TDG GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2022

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
TDG Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of TDG Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that management estimates that its working capital as at July 31, 2022 may not provide the Company with sufficient financial resources to carry out currently planned exploration and operations throughout the next twelve months. As stated in Note 1, these events and conditions indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

November 23, 2022

TDG GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		July 31, 2022		July 31, 2021
ASSETS					
Current					
Cash	5	$	6,961,007	$	4,810,269
Receivables	6		436,671		125,362
Prepaid expenses	7		244,233		273,099
			7,641,911		5,208,730
Equipment	8		188,306		238,521
Exploration and evaluation assets	9		6,778,946		6,874,572
Reclamation deposits	10		851,426		-
Right-of-use asset	11		47,103		-
		$	15,507,692	$	12,321,823
LIABILITIES					
Current					
Trade and other payables	12	$	1,621,762	$	1,179,798
Lease liability	11		31,286		-
Flow-through premium liability	13		1,578,907		259,159
			3,231,955		1,438,957
Asset retirement obligation	14		882,368		974,287
Lease liability	11		15,920		-
			4,130,243		2,413,244
EQUITY					
Share capital	15		40,226,317		27,315,938
Obligation to issue shares	15		-		425,000
Reserve	15		1,352,328		823,534
Deficit			(30,201,196)		(18,655,893)
			11,377,449		9,908,579
		$	15,507,692	$	12,321,823
Nature of operations and going concern	1				

These consolidated financial statements are approved for issue by the Board of Directors of the Company on November 23, 2022.

On behalf of the Board:

/s/ Fletcher Morgan Director /s/ Andrew French Director

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

TDG GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year ended July 31,	
	Note	**2022**	**2021**
Expenses			
Accretion	*14*	$ 3,707	$ 2,146
Consulting fees	*17*	361,540	373,825
Depreciation	*8 & 11*	52,832	12,554
Director fees	*17*	16,139	-
Exploration and evaluation expenditures	*9*	9,933,865	2,749,359
Investor relations		361,497	67,554
Office expenses		151,676	50,807
Professional fees		292,590	229,842
Project investigation costs	*16*	1,938,668	298,501
Share-based compensation	*15 & 17*	200,577	767,657
Transfer agent and filing fees		155,372	30,229
Travel		18,052	13,595
		(13,486,515)	(4,596,069)
Flow-through premium recovery	*13*	1,938,525	605,579
Interest expense	*11*	(286)	-
Interest income		2,973	8,235
Listing expense	*4*	-	(849,561)
Loss and comprehensive loss for the year		$ (11,545,303)	$ (4,831,816)
Basic and diluted loss per share		$ (0.14)	$ (0.10)
Weighted average number of shares outstanding		80,896,402	48,178,286

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

TDG GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended July 31,	
	2022	**2021**
Cash flows to operating activities		
Loss for the year	$ (11,545,303)	$ (4,831,816)
Items not affecting cash:		
Accretion	3,707	2,146
Depreciation	52,832	12,554
Share-based compensation	200,577	767,657
Flow-through premium recovery	(1,938,525)	(605,579)
Interest expense	286	-
Listing expense	-	849,561
Change in non-cash working capital items:		
Receivables	(311,309)	(100,892)
Prepaid expenses	28,866	(209,316)
Trade and other payables	441,964	1,022,573
Cash used in operating activities	(13,066,905)	(3,093,112)
Cash flows to investing activities		
Purchase of equipment		(251,075)
Exploration and evaluation assets	-	(15,000)
Cash incurred on reverse take-over, net of cash acquired	-	(215,965)
Reclamation deposits	(851,426)	-
Cash used in investing activities	(851,426)	(482,040)
Cash flows from financing activities		
Repayment of lease liability	(2,800)	-
Proceeds from private placement	17,354,550	6,122,532
Share issue costs	(1,282,681)	(11,282)
Obligation to issue shares	-	425,000
Exercise of options	-	26,666
Cash provided by financing activities	16,069,069	6,562,916
Increase in cash for the year	2,150,738	2,987,764
Cash, beginning of year	4,810,269	1,822,505
Cash, end of year	$ 6,961,007	$ 4,810,269
Non-cash investing and financing activities		
Shares issued for exploration and evaluation assets	$ -	$ 5,872,431
Finders' units - shares	-	163,656
Finders' units - warrants	-	43,279
Broker warrants	328,217	-
Allocation on exercise of stock options	-	21,597
Allocation of flow-through premium	3,258,273	864,738
Asset retirement obligation	95,626	972,141
Lease liability	49,720	-
Supplementary information		
Interest paid	$ -	$ -
Income taxes paid	-	-

