



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2022 and 2021
(in thousands of Canadian dollars)



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Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

As at	Note	September 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		56,081	91,005
Trade and other receivables	4	5,041	5,673
Inventories	5	45,095	32,878
Prepaid expenses		1,689	2,321
Marketable securities	6	1,511	3,549
		109,417	135,426
Non-current assets			
Property, plant and equipment and mineral property interests	7	409,836	300,680
Deferred tax asset		224	207
Other non-current assets		649	20
Total assets		520,126	436,333
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	48,095	53,913
Current tax liability		-	254
Share incentive plan liabilities	14	4,124	7,522
Debt	9	1,697	3,010
Lease obligations	10	3,236	3,399
Derivative financial liabilities	11	3,061	2,881
		60,213	70,979
Non-current liabilities			
Debt	9	38,464	29,647
Lease obligations	10	3,668	5,580
Derivative financial liabilities	11	20,362	22,391
Asset retirement obligations	12	37,641	31,136
Deferred tax liability		30,607	25,135
Other non-current liabilities and provisions		44	100
Total liabilities		190,999	184,968
SHAREHOLDERS' EQUITY			
Share capital	13	391,285	310,143
Contributed surplus		31,124	31,523
Accumulated other comprehensive income (loss)		(1,167)	2,009
Deficit		(92,115)	(92,310)
Total shareholders' equity		329,127	251,365
Total liabilities and shareholders' equity		520,126	436,333

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



Interim Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

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

For the periods ended September 30,		Three months ended,		Nine months ended,	
		2022	2021	2022	2021
	Note	\$	\$	\$	\$
Revenue		81,326	68,360	220,207	197,214
Cost of operations:					
Production and processing costs		42,430	30,508	124,959	89,379
Royalty expense		5,128	4,651	12,948	12,762
General and administrative		6,209	4,769	19,028	15,152
General and administrative: share incentive plans		1,267	747	4,107	4,995
Depreciation and amortization		14,973	6,389	37,416	21,390
Sustainability initiatives		-	613	1,181	613
Operating earnings		11,319	20,683	20,568	52,923
Other expenses (income)					
Finance expense, net	15	1,657	1,104	3,772	3,150
Loss on derivatives		1,044	1,223	1,332	1,277
Foreign exchange loss		190	2,383	6,381	11,475
Unrealized loss (gain) on revaluation of marketable securities		511	(140)	2,038	357
Other expense (income), net		(29)	108	199	123
Earnings before income tax		7,946	16,005	6,846	36,541
Income tax expense - current		14	17	52	62
Income tax expense - deferred		3,554	5,648	6,453	15,124
Net earnings		4,378	10,340	341	21,355
Currency translation adjustments		(158)	(1,025)	(3,176)	(4,132)
Comprehensive earnings (loss)		4,220	9,315	(2,835)	17,223
Net earnings attributable to common shareholders per share					
Basic		0.03	0.07	0.00	0.15
Diluted		0.03	0.07	0.00	0.14
Weighted average number of shares					
Basic	16	171,809,550	148,593,430	161,426,709	147,194,673
Diluted	16	174,254,419	153,010,435	165,005,323	152,282,167

