



**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

*(Expressed in Canadian dollars)*

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Northern Lion Gold Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Northern Lion Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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 December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *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 the Company incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt as to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 3 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$338,566 as of December 31, 2022. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreements including reviewing option agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***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:

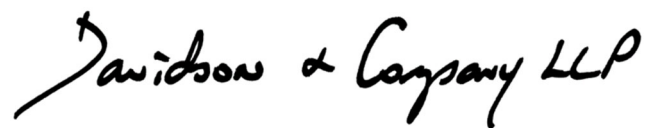
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 27, 2023

**NORTHERN LION GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

|                                                   | December 31,<br>2022 | December 31,<br>2021 |
|---------------------------------------------------|----------------------|----------------------|
|                                                   | \$                   | \$                   |
| <b>ASSETS</b>                                     |                      |                      |
| <b>Current assets</b>                             |                      |                      |
| Cash                                              | 808,328              | 64,927               |
| Subscriptions receivable (Note 6)                 | -                    | 939,000              |
| Receivables                                       | 624                  | 4,313                |
| Prepaid expenses                                  | 2,782                | 2,424                |
| <b>Total current assets</b>                       | <b>811,734</b>       | <b>1,010,664</b>     |
| <b>Non-current assets</b>                         |                      |                      |
| Exploration and evaluation assets (Note 3)        | 338,566              | 335,066              |
| Equipment (Note 4)                                | 215                  | 307                  |
| <b>Total assets</b>                               | <b>1,150,515</b>     | <b>1,346,037</b>     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                      |                      |
| <b>Current liabilities</b>                        |                      |                      |
| Accounts payable and accrued liabilities          | 49,087               | 95,717               |
| Due to related parties (Note 5)                   | 555,000              | 485,000              |
| <b>Total liabilities</b>                          | <b>604,087</b>       | <b>580,717</b>       |
| <b>Shareholders' equity</b>                       |                      |                      |
| Share capital (Note 6)                            | 30,509,716           | 30,509,716           |
| Reserves (Note 6)                                 | 191,906              | 191,906              |
| Deficit                                           | (30,155,194)         | (29,936,302)         |
| <b>Total shareholders' equity</b>                 | <b>546,428</b>       | <b>765,320</b>       |
| <b>Total liabilities and shareholders' equity</b> | <b>1,150,515</b>     | <b>1,346,037</b>     |

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 12)

Approved and authorized by the Board on April 27, 2023

**On behalf of the Board of Directors:**

\_\_\_\_\_  
"Jeffrey O'Neill"  
Director

\_\_\_\_\_  
"Richard Silas"  
Director

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

**NORTHERN LION GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

|                                                             | For the years ended<br>December 31, |                  |
|-------------------------------------------------------------|-------------------------------------|------------------|
|                                                             | 2022                                | 2021             |
|                                                             | \$                                  | \$               |
| <b>OPERATING EXPENSES</b>                                   |                                     |                  |
| Depreciation (Note 4)                                       | 92                                  | 132              |
| Filing and regulatory fees                                  | 16,536                              | 10,877           |
| Foreign exchange gain                                       | (234)                               | (1,456)          |
| Management fees (Note 5)                                    | 120,000                             | 120,000          |
| Office and general                                          | 7,568                               | 9,155            |
| Professional fees                                           | 70,822                              | 51,819           |
| Write-off of related party loan                             | 4,108                               | -                |
| <b>Loss and comprehensive loss for the year</b>             | <b>(218,892)</b>                    | <b>(190,527)</b> |
| <b>Basic and diluted loss per common share (Note 7)</b>     | <b>(0.02)</b>                       | <b>(0.02)</b>    |
| <b>Weighted average number of common shares outstanding</b> | <b>13,612,600</b>                   | <b>8,696,107</b> |