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

TDG GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital	Obligation to issue shares	Reserve	Deficit	Total
Balance, July 31, 2021	64,423,459	$ 27,315,938	$ 425,000	$ 823,534	$ (18,655,893)	$ 9,908,579
Private placements	31,919,683	17,779,550	(425,000)	-	-	17,354,550
Share issue costs - cash	-	(1,282,681)	-	-	-	(1,282,681)
Share issue costs - warrants	-	(328,217)	-	328,217	-	-
Allocation of flow-through premium	-	(3,258,273)	-	-	-	(3,258,273)
Share-based compensation	-	-	-	200,577	-	200,577
Loss and comprehensive loss for the year	-	-	-	-	(11,545,303)	(11,545,303)
Balance, July 31, 2022	96,343,142	$ 40,226,317	$ -	$ 1,352,328	$ (30,201,196)	$ 11,377,449

	Number of shares	Share capital	Obligation to issue shares	Reserve	Deficit	Total
Balance, July 31, 2020	24,042,787	$ 15,592,011	$ -	$ -	$ (13,824,077)	$ 1,767,934
Issuance of shares for exploration and evaluation assets	1,202,141	180,321	-	-	-	180,321
Kismet shares retained	2,000,000	600,000	-	-	-	600,000
Kismet options retained	-	-	-	34,195	-	34,195
Private placements	17,525,981	6,122,532	-	-	-	6,122,532
Allocation of flow-through premium	-	(864,738)	-	-	-	(864,738)
Issuance of finders' units	545,519	163,656	-	-	-	163,656
Share issue costs - finder's units	-	(206,935)	-	43,279	-	(163,656)
Share issue costs - cash	-	(11,282)	-	-	-	(11,282)
Exercise of options	133,332	48,263	-	(21,597)	-	26,666
Issuance of shares for exploration and evaluation assets	18,973,699	5,692,110	-	-	-	5,692,110
Share-based compensation	-	-	-	767,657	-	767,657
Obligation to issue shares	-	-	425,000	-	-	425,000
Loss and comprehensive loss for the year	-	-	-	-	(4,831,816)	(4,831,816)
Balance, July 31, 2021	64,423,459	$ 27,315,938	$ 425,000	$ 823,534	$ (18,655,893)	$ 9,908,579

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

1. NATURE OF OPERATIONS AND GOING CONCERN

TDG Gold Corp. (the "Company") is a publicly traded company incorporated pursuant to the provisions of the British Columbia Business Corporations Act on March 14, 2018. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol TDG. The Company's head office and registered and records office address is Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6.

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of mineral resource projects in British Columbia.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at July 31, 2022, the Company had working capital of $4,409,956. Management estimates that these funds may not provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months. Additional financing may be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Although it is not possible for the Company to fully predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business operations. To date, the Company has been able to raise equity and explore its exploration projects in British Columbia.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at 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

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency as well as being the functional currency for the Company's Canadian subsidiary.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>The carrying value and the recoverability of exploration and evaluation assets</u> - Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

<u>Asset retirement obligations</u>

The Company's asset retirement obligations represent management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs on the Company's exploration projects. The provision reflects estimates of future costs, inflation and assumptions of risks associated with the future cash outflows, and the applicable interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the asset retirement obligations are recorded with a corresponding change to the carrying amounts of related exploration and evaluation assets. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

<u>Determining if an acquisition is a business combination or an asset acquisition</u>

As required by IFRS 3 Business Combinations ("IFRS 3"), the Company is required to determine whether the acquisition of TDGBC (Note 4) should be accounted for as a business combination or an asset acquisition. Under IFRS 3, the components of a business must include inputs, processes and outputs. Management has determined that TDGBC did not include all the necessary components of a business. Accordingly, the acquisition of TDGBC has been recorded as an acquisition of TDGBC's net assets, consisting of TDGBC's exploration and evaluation assets and working capital.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Going concern – In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis. The key inputs used by the Company in this process include forecasted capital deployment, progress on permitting, results from the exploration of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note 1).

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, TDG BC Assets Corp. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependant on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The depreciation rate for exploration equipment is 20% per annum on a straight-line basis.

An item of equipment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets will be capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the acquisition of a mineral project or determination of the feasibility of mining operations and a decision to proceed with development are charged to profit or loss as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, will be capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company will assess exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation, and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Impairment

At each statement of financial position reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and reclamation deposits are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables are carried on the statement of financial position at amortized cost. The Company does not have any derivative financial liabilities.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants

The Company accounts for warrants issued in unit offerings comprising a common share and warrant (or portion thereof) using the residual value method. Under this method, one component is measured first, and the residual amount is allocated to the remaining component. The warrant is recorded as share capital if and when the warrants are exercised.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability on a pro-rata basis to the expenditures incurred. The reduction of the flow-through share premium previously recorded is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

The fair value is measured at grant date and each tranche is 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 number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations, and amendments not yet effective

There are no new standards that will have any significant effect on the Company.