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



Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2022 \$	2021 \$	2022 \$	2021 \$
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Net earnings for the period	4,378	10,340	341	21,355
Changes not affecting cash:				
Depreciation and amortization	15,009	6,508	37,523	21,600
Income tax expense	3,568	5,665	6,505	15,186
Share incentive plans	1,218	856	3,150	4,306
Foreign exchange loss	513	2,191	6,826	11,656
Net change in fair value of derivative instruments	1,044	1,223	1,332	1,277
Finance expense, net	1,657	1,104	3,772	3,150
Loss on disposal of property, plant and equipment	-	126	264	126
Unrealized loss on revaluation of marketable securities	511	(140)	2,038	357
	27,898	27,873	61,751	79,013
Changes in non-cash working capital				
Trade and other receivables	(1,103)	(1,041)	657	(980)
Inventories	(8,536)	(6,518)	(8,388)	(9,301)
Prepaid expenses	581	575	1,485	1,427
Accounts payable and accrued liabilities	9,605	7,047	(2,899)	2,857
	28,445	27,936	52,606	73,016
Asset retirement obligations	-	-	(441)	-
Income taxes paid	(151)	(20)	(479)	(71)
Net cash provided by operating activities	28,294	27,916	51,686	72,945
INVESTING ACTIVITIES				
Property, plant and equipment and mineral property interests	(89,822)	(31,050)	(149,690)	(66,225)
Proceeds on disposal of property, plant and equipment	-	-	265	-
Investment in marketable securities	-	-	-	(119)
Interest received	210	31	339	100
Net cash used in investing activities	(89,612)	(31,019)	(149,086)	(66,244)
FINANCING ACTIVITIES				
Issuance of shares	-	-	69,000	-
Share issue costs	(206)	-	(3,891)	-
Share repurchase and cancellation	(492)	(201)	(492)	(814)
Additions to debt	40,000	-	40,000	-
Debt issue costs	(3,412)	-	(3,412)	(55)
Repayments of debt	(30,000)	-	(31,665)	(1,532)
Proceeds from exercise of options and warrants	-	10,804	1,726	12,536
Payments on leases	(1,155)	(790)	(3,290)	(2,201)
Settlements in respect of derivative instruments	(762)	(716)	(2,295)	(2,017)
Interest paid	(803)	(757)	(2,186)	(2,246)
Net cash provided by financing activities	3,170	8,340	63,495	3,671
Effect of exchange rate changes on cash and cash equivalents	135	(678)	(1,019)	(3,348)
Net increase (decrease) in cash and cash equivalents	(58,013)	4,559	(34,924)	7,024
Cash and cash equivalents, beginning of period	114,094	82,160	91,005	79,695
Cash and cash equivalents, end of period	56,081	86,719	56,081	86,719
Components of cash and cash equivalents:				
Cash	50,739	86,502	50,739	86,502
Cash equivalents	5,342	217	5,342	217
	56,081	86,719	56,081	86,719

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



Interim Consolidated Statements of Changes in Equity

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

	Note	Share capital (note 13)		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	14	942,358	3,590	(1,967)	-	-	1,623
Exercise of performance share units	14	559,963	2,263	(2,263)	-	-	-
Exercise of stock options	14	903,940	2,876	(1,150)	-	-	1,726
Share incentive plans	14	-	-	4,981	-	-	4,981
Private placement	13	14,375,000	69,000	-	-	-	69,000
Share issue costs	13	-	(3,891)	-	-	-	(3,891)
Shares issued in respect of an acquisition	7	2,100,000	6,300	-	-	-	6,300
Shares issued to settle an obligation	13	297,718	1,350	-	-	-	1,350
Share repurchase and cancellation		(157,660)	(346)	-	-	(146)	(492)
Comprehensive earnings (loss)		-	-	-	(3,176)	341	(2,835)
Balance as at September 30, 2022		173,097,561	391,285	31,124	(1,167)	(92,115)	329,127

	Share capital		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	455,100	1,639	(988)	-	-	651
Exercise of performance share units	405,938	1,115	(1,115)	-	-	-
Exercise of warrants	5,017,972	12,780	(1,502)	-	-	11,278
Exercise of stock options	937,553	1,984	(726)	-	-	1,258
Share-based payments	-	-	3,829	-	-	3,829
Share repurchase and cancellation	(261,000)	(518)	-	-	(296)	(814)
Comprehensive earnings (loss)	-	-	-	(4,132)	21,355	17,223
Balance as at September 30, 2021	152,684,744	306,483	30,911	1,657	(98,422)	240,629

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



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to 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 unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2022 are comprised of Karora, its subsidiaries including its Australian operating subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**"), Lakewood Mining Pty Ltd. ("**Lakewood**") and the group of subsidiaries collectively referred to as Higginsville Gold Operation ("**HGO**"). 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 7); 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 nine months ended September 30, 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

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

The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on November 7, 2022.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

(b) Basis of preparation

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2021.