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

**NORTHERN LION GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

|                                                           | For the years ended<br>December 31, |                 |
|-----------------------------------------------------------|-------------------------------------|-----------------|
|                                                           | 2022                                | 2021            |
|                                                           | \$                                  | \$              |
| <b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>            |                                     |                 |
| Loss for the year                                         | (218,892)                           | (190,527)       |
| Item not affecting cash:                                  |                                     |                 |
| Depreciation                                              | 92                                  | 132             |
| Changes in non-cash working capital items:                |                                     |                 |
| Receivables                                               | 3,689                               | (4,173)         |
| Prepaid expenses                                          | (358)                               | (217)           |
| Accounts payable and accrued liabilities                  | (46,630)                            | 13,136          |
| Due to related parties                                    | 70,000                              | 170,000         |
|                                                           | <u>(192,099)</u>                    | <u>(11,649)</u> |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>            |                                     |                 |
| Exploration and evaluation assets expenditure             | <u>(3,500)</u>                      | <u>(3,500)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |                                     |                 |
| Share subscription received                               | 939,000                             | -               |
| Warrants exercised                                        | -                                   | 47,000          |
|                                                           | <u>743,401</u>                      | <u>31,851</u>   |
| <b>Change in cash during the year</b>                     | <b>743,401</b>                      | <b>31,851</b>   |
| <b>Cash, beginning of year</b>                            | <b>64,927</b>                       | <b>33,076</b>   |
| <b>Cash, end of year</b>                                  | <b>808,328</b>                      | <b>64,927</b>   |
| <b>Supplemental disclosure with respect to cash flows</b> |                                     |                 |
| Warrant proceeds included in subscriptions receivable     | -                                   | 939,000         |

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

**NORTHERN LION GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

|                                         | Number of<br>Shares<br>Outstanding | Share Capital     | Reserves       | Deficit             | Shareholders'<br>Equity<br>(Deficiency) |
|-----------------------------------------|------------------------------------|-------------------|----------------|---------------------|-----------------------------------------|
|                                         |                                    | \$                | \$             | \$                  | \$                                      |
| <b>Balance at<br/>December 31, 2020</b> | <b>8,682,600</b>                   | <b>29,523,716</b> | <b>191,906</b> | <b>(29,745,775)</b> | <b>(30,153)</b>                         |
| Warrants exercised                      | 4,930,000                          | 986,000           | -              | -                   | 986,000                                 |
| Loss for the year                       | -                                  | -                 | -              | (190,527)           | (190,527)                               |
| <b>Balance at<br/>December 31, 2021</b> | <b>13,612,600</b>                  | <b>30,509,716</b> | <b>191,906</b> | <b>(29,936,302)</b> | <b>765,320</b>                          |
| Loss for the year                       | -                                  | -                 | -              | (218,892)           | (218,892)                               |
| <b>Balance at<br/>December 31, 2022</b> | <b>13,612,600</b>                  | <b>30,509,716</b> | <b>191,906</b> | <b>(30,155,194)</b> | <b>546,428</b>                          |

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

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**NORTHERN LION GOLD CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Northern Lion Gold Corp. (the "Company") was incorporated on November 19, 1980 under the Laws of British Columbia and is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "NL" and on the Frankfurt Stock Exchange under the symbol "N3E". The Company's registered and records office address is Suite 615, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company is a mineral exploration company focused on acquiring, exploring and developing mineral properties in Canada.

At the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on its property. The ability of the Company to realize the costs it has incurred to date on its property is dependent upon the Company identifying a commercial mineral body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance and basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") effective as of December 31, 2022. These consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

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**NORTHERN LION GOLD CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

**Subsidiary**

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiary of the Company as of December 31, 2022 and 2021 is as follows:

| <b>Name of subsidiary</b> | <b>Principal Activity</b> | <b>Incorporation</b> | <b>Interest</b> |
|---------------------------|---------------------------|----------------------|-----------------|
| Katla Exploration Ltd.    | Mineral exploration       | Republic of Cyprus   | 100%            |

**Foreign exchange**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**Exploration and evaluation assets**

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its mineral properties at each statements of financial position reporting date to consider if there is an impairment in value to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves.

## **2. SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Equipment**

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the declining balance method at the following annual rates:

Computer equipment    30%

The Company's equipment is reviewed for indications of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit and loss.