4. REVERSE TAKE-OVER

On December 11, 2020, the Company completed a reverse take-over transaction whereby the Company acquired all of the issued and outstanding common shares of TDG BC Assets Corp. (formerly TDG Gold Corp.) (“TDGBC”) by way of a three-cornered amalgamation (“Amalgamation”) between the Company, TDGBC, and 1266834 B.C. Ltd. (“Numco”), a wholly owned subsidiary of the Company.

Immediately prior to the completion of the Amalgamation:

- the issued and outstanding common shares of the former Kismet Resources Corp. (“Kismet”) were consolidated on a 2:1 basis.
- the Company changed its name from Kismet Resources Corp. to TDG Gold Corp.

(Expressed in Canadian dollars)

4. REVERSE TAKE-OVER (continued)

Pursuant to the Amalgamation:

- the Company issued the former shareholders of TDGBC 25,244,928 common shares (one share for every three shares of TDGBC).
- the shareholders of Kismet retained 2,000,000 common shares valued at $600,000.
- the officers of Kismet retained 200,000 options valued at $34,195. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.25%; an expected volatility of 100%; an expected life of 1-3 years; a forfeiture rate of zero; and an expected dividend of zero.
- TDGBC amalgamated with Numco as one company under the name TDG BC Assets Corp., a wholly owned subsidiary of the Company.

On completion of the Amalgamation, the former shareholders of TDGBC owned more shares of the Company than the former shareholders of Kismet and accordingly the Amalgamation has been treated as a reverse take-over transaction with the financial statements of TDGBC being the continuing financial statements of the Company and Kismet being the company acquired.

Kismet did not meet the definition of a business under IFRS 3 and accordingly the Company has recorded the purchase of Kismet as an acquisition of net assets at fair value.

The allocation of the cost of acquisition is summarized as follows:

Consideration		
Kismet shares retained	$	600,000
Kismet options retained		34,195
Transaction costs		241,126
Total	$	875,321
Net assets (liabilities) received		
Cash	$	25,161
Receivables		5,349
Trade and other payables		(4,750)
Total	$	25,760
Listing expense	$	849,561

Concurrent with the Amalgamation, the Company completed a private placement for gross proceeds of $4,033,610 (Note 15).

Also, concurrent with the Amalgamation, the Company issued 18,973,699 common shares to Talisker Resources Ltd. to acquire the Baker-Shasta, Mets, and Bot projects (Note 9 and 15).

The common shares of the Company began trading on the TSX-V on December 17, 2020 under the ticker symbol TDG.

(Expressed in Canadian dollars)

5. CASH

		July 31, 2022		July 31, 2021
Cash	$	1,544,551	$	3,929,127
Cash allocated for flow-through expenditures		5,416,456		881,142
Total	$	6,961,007	$	4,810,269

As at July 31, 2022, the Company had allocated cash of $5,416,456 (2021 - $881,142) in respect of the unspent balance from flow-through private placements. These funds are allocated for use to advance the Company's exploration and evaluation assets (Note 9).

6. RECEIVABLES

		July 31, 2022		July 31, 2021
Amounts due from the Government of Canada pursuant to goods and services input tax credits	$	125,185	$	125,362
Due from third-party company		311,486		-
Total	$	436,671	$	125,362

In June 2022, the Company entered into an agreement to share its exploration camp with a third-party company. As at July 31, 2022, the Company was owed $311,486 pursuant to the agreement (Note 9).

7. PREPAID EXPENSES

		July 31, 2022		July 31, 2021
Prepaid exploration and evaluation expenditures	$	183,400	$	201,500
Prepaid insurance		15,833		8,750
Prepaid investor relations		45,000		62,849
Total	$	244,233	$	273,099

(Expressed in Canadian dollars)

8. EQUIPMENT

		Exploration equipment
Cost		
At July 31, 2020	$	-
Additions		251,075
At July 31, 2021		251,075
Additions		-
At July 31, 2022	$	251,075
Accumulated depreciation		
At July 31, 2020	$	-
Depreciation		12,554
At July 31, 2021		12,554
Depreciation		50,215
At July 31, 2022	$	62,769
Carrying amounts		
At July 31, 2021	$	238,521
At July 31, 2022	$	188,306

9. EXPLORATION AND EVALUATION ASSETS

		Baker-Shasta		Oxide Peak		Total
As at July 31, 2020	$	-	$	15,000	$	15,000
Additions - cash		-		15,000		15,000
Additions - shares		5,692,110		180,321		5,872,431
Additions - ARO (Note 14)		972,141		-		972,141
As at July 31, 2021		6,664,251		210,321		6,874,572
ARO adjustment (Note 14)		(95,626)		-		(95,626)
As at July 31, 2022	$	6,568,625	$	210,321	$	6,778,946

Baker-Shasta Projects

On July 7, 2020, the Company entered into an asset purchase agreement with Talisker Resources Ltd. (“Talisker”) to acquire a 100% interest in the Baker-Shasta, Mets, and Bot projects (collectively the “Baker-Shasta Projects”) located in the Toodoggone region of British Columbia.