3. ACCOUNTING POLICY JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IAS 34 requires management to make certain accounting policy judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

The Corporation accounted for the acquisition of Lakewood (note 7) 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 accounting policy judgment and estimates affecting the amounts recognized in the interim consolidated financial statements for the three and nine months ended September 30, 2022 are consistent with those applied and disclosed in note 3 to the Corporation's audited consolidated financial statements for the year ended December 31, 2021.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	September 30, 2022	December 31, 2021
Trade accounts receivable	\$1,972	\$2,185
Sales taxes and rebates	2,888	3,488
Income tax receivable	181	-
	\$5,041	\$5,673



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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(Expressed in thousands of Canadian dollars, unless otherwise indicated)

5. INVENTORIES

Inventories consist of the following:

As at	September 30, 2022	December 31, 2021
Gold stockpile	25,023	\$24,066
Gold in process	7,145	4,626
Gold - finished goods	5,026	-
Nickel stockpile	550	285
Stores, spares and fuel	7,351	3,901
	\$45,095	\$32,878

As at September 30, 2022, \$10.8 million (December 31, 2021 – \$5.6 million) of depreciation was included in inventory.

6. MARKETABLE SECURITIES

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

For the nine months ended September 30,	2022
Opening balance	\$3,549
Unrealized loss on revaluation of marketable securities	(2,038)
Closing balance	\$1,511

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

7. 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.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

	Plant and Equipment	Mineral Property Interests	Exploration and Evaluation	Total
As at December 31, 2021	\$81,796	\$172,269	\$46,615	\$300,680
Additions	36,366	34,901	11,684	82,951
Acquisition - Lakewood (i)	78,012	-	-	78,012
Adjustment in respect of rehabilitation obligations (note 12)	-	3,735	-	3,735
Disposals	(529)	-	-	(529)
Change due to foreign exchange translation	(3,949)	(6,211)	(1,836)	(11,996)
Depreciation	(7,865)	(35,152)	-	(43,017)
As at September 30, 2022	\$183,831	\$169,542	\$56,463	\$409,836

As at September 30, 2022				
Cost	\$208,804	\$260,252	\$56,463	\$525,519
Accumulated depreciation	(24,973)	(90,710)	-	(115,683)
Net book value	\$183,831	\$169,542	\$56,463	\$409,836

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

	Plant and Equipment
As at December 31, 2021	\$11,223
Additions	1,088
Depreciation	(1,729)
Change due to foreign exchange translation	(459)
As at September 30, 2022	\$10,123



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
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(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 A\$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 13) 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	78,012
Accounts payable and accrued liabilities (note 8)	(4,112)
Asset retirement obligations (note 12)	(3,696)
	\$70,486

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2022	December 31, 2021
Trade accounts payable	\$7,000	\$18,683
Lakewood acquisition (note 7)	4,089	-
Royalty accrual	6,238	4,915
Spargos accrual	-	1,382
Employee related accruals	10,929	9,798
Accrued liabilities	19,839	19,135
	\$48,095	\$53,913

Accounts payable and accrued liabilities includes \$2.6 million (December 31, 2021 - \$7.6 million) in respect of property, plant and equipment and mineral property interests.