### **Provision for environmental rehabilitation**

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as accretion expense.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

### **Impairment**

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statements of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

## **2. SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Impairment - continued**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

### **Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

### **Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### **Loss per share**

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

## **2. SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to 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. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statements of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Significant accounting estimates and judgments**

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Recoverability of exploration and evaluation assets: Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

## **2. SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Significant accounting estimates and judgments - continued**

#### *Critical accounting judgments*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Going concern of operations:** The 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 for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statements of financial position classifications used (Note 1).
- **Determination of provisions for income taxes and the recognition of deferred income taxes:** In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### **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 ("FVOCI"); 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 FVOCI are measured at 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 statements of financial position subsequent to inception and how changes in value are recorded. Cash, subscriptions receivable, and receivables are measured at amortized cost with subsequent impairments recognized in profit or loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Financial instruments - continued**

#### *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) fair value through profit or loss; 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 statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and due to related parties are classified as amortized cost and carried on the statements of financial position at amortized cost.

As at December 31, 2022 and 2021, the Company does not have any derivative financial liabilities.

### **Recent Accounting Pronouncements**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2022:

The following amendments will be in effect for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

Definition of Accounting Estimates (Amendments to IAS 8) – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results of operations and financial position of the Company.

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### 3. EXPLORATION AND EVALUATION ASSETS

In March 2017, the Company entered into an option agreement to acquire an undivided 100% interest in certain mineral claims located in Kamloops, B.C. (the "Riverside Property"). Expenditures related to exploration and evaluation assets are as follows:

|                                        | <u>Riverside<br/>Property</u> |
|----------------------------------------|-------------------------------|
|                                        | \$                            |
| <b>Balance as at December 31, 2020</b> | <b>331,566</b>                |
| Property acquisition costs             | 3,500                         |
| <b>Balance as at December 31, 2021</b> | <b>335,066</b>                |
| Property acquisition costs             | 3,500                         |
| <b>Balance as at December 31, 2022</b> | <b>338,566</b>                |

In order to exercise the option, the Company must:

- Pay \$70,000 cash to the optionor as follows: \$20,000 upon execution (paid); and an additional \$50,000 on or before March 9, 2018;
- Issue 400,000 common shares (issued) at a value of \$196,000 of the Company to the optionor;
- Incur exploration expenditures of \$75,000 (incurred) on the Riverside Property within six months following exchange acceptance, which expenditures constitute a binding obligation on the part of the Company.

From February 2018 to March 2023 (Note 12), the Company entered into several amendment agreements with the optionor to amend the payment terms of the \$50,000 payment originally due on March 9, 2018 as follows:

- \$6,500 payable on February 27, 2018 (paid);
- \$6,500 payable on April 5, 2019 (paid);
- \$3,500 payable on March 5, 2020 (paid);
- \$3,500 payable on March 4, 2021 (paid);
- \$3,500 payable on March 7, 2022 (paid);
- \$3,500 payable on March 7, 2023 (paid subsequently);
- the remaining \$23,000 on or before March 4, 2024.

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**4. EQUIPMENT**

|                                            | <b>Computer<br/>equipment</b> |
|--------------------------------------------|-------------------------------|
| <b>Cost</b>                                | <b>\$</b>                     |
| Balance, December 31, 2020, 2021, and 2022 | 36,897                        |
| <b>Accumulated depreciation</b>            |                               |
| Balance, December 31, 2020                 | 36,458                        |
| Depreciation for the year                  | 132                           |
| Balance, December 31, 2021                 | 36,590                        |
| Depreciation for the year                  | 92                            |
| Balance, December 31, 2022                 | 36,682                        |
| <b>Carrying amounts</b>                    |                               |
| As at December 31, 2021                    | 307                           |
| As at December 31, 2022                    | 215                           |

**5. RELATED PARTY TRANSACTIONS**

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

Summary of key management personnel compensation (includes officers and directors of the Company):

|                 | <b>For the years ended<br/>December 31,</b> |             |
|-----------------|---------------------------------------------|-------------|
|                 | <b>2022</b>                                 | <b>2021</b> |
|                 | <b>\$</b>                                   | <b>\$</b>   |
| Management fees | 120,000                                     | 120,000     |

As at December 31, 2022, amounts owing to related parties (including key management personnel) total \$555,000 (2021 - \$485,000) and amounts owing by a related party total \$nil (2021 - \$4,108).

