



Consolidated Financial Statements

For the years ended August 31, 2022 and 2021

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Black Mountain Gold USA Corp.

### Opinion

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

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

### 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 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 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 is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty 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 comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Matthew Gosden.

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**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

December 23, 2022



An independent member  
of Moore North America, Inc.,  
which is associated with the  
Moore Global Network Limited

**BLACK MOUNTAIN GOLD USA CORP.**Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	August 31, 2022	August 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		3,103,435	3,759,961
Amounts receivable	9	39,792	10,372
Prepaid expenses		69,763	171,212
		<b>3,212,990</b>	<b>3,941,545</b>
Exploration and evaluation assets	3, 9	1,722,341	972,891
Right-of-use asset	4	51,562	-
<b>Total assets</b>		<b>4,986,893</b>	<b>4,914,436</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5, 9	141,415	95,375
Lease liability	4	52,762	-
		<b>194,177</b>	<b>95,375</b>
<b>Shareholders' equity</b>			
Share capital	6	7,619,554	6,766,054
Reserves	6	1,110,686	579,096
Deficit		(3,937,524)	(2,526,089)
<b>Total shareholders' equity</b>		<b>4,792,716</b>	<b>4,819,061</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,986,893</b>	<b>4,914,436</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 12)

Approved on behalf of the Board:

"Farhad Abasov"

Farhad Abasov, Director

"Peter MacLean"

Peter MacLean, Director

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

**BLACK MOUNTAIN GOLD USA CORP.**Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

		For the years ended August 31,	
	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Advertising and promotion		57,138	115,606
Consulting fees		173,644	1,084,416
Depreciation expense	4	60,155	-
Foreign exchange loss (gain)		3,223	(84)
General and administrative		30,641	6,597
Interest expense on lease liability	4	4,045	-
Insurance		13,417	5,417
Management fees	9	405,501	182,000
Professional fees		90,752	101,693
Property investigation costs		-	39,252
Rent	9	11,860	9,075
Share based compensation	6, 9	531,590	543,512
Transfer agent and filing fees		45,549	39,235
Travel and related		41,320	-
		(1,468,835)	(2,126,719)
Other income	9	57,400	-
<b>Net and comprehensive loss for the year</b>		<b>(1,411,435)</b>	<b>(2,126,719)</b>
<b>Weighted average number of outstanding shares</b>		<b>37,199,058</b>	<b>19,256,507</b>
<b>Basic and diluted loss per share</b>		<b>(0.04)</b>	<b>(0.11)</b>

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

**BLACK MOUNTAIN GOLD USA CORP.**Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	For the years ended August 31,	
	2022	2021
	\$	\$
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss for the year	(1,411,435)	(2,126,719)
Items not affecting cash:		
Depreciation	60,155	-
Share-based compensation	531,590	543,512
Interest expense on lease liability	4,045	-
Changes in non-cash working capital items		
Amounts receivable	(29,420)	(10,372)
Prepaid expenses	101,449	(171,212)
Accounts payable and accrued liabilities	52,740	27,769
<b>Cash used in operating activities</b>	<b>(690,876)</b>	<b>(1,737,022)</b>
<b>Investing activities</b>		
Exploration and evaluation assets expenditures	(756,150)	(957,843)
<b>Cash used in investing activities</b>	<b>(756,150)</b>	<b>(957,843)</b>
<b>Financing activities</b>		
Proceeds from share issuances	-	5,239,293
Share issuance costs	-	(154,625)
Warrants exercised	853,500	571,500
Repayment of lease liability	(63,000)	-
<b>Cash provided by financing activities</b>	<b>790,500</b>	<b>5,656,168</b>
<b>Net change in cash</b>	<b>(656,526)</b>	<b>2,961,303</b>
<b>Cash, beginning of the year</b>	<b>3,759,961</b>	<b>798,658</b>
<b>Cash, end of the year</b>	<b>3,103,435</b>	<b>3,759,961</b>
<b>Supplemental cash flow information</b>		
Share subscriptions received	-	710,707
Exploration and evaluation assets in accounts payable and accrued liabilities	8,348	15,048
Capitalization of right-of-use asset and lease liability	111,717	-

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

**BLACK MOUNTAIN GOLD USA CORP.**

Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	<b>Share Capital</b>				<b>Total Shareholders' Equity</b>
	<b>Common Shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	
	<b>#</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Balance, August 31, 2020</b>	<b>2,075,000</b>	<b>399,179</b>	<b>35,584</b>	<b>(399,370)</b>	<b>35,393</b>
Shares issued for cash	24,375,000	5,950,000	-	-	5,950,000
Share issuance costs	-	(154,625)	-	-	(154,625)
Share-based compensation	-	-	543,512	-	543,512
Warrants exercised	4,762,500	571,500	-	-	571,500
Net and comprehensive loss	-	-	-	(2,126,719)	(2,126,719)
<b>Balance, August 31, 2021</b>	<b>31,212,500</b>	<b>6,766,054</b>	<b>579,096</b>	<b>(2,526,089)</b>	<b>4,819,061</b>
Share-based compensation	-	-	531,590	-	531,590
Warrants exercised	7,112,500	853,500	-	-	853,500
Net and comprehensive loss	-	-	-	(1,411,435)	(1,411,435)
<b>Balance, August 31, 2022</b>	<b>38,325,000</b>	<b>7,619,554</b>	<b>1,110,686</b>	<b>(3,937,524)</b>	<b>4,792,716</b>