9. DEBT

Debt consist of the following:

For the nine months ended September 30, 2022

	Bridge (i)	Macquarie (ii)	Morgan Stanley Installments (iii)	Total
As at December 31, 2021	\$29,647	\$-	\$3,010	\$32,657
Additions	-	40,000	-	40,000
Repayments	(30,000)	-	(1,665)	(31,665)
Debt issue costs	-	(1,706)	-	(1,706)
Accretion expense	125	170	171	466
Loss on extinguishment of debt	228	-	-	228
Change due to foreign exchange translation	-	-	181	181
As at September 30, 2022	-	38,464	1,697	40,161
Less current portion	-	-	1,697	1,697
Non-current portion	\$-	\$38,464	\$-	\$38,464

(i) Bridge

The Corporation had an outstanding bridge facility in the amount of \$30 million ("**Bridge**"). The Bridge was initiated in June 2019. On July 14, 2022, the Corporation closed an arrangement to refinance the Bridge facility and the Bridge was fully repaid.

(ii) 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 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.

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 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 \$1.7 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 Credit Agreement were used to refinance the Corporation's existing \$30 million Bridge facility and for general working capital purposes.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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(iii) Morgan Stanley Installments

As part of a royalty buyback arrangement with Morgan Stanley Capital Group Inc. ("Morgan Stanley"), 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. The Corporation calculated the net present value of these payments using a 10% discount rate.

10. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the nine months ended September 30, 2022:

For the nine months ended September 30,	2022
Opening balance	\$8,979
Additions	1,088
Accretion	415
Cash payments	(3,290)
Change due to foreign exchange translation	(288)
Closing balance	6,904
Less current portion	3,236
Non-current portion	\$3,668

During the nine months ended September 30, 2022, \$57.8 million (2021 - \$48.2 million) was expended in respect of short-term leases not included above.

11. 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 on or after January 1, 2035 (unless extended under certain conditions) may immediately terminate its obligation to pay participation royalties 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.

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 4.25% as at September 30, 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.

As at September 30, 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:

Fair value	Unobservable Inputs	Range of Inputs	Relationship of unobservable inputs on fair value
\$23,423	Credit spread	3.25% - 5.25%	A change in the discount rate of 1% would impact the fair value by \$0.9 million.
\$23,423	Gold price		A change in the gold price of 10% would impact the fair value by \$4.3 million.

The table below summarizes the movements in the derivative liability for the nine months ended September 30, 2022:

For the nine months ended September 30, 2022	Morgan Stanley Participation Royalty
As at December 31, 2021	\$25,272
Settlements	(2,325)
Net change in fair value	1,332
Change due to foreign exchange translation	(856)
As at September 30, 2022	23,423
Less current portion	3,061
Non-current portion	\$20,362

12. 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 September 30, 2022, the discount rate used was 3.9% (December 31, 2021 – 1.6%) and the inflation rate was 5.3% (December 31, 2021 – 2.5%).

The following table reflects the continuity of asset retirement obligations for the nine months ended September 30, 2022:



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For the nine months ended September 30,	2022
Opening balance	\$31,136
Accretion expense	630
Acquisition - Lakewood (note 7)	3,696
Additions	376
Change in discount and inflation rates	3,359
Spending on progressive reclamation	(441)
Change due to foreign exchange translation	(1,115)
Closing balance	\$37,641

13. 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 7). As part of the compensation, the Corporation issued 2,100,000 shares which were valued at \$6.3 million. There were no issue costs associated with this share issue.

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 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 8).

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. The book value of the cancelled shares was \$0.4 million and the excess of \$0.1 million was charged directly to deficit.

14. SHARE INCENTIVE PLANS

The Corporation has an 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 ('**RSUs**'), performance share units ("**PSUs**"), deferred share units ('**DSUs**') 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.



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Share Purchase Options

The following table reflects the continuity of share purchase options for the nine months ended September 30, 2022:

	Number of options	Weighted Average Exercise Price
As at December 31, 2021	2,507,402	1.89
Exercised	(903,940)	1.91
As at September 30, 2022	1,603,462	\$1.89

For options exercised during the nine months ended September 30, 2022, the related weighted average share price at the time of exercise was \$5.72 per share. There were no options granted during the nine months ended September 30, 2022.