**6. SHARE CAPITAL AND RESERVES**

**Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

**Issued Shares**

There was no share issuance during the year ended December 31, 2022.

*During the year ended December 31, 2021:*

The Company issued 4,930,000 common shares in connection with the exercise of 4,930,000 warrants with an exercise price of \$0.20 for total proceeds of \$986,000, of which \$939,000 was recorded as subscriptions receivable. The funds were received during the year ended December 31, 2022.

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**6. SHARE CAPITAL AND RESERVES - continued**

**Stock Options**

The Company has a Stock Option Plan whereby the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within one year of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to vesting provisions as determined by the Board and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

As at December 31, 2022 and 2021, there were no stock options outstanding.

**Warrants**

During the year ended December 31, 2021, 50,000 warrants expired unexercised.

A summary of warrant activity is as follows:

|                                                        | <b>Number of<br/>warrants</b> | <b>Weighted average<br/>exercise price</b> |
|--------------------------------------------------------|-------------------------------|--------------------------------------------|
|                                                        |                               | <b>\$</b>                                  |
| Outstanding at December 31, 2020                       | 4,980,000                     | 0.20                                       |
| Exercised                                              | (4,930,000)                   | 0.20                                       |
| Expired                                                | (50,000)                      | 0.20                                       |
| Outstanding at December 31, 2021 and December 31, 2022 | -                             | -                                          |

**7. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of \$218,892 (2021 – \$190,527) and a weighted average number of common shares outstanding of 13,612,600 (2021 – 8,696,107).

**8. MANAGEMENT OF CAPITAL**

The Company's capital structure consists of items in equity (deficiency). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. 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 and investments.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has liquidity risk as it has historically relied upon equity financings and related party loans to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 8. Accounts payable and accrued liabilities are due within one year.

### **Credit Risk**

Credit risk is the risk of potential loss to the Company if the 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 and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions. Receivables mainly consist of refundable GST from the Government of Canada.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

### **Currency Risk**

The Company operates in Canada and the Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities. The Company's cash, receivables, and accounts payable and accrued liabilities are held in several currencies and therefore are subject to fluctuations against the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### **Commodity Price Risk**

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold and other base metals. The Company monitors these metal prices to determine the appropriate course of action to be taken.

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**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**

**Financial Assets**

The estimated fair values of financial assets approximate their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

| Stated in Canadian Dollars |                 |           |               |         |
|----------------------------|-----------------|-----------|---------------|---------|
| As at December 31, 2022    |                 |           |               |         |
| Carrying Value             | Canadian Dollar | US Dollar | European Euro | Total   |
| Cash                       | 801,818         | (3)       | 6,513         | 808,328 |
| Receivables                | 624             | -         | -             | 624     |

| Stated in Canadian Dollars |                 |           |               |         |
|----------------------------|-----------------|-----------|---------------|---------|
| As at December 31, 2021    |                 |           |               |         |
| Carrying Value             | Canadian Dollar | US Dollar | European Euro | Total   |
| Cash                       | 58,447          | (3)       | 6,483         | 64,927  |
| Subscriptions receivable   | 939,000         | -         | -             | 939,000 |
| Receivables                | 4,313           | -         | -             | 4,313   |

**Financial Liabilities**

The estimated fair values of financial liabilities approximate their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were held in the following currencies:

| Stated in Canadian Dollars |                 |           |               |         |
|----------------------------|-----------------|-----------|---------------|---------|
| As at December 31, 2022    |                 |           |               |         |
| Carrying Value             | Canadian Dollar | US Dollar | European Euro | Total   |
| Accounts payable           | 25,559          | 674       | 22,854        | 49,087  |
| Due to related parties     | 555,000         | -         | -             | 555,000 |

| Stated in Canadian Dollars |                 |           |               |         |
|----------------------------|-----------------|-----------|---------------|---------|
| As at December 31, 2021    |                 |           |               |         |
| Carrying Value             | Canadian Dollar | US Dollar | European Euro | Total   |
| Accounts payable           | 58,229          | -         | 37,488        | 95,717  |
| Due to related parties     | 485,000         | -         | -             | 485,000 |