The Company completed the acquisition on December 11, 2020 through the issuance to Talisker of 18,973,699 common shares valued at $5,692,110 (Note 15).

Certain the Baker-Shasta Projects are subject to net smelter return (“NSR”) royalties that range from 0.5% to 2.5%.

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Baker-Shasta Projects (continued)

The allocation of the cost of acquisition is summarized as follows:

Consideration paid		
Common shares issued	$	5,692,110
Total	$	5,692,110

Net assets (liabilities) received		
Exploration and evaluation assets	$	6,664,251
Asset retirement obligation (Note 14)		(972,141)
Total	$	5,692,110

Oxide Peak Property

On December 22, 2019, the Company entered into an option and joint venture agreement with ArcWest Exploration Inc. (“ArcWest”) pursuant to which the Company can earn up to an 80% interest in the Oxide Peak property located in the Toodoggone region of British Columbia.

Pursuant to the agreement, the Company issued ArcWest 1,202,141 common shares valued at $180,321 on August 19, 2020 (Note 15).

The Company can earn an initial 60% interest in the Oxide Peak property (the “First Option”) by fulfilling the following terms:

1. Cash payments as follows:
    - $15,000 on signing (paid);
    - $15,000 on or before December 31, 2020 (paid); and
    - $25,000 on exercise of the First Option.
2. Incurring $2,400,000 of exploration expenditures as follows:
    - $400,000 by December 31, 2020 (incurred);
    - An additional $500,000 by December 31, 2021 (incurred); and
    - An additional $1,500,000 by December 31, 2022.

Upon exercise of the First Option, the Company can earn an additional 20% interest for a total 80% interest (the “Second Option”) by electing to complete a preliminary economic assessment within two years of exercising the Second Option.

Following the exercise or lapse of the Second Option, the parties will form a joint venture to hold and operate the Oxide Peak property, and each party will fund the costs associated with the Oxide Peak property proportionate to their respective interest. If a party does not contribute its share of the costs, the other party may contribute the shortfall, in which case, the interest of each party in the Oxide Peak property will be adjusted in accordance with a dilution formula. Should the Company’s or ArcWest’s interest be diluted to less than 10%, then that interest will convert to a 2% NSR royalty, of which 1% of the NSR royalty can be bought back for a $2,000,000 cash payment at any time.

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation expenditures incurred during the years ended July 31, 2022 and 2021 are as follows:

	Year ended July 31, 2022	2021
Baker-Shasta Projects		
Community engagement	$ 636,092	$ 285,741
Compliance and monitoring	23,044	259,372
Consulting	1,058,230	530,620
Drilling	2,408,681	224,529
Field supplies and other	2,570,969	563,575
Geophysics	329,850	63,402
Permitting	132,452	92,347
Salaries	170,833	-
Site preparation and maintenance	1,470,832	333,970
Travel	304,062	98,431
	9,105,045	2,451,987
Oxide Peak Property		
Community engagement	15,000	18,384
Consulting	91,895	151,623
Drilling	354,162	-
Field supplies and other	344,332	-
Geophysics	91,475	-
Site preparation and maintenance	338,176	-
Travel	40,709	127,365
	1,275,749	297,372
	10,380,794	2,749,359
Recoveries from third-party	(296,653)	-
Mining tax credits	(150,276)	-
Total	$ 9,933,865	$ 2,749,359

In June 2022, the Company entered into an agreement to share its exploration camp with a third-party company. During the year ended July 31, 2022, the Company recovered $296,653 (plus GST) from this third-party.

10. RECLAMATION DEPOSITS

	July 31, 2022	July 31, 2021
Baker-Shasta Projects	$ 795,006	$ -
Oxide Peak Property	56,420	-
Total	$ 851,426	$ -

(Expressed in Canadian dollars)

11. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On July 1, 2022, the Company entered into a lease agreement for an office in Richmond, BC which qualifies for reporting under IFRS 16. Accordingly, the Company recorded right-of-use asset of $49,720 with a corresponding entry to lease liability. The Company calculated the present value of the minimum lease payments using an interest rate of 7%. Thereafter, the right-of-use asset is depreciated on a straight-line basis over the term of the lease which is 18 months.