As at September 30, 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	514,197	0.4	\$0.95	514,197	0.4	\$0.95
\$1.21-\$1.70	282,961	2.2	\$1.52	177,778	2.2	\$1.52
\$1.71-\$2.43	299,250	1.6	\$2.09	281,844	1.5	\$2.11
\$2.44-\$2.75	168,388	1.1	\$2.52	168,388	1.1	\$2.52
\$2.76-\$3.95	338,666	1.6	\$3.11	313,666	1.5	\$3.05
	1,603,462	1.3	\$1.89	1,455,873	1.2	\$1.88

During the nine months ended September 30, 2022, the Corporation recorded share-based payments expense related to share options of \$0.1 million (2021 - \$0.4 million).

Restricted Share Units

The following table reflects the continuity of restricted share units for nine months ended September 30, 2022:

	Number of Restricted Share Units
As at December 31, 2021	3,228,776
Granted	1,546,478
Settled for shares	(942,358)
Settled for cash	(105,857)
Forfeited	(93,030)
As at September 30, 2022	3,634,009



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As at September 30, 2022, the weighted average remaining contractual life of the outstanding restricted share units was 1.5 years and 567,253 restricted share units were vested with a remaining contractual life of 0.6 years.

Included in the 3,634,009 restricted share units outstanding as at September 30, 2022, are 1,255,660 units, of which 1,074,620 were vested as at September 30, 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 \$3.1 million (December 31, 2021 - \$5.7 million) to recognize the estimated fair value as at September 30, 2022 of the restricted share units in share incentive plan obligations on the statement of financial position.

With respect to the restricted share units which can only be settled for shares, during the nine months ended September 30, 2022, the Corporation recorded share-based payments expense of \$2.2 million (2021 - \$1.7 million).

Performance Share Units

The following table reflects the continuity of PSUs for nine months ended September 30, 2022:

	Number of Performance Share Units
As at December 31, 2021	1,492,117
Granted	1,291,911
Exercised	(559,963)
Forfeited	(93,011)
As at September 30, 2022	2,131,054

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
Share price	\$3.12
Risk free interest rate	3.8%
Expected life	3 years
Expected volatility	64.2%
Expected dividends	nil
Index share price	\$40.32
Correlation coefficient	0.6

As at September 30, 2022, the weighted average remaining contractual life of the outstanding performance share units is 2.1 years and no awards were vested.

During the nine months ended September 30, 2022, the Corporation recorded share-based payments expense related to performance share units of \$2.3 million (2021 - \$1.7 million).

Deferred Share Units

The following table reflects the continuity of deferred share units for nine months ended September 30, 2022:



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	Number of Deferred Share Units
As at December 31, 2021	419,625
Granted	132,227
Settled for cash	(82,558)
As at September 30, 2022	469,294

As at September 30, 2022, all 469,294 deferred share units were vested.

Included in deferred share units outstanding at September 30, 2022, are 372,249 units that can be settled for cash or equity at the option of the holder. The Corporation has a liability of \$1.1 million (December 31, 2021 - \$1.8 million) to recognize the estimated fair value of these units as at September 30, 2022 in share incentive plan obligations in the consolidated statement of financial position.

With respect to the deferred share units which can only be settled for shares, during the nine months ended September 30, 2022, the Corporation recorded share-based payments expense of \$0.4 million (2021 - \$nil).

