December 31,	2022	2021
Cash compensation - salaries, short term incentives and other benefits	\$5,308	\$6,395
Long-term incentives - share based payments	5,395	6,429
	\$10,703	\$12,824



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22. CAPITAL MANAGEMENT

The capital of the Corporation consists of items included in shareholders' equity of \$348.9 million as at December 31, 2022 (2021 - \$251.4 million). The Corporation's objectives are to manage the ability to continue as a going concern and to provide an adequate medium to long-term return to shareholders. The Corporation has working capital of \$38.1 million on December 31, 2022 and expects to generate cash inflows from its mining operations in 2023 and beyond. The Corporation does not expect to require additional financing to sustain operations and believes that it would be able to maintain positive cash flows going forward. The Corporation intends to fund its growth plan through operations but may utilize financing to accelerate or otherwise fund its growth plan.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital with the following objectives of:

- (i) minimizing discretionary disbursements;
- (ii) limiting exploration and evaluation expenditures to those of strategic value; and
- (iii) exploring alternate sources of liquidity with an objective to minimize cost of capital.

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

The Corporation is not subject to externally imposed capital requirements. Changes in capital are described in the consolidated statement of changes in equity.

23. FINANCIAL RISK FACTORS

The Corporation is exposed to various financial risks in its financial instruments resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

The Corporation's main financial risks exposure and its financial policies are as follows:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Trade and other receivables mainly consist of trade accounts receivable from the Perth Mint and interest receivable



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from Canadian and Australian chartered banks. The Corporation reduces its credit risk on its cash and cash equivalents by deposits and investments with major Canadian and Australian banks rated “A” or higher.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The Corporation’s liquidity and operating results may be adversely affected if the Corporation’s access to capital markets or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Most of the Corporation’s financial liabilities are subject to normal trade terms with the exception of long-term debt, share incentive plans, derivative financial liabilities and lease obligations. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

As at December 31, 2022, the Corporation was in compliance with all of its debt covenants.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Corporation is also exposed to fluctuations in commodity prices from its sale of metals. From time to time, the Corporation may enter into contracts to hedge the effects of the change in gold or nickel price on revenues or in commodities on capital and operating expenditures. As at December 31, 2022, there were no outstanding derivative positions in respect of the future sales.

Currency Risk

The Corporation is subject to currency risk on its financial instruments which are denominated in a currency that is not the same as the functional currency of the entity that holds them. Exchange gains and losses would impact profit or loss. The Corporation is also exposed to the impact of currency fluctuations on its monetary assets and liabilities which includes intercompany financing arrangements. At December 31, 2022, with other variables unchanged, the effect of a one cent strengthening/weakening of the Australian dollar would result in a decrease/increase of \$2.7 million in foreign exchange losses.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. With respect to long-term debt balances (note 10), carrying values and fair values are as follows:

As at	December 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Macquarie loan (level 2)	\$38,613	\$40,128	\$-	\$-
Bridge loan (level 2)	\$-	\$-	\$29,647	\$30,000
Morgan Stanley Installments (level 3)	\$-	\$-	\$3,010	\$3,195

Interest Risk

The Corporation is subject to interest rate risk on its variable rate long-term debt (note 10). At December 31, 2022, the impact of a 1% change in interest rates would decrease/increase interest expense by of \$0.4 million.



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24. COMMITMENTS AND CONTINGENCY

Royalties

Existing royalty obligations at Beta Hunt are (i) Consolidated Minerals, 3.0% of payable nickel at a nickel price under AU\$17,500/t or 5.0% at a nickel price of AU\$17,500 or greater until total royalty payments reach AU\$16.0 million; (ii) Western Australian state government, 2.5% of recovered gold and nickel; and (iii) Triple Flag Precious Metals Corp. (formerly Maverix Metals Inc.), 4.75% of recovered gold and 1.5% of payable nickel less allowable deductions.

Existing royalty obligations at HGO are (i) traditional land owners have production payments of up to 1% of gross gold revenue over various tenements; (ii) state government royalty equal to 2.5% of recovered gold; and (iii) various royalties across the tenements to third parties on recovered gold less allowable deductions.

Spargos

On August 7, 2020, the Corporation completed the acquisition of Corona Resources Limited whose primary asset is the Spargos Reward Gold Project. The seller is entitled to AUD\$1.0 million (\$0.9 million) in Karora shares if a new gold resource of at least 165,000 ounces is delineated at the project.

The following table summarizes the expected maturity of the Corporation's significant financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date:

As at December 31, 2022	Payments by period				Total	Carrying Value
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years		
Accounts payable and accrued liabilities	\$64,285	\$-	\$-	\$-	\$64,285	\$64,285
Long-term debt obligations	2,725	40,652	-	-	43,377	38,613
Lease obligations	4,758	5,375	1,047	-	11,180	10,037
Interest on long-term debt	3,090	1,778	-	-	4,868	-
Macquarie standby fee	600	345	-	-	945	-
Derivative liabilities	3,528	7,887	8,679	15,627	35,721	26,603
	\$78,986	\$56,037	\$9,726	\$15,627	\$160,376	\$139,538

25. SEGMENTED INFORMATION

Each individual operating mine or asset group is considered to be a reportable operating segment for financial reporting purposes. Results of operating segments are reviewed by the Corporation's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance.

The Corporation has production and exploration and evaluation activities from its two operating segments in Australia. The following is a summary of the reported amounts by segment:



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For the year ended December 31, 2022

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Gold	\$183,715	\$125,685	\$-	\$-	\$309,400
Nickel	6,897	-	-	-	6,897
Silver	170	115	-	-	285
Toll treatment	-	32,527	(32,067)	-	460
Revenues	190,782	158,327	(32,067)	-	317,042
Mining	65,158	57,216	-	-	122,374
Processing	34,428	54,530	(32,067)	-	56,891
Production and processing costs	99,586	111,746	(32,067)	-	179,265
Royalty expense	14,240	3,747	-	-	17,987
General and administrative	6,861	6,883	-	12,979	26,723
General and administrative: share-based payments	2,015	2,015	-	5,173	9,203
Depreciation and amortization	14,251	41,334	-	-	55,585
Sustainability initiatives	-	-	-	1,181	1,181
Operating earnings (loss)	\$53,829	(\$7,398)	-	(\$19,333)	\$27,098

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt and HGO.

As at December 31, 2022

Property, plant and equipment and mineral property interests	\$177,597	\$248,833	\$-	\$532	\$426,962
Total assets	201,710	328,577	-	26,825	557,112



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For the year ended December 31, 2021

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Gold	\$177,749	\$78,709	\$-	\$-	\$256,458
Nickel	7,427	-	-	-	7,427
Silver	203	98	-	-	301
Toll treatment	-	25,048	(25,048)	-	-
Revenues	185,379	103,855	(25,048)	-	264,186
Mining	51,612	35,454	-	-	87,066
Processing	25,048	34,827	(25,048)	-	34,827
Production and processing costs	76,660	70,281	(25,048)	-	121,893
Royalty expense	13,882	2,536	-	-	16,418
General and administrative	4,993	5,021	-	10,902	20,916
General and administrative: share-based payments	1,408	1,407	-	6,122	8,937
Depreciation and amortization	14,551	14,699	-	-	29,250
Sustainability initiatives	-	-	-	613	613
Operating earnings (loss)	\$73,885	\$9,911	-	(\$17,637)	\$66,159

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt.

As at December 31, 2021

Property, plant and equipment and mineral property interests	\$118,271	\$182,151	\$-	\$258	\$300,680
Total assets	130,758	262,953	-	42,622	436,333