		July 31, 2022		**July 31, 2021**
Opening balance	$	-	$	-
Additions		49,720		-
Depreciation		(2,617)		-
Closing balance	$	47,103	$	-

		July 31, 2022		**July 31, 2021**
Opening balance	$	-	$	-
Additions		49,720		-
Interest expense		286		-
Repayment		(2,800)		-
Closing balance	$	47,206	$	-
Current	$	31,286	$	-
Non-current		15,920		-
Closing balance	$	47,206	$	-

12. TRADE AND OTHER PAYABLES

		July 31, 2022		**July 31, 2021**
Trade and other payables in Canada	$	1,586,091	$	1,156,026
Amounts due to related parties (Note 17)		35,671		23,772
Total	$	1,621,762	$	1,179,798

(Expressed in Canadian dollars)

13. FLOW-THROUGH PREMIUM LIABILITY

		July 31, 2022		July 31, 2021
Opening balance	$	259,159	$	-
December 2020 flow-through private placement		-		864,738
August 2021 flow-through private placement		777,778		-
December 2021 flow-through private placement		288,859		-
April 2022 flow-through private placement		2,191,636		-
Flow-through premium recovery		(1,938,525)		(605,579)
Closing balance	$	1,578,907	$	259,159

During the year ended July 31, 2022, the Company raised flow-through funds totaling $13,737,450 (2021 - $2,940,110) (Note 15) and recorded flow-through premium liabilities totaling $3,258,273 (2021 - $864,738). The Company spent $8,320,994 (2021 - $2,058,968) of these flow-through funds during the year ended July 31, 2022, as well as $881,142 of flow-through funds raised in the previous year, and accordingly recorded a flow-through premium recovery of $1,938,525 (2021 - $605,579).

14. ASSET RETIREMENT OBLIGATION

		July 31, 2022		July 31, 2021
As at July 31, 2021	$	974,287	$	-
Asset retirement obligation		-		972,141
Adjustment		(95,626)		-
Accretion		3,707		2,146
As at July 31, 2022	$	882,368	$	974,287

Provincial laws and regulations concerning environmental protection affect the Company’s exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company’s provision for future site closure and reclamation costs is based on known requirements.

The Company acquired the Baker-Shasta Projects in December 2020 (Note 9). The Company estimated the present value of the environmental disturbance to be $972,141 based on an undiscounted obligation of $1,027,515. The provision was calculated using a weighted average discount rate of 0.37%.

As at July 31, 2022, the Company estimated the present value of the environmental disturbance to be $882,368 based on an undiscounted obligation of $966,645, which is expected to be incurred in 2037. The provision was calculated using a weighted average discount rate of 0.61%. Accordingly, the Company recorded an adjustment to the asset retirement obligation of $95,626, with a corresponding entry to exploration and evaluation assets.

15. SHARE CAPITAL

a) Authorized share capital

The authorized share capital is comprised of an unlimited number of common shares without par value.

b) Issued share capital

During the year ended July 31, 2022, the Company completed the following:

- On August 13, 2021, the Company completed a private placement through the issuance of 2,000,000 non-flow-through shares at a price of $0.50 per non-flow-through share for gross proceeds of $1,000,000 ($425,000 of which was received during the year ended July 31, 2021), and 4,444,444 flow-through shares at a price of $0.675 per flow-through share for gross proceeds of $3,000,000. The Company paid $160,275 in cash finder's fees and $10,805 in other cash share issue costs.

  The Company recorded a flow-through premium liability of $777,778 on issuance of the flow-through shares. During the year ended July 31, 2022, the Company spent all of these flow-through funds and accordingly recorded a flow-through premium recovery of $777,778 on the statement of loss and comprehensive loss.

- In December 2021, the Company completed, in three tranches, a private placement through the issuance of 1,716,000 non-flow-through units at a price of $0.50 per non-flow-through unit for gross proceeds of $858,000, and 5,777,182 flow-through units at a price of $0.55 per flow-through unit for gross proceeds of $3,177,450. Each flow-through and non-flow-through unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.75 per share for a period of two years.

  The Company paid cash finder's fees of $204,900 and issued 361,090 broker warrants. Each broker warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.55 per share for a period of two years. The broker warrants were valued at $99,019 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.96%; an expected volatility of 100%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero. The Company also paid $23,359 in cash share issue costs.

  The Company recorded a flow-through premium liability of $288,859 on issuance of the flow-through units. During the year ended July 31, 2022, the Company spent all of these flow-through funds, and accordingly recorded a flow-through premium recovery of $288,859 on the statement of loss and comprehensive loss.

- In April 2022, the Company completed a private placement for gross proceeds of $9,744,100 as follows:
  - 5,200,238 non-flow-through shares at a price of $0.42 per non-flow-through share for gross proceeds of $2,184,100;
  - 2,181,819 flow-through shares at a price of $0.55 per flow-through share for gross proceeds of $1,200,000; and
  - 10,600,000 charity-flow-through shares at a price of $0.60 per charity-flow-through share for gross proceeds of $6,360,000.