Summary

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

For the nine months ended September 30,	2022	2021
Share purchase options	\$148	\$421
Deferred share units	57	213
Restricted share units	1,627	2,682
Share appreciation rights	(36)	(30)
Performance share units	2,311	1,709
	\$4,107	\$4,995

15. FINANCE EXPENSE, NET

	Three months ended,		Nine months ended,	
For the periods ended September 30,	2022	2021	2022	2021
Interest expense	\$803	\$757	\$2,186	\$2,246
Accretion	650	378	1,511	1,004
Loan fee amortization	186	-	186	-
Extinguishment of long-term debt (note 9)	228	-	228	-
Interest income	(210)	(31)	(339)	(100)
	\$1,657	\$1,104	\$3,772	\$3,150

16. 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 periods ended September 30,	Three months ended,		Nine months ended,	
	2022	2021	2022	2021
Weighted average common shares - basic	171,809,550	148,593,430	161,426,709	147,194,673
Adjustments for dilutive instruments:				
Share purchase options	559,971	1,689,123	1,073,452	1,978,285
Restricted share units	909,095	985,146	1,266,748	1,009,166
Performance share units	560,099	-	821,374	-
Deferred share units	415,704	361,551	417,040	310,417
Warrants	-	1,381,185	-	1,789,626
Weighted average common shares - diluted	174,254,419	153,010,435	165,005,323	152,282,167

17. FINANCIAL RISK FACTORS

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 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 9), carrying values and fair values are as follows:

As at	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bridge loan (level 2)	\$-	\$-	\$29,647	\$30,000
Macquarie loan (level 2)	\$38,464	\$40,000	\$-	\$-
Morgan Stanley Installments (level 3)	\$1,697	\$1,727	\$3,010	\$3,195

18. 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



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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:

For the three months ended September 30, 2022

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Lakewood Gold Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$47,882	\$38,961	\$4,237	\$(9,754)	\$-	\$81,326
Production and processing costs	22,810	25,181	4,193	(9,754)	-	42,430
Royalty expense	4,361	767	-	-	-	5,128
General and administrative	1,650	1,620	-	-	2,939	6,209
General and administrative: share-based payments	386	385	-	-	496	1,267
Depreciation and amortization	3,429	11,044	500	-	-	14,973
Operating earnings (loss)	\$15,246	(\$36)	(\$456)	-	(\$3,435)	\$11,319

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

For the nine months ended September 30, 2022

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Lakewood Gold Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$135,364	\$103,133	\$4,237	\$(22,527)	\$-	\$220,207
Production and processing costs	70,024	73,269	4,193	(22,527)	-	124,959
Royalty expense	10,795	2,153	-	-	-	12,948
General and administrative	4,706	4,754	-	-	9,568	19,028
General and administrative: share-based payments	1,042	1,042	-	-	2,023	4,107
Depreciation and amortization	10,258	26,658	500	-	-	37,416
Sustainability initiatives	-	-	-	-	1,181	1,181
Operating earnings (loss)	\$38,539	(\$4,743)	(\$456)	-	(\$12,772)	\$20,568

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

As at September 30, 2022

Property, plant and equipment and mineral property interests	\$152,731	\$179,190	\$77,850	\$-	\$65	\$409,836
Total assets	172,809	237,056	79,162	-	31,099	520,126

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



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For the three months ended September 30, 2021

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$49,722	\$24,279	\$(5,641)	\$-	\$68,360
Production and processing costs	18,486	17,663	(5,641)	-	30,508
Royalty expense	4,168	483	-	-	4,651
General and administrative	1,120	1,081	-	2,568	4,769
General and administrative: share-based payments	223	223	-	301	747
Depreciation and amortization	3,501	2,888	-	-	6,389
Sustainability initiatives	-	-	-	613	613
Operating earnings (loss)	\$22,224	\$1,941	-	(\$3,482)	\$20,683

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

For the nine months ended September 30, 2021

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$146,596	\$69,325	\$(18,707)	\$-	\$197,214
Production and processing costs	58,633	49,453	(18,707)	-	89,379
Royalty expense	11,105	1,657	-	-	12,762
General and administrative	3,378	3,603	-	8,171	15,152
General and administrative: share-based payments	793	793	-	3,409	4,995
Depreciation and amortization	11,513	9,877	-	-	21,390
Sustainability initiatives	-	-	-	613	613
Operating earnings (loss)	\$61,174	\$3,942	-	(\$12,193)	\$52,923

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