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**10. SEGMENTED INFORMATION**

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

|                                   | <b>Canada</b>    | <b>Republic<br/>of Cyprus</b> | <b>Total</b>     |
|-----------------------------------|------------------|-------------------------------|------------------|
| December 31, 2022                 | \$               | \$                            | \$               |
| Equipment                         | 215              | -                             | 215              |
| Exploration and evaluation assets | 338,566          | -                             | 338,566          |
| Other assets                      | 805,221          | 6,513                         | 811,734          |
| <b>Total assets</b>               | <b>1,144,002</b> | <b>6,513</b>                  | <b>1,150,515</b> |

|                                   | <b>Canada</b>    | <b>Republic<br/>of Cyprus</b> | <b>Total</b>     |
|-----------------------------------|------------------|-------------------------------|------------------|
| December 31, 2021                 | \$               | \$                            | \$               |
| Equipment                         | 307              | -                             | 307              |
| Exploration and evaluation assets | 335,066          | -                             | 335,066          |
| Other assets                      | 1,004,181        | 6,483                         | 1,010,664        |
| <b>Total assets</b>               | <b>1,339,554</b> | <b>6,483</b>                  | <b>1,346,037</b> |

**11. INCOME TAXES**

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

|                                                                            | <b>2022</b> | <b>2021</b> |
|----------------------------------------------------------------------------|-------------|-------------|
|                                                                            | \$          | \$          |
| Loss for the year                                                          | (218,892)   | (190,527)   |
| Expected income tax (recovery)                                             | (59,000)    | (51,000)    |
| Change in statutory and foreign tax rates, foreign exchange rate and other | (1,000)     | 3,000       |
| Expiry of non-capital losses                                               | 3,000       | 2,000       |
| Change in unrecognized deductible temporary differences                    | 57,000      | 46,000      |
| <b>Total income tax (recovery)</b>                                         | <b>-</b>    | <b>-</b>    |

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

|                                                 | <b>2022</b> | <b>2021</b> |
|-------------------------------------------------|-------------|-------------|
|                                                 | \$          | \$          |
| Deferred Tax Assets                             |             |             |
| Exploration and evaluation assets               | 132,000     | 132,000     |
| Property and equipment                          | 29,000      | 29,000      |
| Allowable capital losses                        | 1,979,000   | 1,979,000   |
| Non-capital losses available for future periods | 1,916,000   | 1,859,000   |
|                                                 | 4,056,000   | 3,999,000   |
| Unrecognized deferred tax assets                | (4,056,000) | (3,999,000) |
| <b>Net deferred tax assets</b>                  | <b>-</b>    | <b>-</b>    |

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**11. INCOME TAXES - continued**

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

|                                                   | 2022              | Expiry Date<br>Range | 2021              | Expiry Date<br>Range |
|---------------------------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                                   | \$                |                      | \$                |                      |
| Exploration and evaluation assets                 | 1,403,000         | No expiry date       | 1,403,000         | No expiry date       |
| Capital assets                                    | 109,000           | No expiry date       | 109,000           | No expiry date       |
| Allowable capital losses                          | 7,331,000         | No expiry date       | 7,331,000         | No expiry date       |
| Investment tax credit                             | 2,000             | 2023 to 2042         | 2,000             | 2022 to 2041         |
| Non-capital losses available for<br>future period |                   |                      |                   |                      |
| Canada                                            | 7,071,000         | 2028 - 2042          | 6,931,000         | 2027 - 2041          |
| Cyprus                                            | 57,000            | 2023 - 2027          | 85,000            | 2022 - 2026          |
| <b>Net deferred tax assets</b>                    | <b>15,973,000</b> |                      | <b>15,776,000</b> |                      |

**12. SUBSEQUENT EVENT**

In March 2023, the Company entered into an amendment agreement (Note 3) with the Riverside Property's optionor to amend the payment terms of the \$26,500 payment originally due on March 7, 2023 as follows:

- \$3,500 payable on March 7, 2023 (paid subsequently);
- the remaining \$23,000 on or before March 4, 2024.