15. SHARE CAPITAL (continued)

b) Issued share capital (continued)

The Company paid cash finder's fees of $779,079 and issued 1,316,245 broker warrants. Each broker warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.42 per share until October 7, 2023. The broker warrants were valued at $229,198 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 2.28%; an expected volatility of 59.84%; an expected life of 1.5 years; a forfeiture rate of zero; and an expected dividend of zero. The Company also paid other share issue costs of $98,499. The Company also paid $5,764 in other cash share issue costs.

The Company recorded a flow-through premium liability of $2,191,636 on issuance of the flow-through shares. The Company is committed to spend $7,560,000 of flow-through funds by December 31, 2023. During the year ended July 31, 2022, the Company spent $2,143,544 of these flow-through funds, and accordingly recorded a flow-through premium recovery of $612,729 on the statement of loss and comprehensive loss.

During the year ended July 31, 2021, the Company completed the following:

- On August 19, 2020, the Company issued ArcWest 1,202,141 common shares valued at $180,321 pursuant to an agreement on the Oxide Peak property (Note 9).

- Pursuant to the Amalgamation, the shareholders of Kismet retained 2,000,000 common shares valued at $600,000 (Note 4).

- On December 11, 2020, the Company completed a private placement through the issuance of 3,645,000 non-flow-through units at a price of $0.30 per non-flow-through unit and 6,917,907 flow-through units at a price of $0.425 per flow-through unit for gross proceeds of $4,033,610. Each non-flow-through unit and each flow-through unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company at an exercise price of $0.45 until December 11, 2023.

  The Company issued 487,135 non-flow-through units valued at $146,141 to an arm's length finder in connection with the financing. Each non-flow-through unit consisted of one common share and one-half of one share purchase warrant on the same terms as the private placement units. The share purchase warrants included in the finder's units were valued at $39,045 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.25%; an expected volatility of 100%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

  The Company recorded a flow-through premium liability of $864,738 on issuance of the flow-through units. The Company was committed to spend the $2,940,110 flow-through funds by December 31, 2021. During the year ended July 31, 2022, the Company spent $881,142 (2021 - $2,058,968) of these flow-through funds and accordingly recorded a flow-through premium recovery of $259,159 (2021 - $605,579) on the statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

b) Issued share capital (continued)

- On December 11, 2020, the Company issued 18,973,699 common shares valued at $5,692,110 to Talisker to acquire the Baker-Shasta, Mets, and Bot projects (Note 9).

- On January 8, 2021, the Company issued 66,666 common shares on the exercise of stock options for gross proceeds of $13,333.

- On March 10, 2021, the Company issued 66,666 common shares on the exercise of stock options for gross proceeds of $13,333.

- On March 19, 2021, the Company completed a private placement through the issuance of 6,963,074 units at a price of $0.30 per unit for gross proceeds of $2,088,922. Each unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company at an exercise price of $0.45 until September 19, 2023.

  The Company issued 58,384 units valued at $17,515 to an arm's length finder in connection with the financing. Each unit consisted of one common share and one-half of one share purchase warrant on the same terms as the private placement units. The share purchase warrants included in the finder's units were valued at $4,234 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.25%; an expected volatility of 100%; an expected life of 2.5 years; a forfeiture rate of zero; and an expected dividend of zero.

  The Company also incurred $11,282 of share issue costs.

c) Escrow shares

As at July 31, 2022, the Company has 10,307,459 common shares held in escrow, to be released 3,435,819 on December 15, 2022, 3,435,820 on June 15, 2023, and 3,435,820 on December 15, 2023.

d) Warrants

The continuity of share purchase warrants for the year ended July 31, 2022 is as follows:

Expiry date	Exercise price	Balance, July 31, 2021	Granted	Exercised	Expired	Balance, July 31, 2022
September 19, 2023	$ 0.45	3,510,729	-	-	-	3,510,729
October 7, 2023	$ 0.42	-	1,316,245	-	-	1,316,245
December 11, 2023	$ 0.45	5,525,021	-	-	-	5,525,021
December 16, 2023	$ 0.75	-	1,987,499	-	-	1,987,499
December 16, 2023	$ 0.55	-	163,636	-	-	163,636
December 22, 2023	$ 0.75	-	1,534,091	-	-	1,534,091
December 22, 2023	$ 0.55	-	197,454	-	-	197,454
December 30, 2023	$ 0.75	-	225,000	-	-	225,000
		9,035,750	5,423,925	-	-	14,459,675
Weighted average exercise price		$ 0.45	$ 0.66	$ -	$ -	$ 0.53

(Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

d) Warrants (continued)

The continuity of share purchase warrants for the year ended July 31, 2021 is as follows:

Expiry date	Exercise price	Balance, July 31, 2020	Granted	Exercised	Expired	Balance, July 31, 2021
September 19, 2023	$ 0.45	-	3,510,729	-	-	3,510,729
December 11, 2023	$ 0.45	-	5,525,021	-	-	5,525,021
		-	9,035,750	-	-	9,035,750
Weighted average exercise price		$ -	$ 0.45	$ -	$ -	$ 0.45

e) Share-based compensation

In March 2022, the Company's shareholders approved a new replacement stock option plan (the "New Option Plan"). The New Option Plan is a 10% "rolling" stock option plan which governs the granting of stock options to directors, officers, employees and consultants of the Company or a subsidiary of the Company for the purchase of up to 10% of the issued and outstanding common shares of the Company from time to time which supersedes the current stock option plan (the "Superseded Option Plan"). Any stock options currently outstanding under the Superseded Option Plan will remain outstanding, however new stock option grants will be subject to the New Option Plan. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors.

In addition, the shareholders approved a new equity incentive plan (the "Equity Plan") which governs the granting of any restricted share unit (RSU), performance share unit (PSU) or deferred share unit (DSU) granted under the Equity Plan, to directors, officers, employees and consultants of the Company or a subsidiary of the Company. The Company has reserved for issuance up to 7,836,109 common shares, being 10% of the issued and outstanding common shares of the Company, pursuant to the Equity Plan.

The New Option Plan and Equity Plan follow the new security based compensation policy adopted by the TSX-V in November 2021.

The continuity of stock options for the year ended July 31, 2022 is as follows:

Expiry date	Exercise price	Balance, July 31, 2021	Granted	Exercised	Forfeited	Balance, July 31, 2022
September 19, 2023	$ 0.20	66,668	-	-	-	66,668
February 1, 2026	$ 0.35	3,487,500	-	-	(425,000)	3,062,500
April 19, 2026	$ 0.50	100,000	-	-	-	100,000
July 8, 2027	$ 0.42	-	2,740,000	-	-	2,740,000
July 8, 2027 *	$ 0.42	-	250,000	-	-	250,000
		3,654,168	2,990,000	-	(425,000)	6,219,168
Weighted average exercise price		$ 0.35	$ 0.42	$ -	$ 0.35	$ 0.38

* the options vest 25% on grant and 25% every three months thereafter.

As at July 31, 2022, 6,031,668 stock options were exercisable with a weighted average remaining life was 4.18.

(Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

e) Share-based compensation (continued)

The continuity of stock options for the year ended July 31, 2021 is as follows:

Expiry date	Exercise price	Balance, July 31, 2020	Granted	Exercised	Expired	Balance, July 31, 2021
September 19, 2023	$ 0.20	-	200,000	(133,332)	-	66,668
February 1, 2026	$ 0.35	-	3,487,500	-	-	3,487,500
April 19, 2026	$ 0.50	-	100,000	-	-	100,000
		-	3,787,500	(133,332)	-	3,654,168
Weighted average exercise price		$ -	$ 0.35	$ 0.20	$ -	$ 0.35

During the year ended July 31, 2022, the Company recorded $200,577 (2021 - $767,657) of share-based compensation in relation to stock options that vested during the year.

On July 8, 2022, the Company granted 2,740,000 stock options to directors, officers, and consultants at a fair value of $181,986 or $0.07 per option, all of which was recorded as share-based compensation for the year ended July 31, 2022. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.21%; an expected volatility of 69%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On July 8, 2022, the Company granted 250,000 stock options to an investor relations consultant at a fair value of $16,605 or $0.07 per option, of which $6,056 was recorded as share-based compensation for the year ended July 31, 2022. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.21%; an expected volatility of 69%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On April 19, 2021, the Company granted 100,000 stock options to an investor relations consultant at a fair value of $29,590 or $0.30 per option, of which $12,535 (2021 - $17,054) was recorded as share-based compensation for the year ended July 31, 2022. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.25%; an expected volatility of 100%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On February 1, 2021, the Company granted 3,487,500 stock options to directors, officers, and consultants at a fair value of $750,603 or $0.22 per option, all of which was recorded as share-based compensation for the year ended July 31, 2021. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.25%; an expected volatility of 100%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

(Expressed in Canadian dollars)

16. PROJECT INVESTIGATION COSTS

On October 13, 2021, the Company entered into an agreement, as amended, with Kingsgate Consolidated Limited ("Kingsgate") to acquire the Nueva Esperanza silver-gold project in Chile. Under the terms of the agreement, in exchange for 100% ownership of Kingsgate's Chilean subsidiary that holds the Nueva Esperanza project, the Company would pay to Kingsgate:

- $25,000,000 cash on closing.
- Issue 14% of the Company's outstanding common shares.
- Up to $25,000,000 in future milestone payments.

As a condition to the closing of the transaction, the Company was to raise a minimum of $35,000,000 in an equity financing. The proposed acquisition was subject to TSX-V review and approval as well as other conditions precedent.

Kingsgate and the Company agreed to an extension of the dates for which the Company paid Kingsgate a non-refundable deposit of $1,500,000.

On January 17, 2022, the Company notified Kingsgate that it anticipated certain conditions precedent would not be fulfilled, and accordingly the transaction was terminated on January 31, 2022.

During the year ended July 31, 2022, the Company recorded $1,938,668 (2021 - $298,501) of project investigation costs consisting of costs directly related to this transaction, which amount includes the $1,500,000 described above.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management includes the Chief Executive Officer, the VP Exploration, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel during the years ended July 31, 2022 and 2021 were as follows:

	Year ended July 31,	
	2022	2021
Consulting fees		
Chief Executive Officer	$ 241,540	$ 210,000
Golden Oak *	120,000	105,000
	361,540	315,000
Director fees	16,139	-
Exploration and evaluation expenditures		
VP Exploration	13,750	-
Share-based compensation	147,780	581,112
Total	$ 539,209	$ 896,112

* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and the Corporate Secretary of the Company. The Chief Financial Officer and the Corporate Secretary are employees of Golden Oak and are not paid directly by the Company.

(Expressed in Canadian dollars)

17. RELATED PARTY TRANSACTIONS (continued)

Amounts due to related parties

As at July 31, 2022, the Company owed $35,671 (2021 – $23,772) to related parties as follows: $16,139 to certain directors for director fees; $Nil (2021 - $21,000) to the Chief Executive Officer for fees; and $3,479 to the Chief Executive Officer, $8,179 to the VP Exploration, and $7,874 (2021 - $2,772) to Golden Oak, all for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

18. SEGMENTED INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation.

All of the Company's capital assets are located in Canada as at July 31, 2022 and 2021.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

		July 31, 2022	July 31, 2021
Cash	FVTPL	$ 6,961,007	$ 4,810,269
Receivables	Amortized cost	436,671	125,362
Reclamation deposits	Amortized cost	851,426	-
Trade and other payables	Amortized cost	(1,621,762)	(1,179,798)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial Instruments (continued)

The carrying values of receivables, reclamation deposits, and trade and other payables approximate their fair values due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash was determined based on Level 1 of the fair value hierarchy.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and reclamation deposits. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs. The Company`s receivables include balances receivable from the government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days. The Company is exposed to liquidity risk.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity, political risk, and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk: While the value of the Company's exploration and evaluation assets will be related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

    Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

(Expressed in Canadian dollars)

20. MANAGEMENT OF CAPITAL

The Company manages its common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on demand deposit in an interest bearing Canadian chartered bank account. The Company estimates that its current capital resources may not be sufficient to carry out currently planned exploration and operations through the next twelve months (Note 1).

There have been no changes to the Company's approach to capital management for the years presented.

21. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended July 31, 2022	Year ended July 31, 2021
Loss for the year	$ (11,545,303)	$ (4,831,816)
Expected income tax recovery	$ (3,117,000)	$ (1,305,000)
Change in statutory, foreign tax, foreign exchange rates and other	-	(308,000)
Permanent differences	(853,000)	438,000
Impact of flow-through share issuances	2,538,000	525,000
Share issue costs	(346,000)	(49,000)
Adjustment to prior years provision versus statutory tax returns	(32,000)	(1,285,000)
Change in unrecognized deductible temporary differences	1,810,000	1,984,000
Total	$ -	$ -

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		July 31, 2022		July 31, 2021
Deferred tax assets (liabilities)				
Right-of-use asset	$	13,000	$	-
Lease liability		(13,000)		-
Total unrecognized deferred tax assets (liabilities)	$	-	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		July 31, 2022		July 31, 2021
Deferred tax assets				
Exploration and evaluation assets	$	1,027,000	$	596,000
Equipment		178,000		99,000
Share issue costs		318,000		57,000
Capital losses		1,375,000		1,375,000
Non-capital losses available for future periods		1,809,000		770,000
Total unrecognized deferred tax assets	$	4,707,000	$	2,897,000

The significant components of the Company's temporary differences, unused tax credits, and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		July 31, 2022	Expiry date range
Temporary differences			
Exploration and evaluation assets	$	3,806,000	No expiry date
Equipment		660,000	No expiry date
Share issue costs		1,179,000	2043 to 2046
Capital losses		5,091,000	No expiry date
Non-capital losses available for future periods		6,701,000	2033 to 2042

Tax attributes are subject to review, and potential adjustment, by tax authorities.