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

# **BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Black Mountain Gold USA Corp. (the "Company") was incorporated in British Columbia under the Business Corporations Act on July 21, 2015 and its head office is located at Suite 300 - 1455 Bellevue Avenue, West Vancouver, British Columbia, V7T 1C3. The Company is listed for trading on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the symbol "BMG.V" and on the OTCQB Venture Market under the ticker symbol "BMGCF".

The Company's exploration and evaluation assets are at the exploration stage and are without a known body of commercial ore. The business of exploring for exploration and evaluation assets involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral property reserves, to acquire construction and operating permits and to construct mineral property and processing facilities. The amounts shown as exploration and evaluation assets represent acquisition, holding, and exploration and evaluation costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These adjustments could be material. As at August 31, 2022, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company estimates it has sufficient working capital to continue operations for the upcoming year.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on December 23, 2022.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### *(a) Basis of presentation*

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### *(b) Basis of consolidation*

The consolidated financial statements of the Company consolidate the accounts of the Company and its subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities that the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company.

## **BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *(b) Basis of consolidation (continued)*

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Mohave USA Gold Corp.

#### *(c) Use of estimates and judgments*

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the fair value of share-based compensation, and the recognition of deferred income tax assets. Actual results may differ from these estimates. Significant areas requiring the use of judgment in applying the Company's accounting policies include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Significant areas requiring the use of management estimates and judgments include:

- (i) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.
- (ii) The identification of indicators of impairment of the Company's exploration and evaluation assets. Management uses several criteria in its assessments of impairment indicators including, geologic and other technical information, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.
- (iii) Inputs used in the valuation model to determine the fair value of stock options.

#### *(d) Leases*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Leases (continued)

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

#### (e) Cash and equivalents

Cash and equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (f) Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property when received.

Exploration and evaluation assets are assessed for impairment if indicators of impairment are present. Examples of indicators of impairment include:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities; and
- sufficient data exist to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

## **BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *(f) Exploration and evaluation assets (continued)*

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### *(g) Income taxes*

##### Current income tax

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

##### Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### *(h) Financial instruments*

The Company accounts for its financial instruments in accordance with IFRS 9 Financial Instruments as follows:

##### *(i) Classification*

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

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) *Financial instruments (continued)*

The following table shows the classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

#### (ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVOCI

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

#### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### (iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

## **BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *(h) Financial instruments (continued)*

##### Financial liabilities

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

#### *(i) Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

#### *(j) Loss per share*

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

#### *(k) Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

#### *(l) Unit offerings*

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded to reserves. Upon exercise or expiry, the value attributed to the warrants is transferred to share capital.

#### *(m) Foreign currency translation*

The financial statements of the Company are prepared in its functional currency, determined on the basis of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary has been determined to be the Canadian dollar.

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (m) Foreign currency translation (continued)

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

#### (n) New standards not yet adopted and interpretations issued but not yet effective

Other recent accounting pronouncements issued by IFRS as issued by IASB and IFRIC did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

### 3. EXPLORATION AND EVALUATION ASSETS

	<b>Mohave Gold Property</b>
	<b>\$</b>
<b>Balance, August 31, 2020</b>	<b>-</b>
Property acquisition costs	393,060
Exploration expenditures:	
Claim maintenance	34,774
Geological	545,057
<b>Balance, August 31, 2021</b>	<b>972,891</b>
Property acquisition costs	277,120
Exploration expenditures:	
Claim maintenance	67,807
Geological	404,523
<b>Balance, August 31, 2022</b>	<b>1,722,341</b>

#### Mohave Gold Property

Effective July 4, 2020, as amended August 30, 2020, October 7, 2020, April 19, 2022 and October 24, 2022, the Company entered into an option agreement with M3 Metals Corp. ("M3 Metals"), a company currently related with a common officer, to acquire, by way of option, up to 90% of certain mining claims (the "Option Agreement") in the Weaver Mining District, Mohave County, Arizona, USA (the "Mohave Gold Property").

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 3. EXPLORATION AND EVALUATION ASSETS (continued)

Pursuant to the Option Agreement, the Company can earn up to a 90% interest in the Mohave Gold Property by making cash option payments and incurring exploration expenditures as follows:

	Cash Option payments (\$)	Expenditures (\$)
On or before November 5, 2020	(paid) 300,000	-
On or before May 4, 2022	(paid) 150,000	-
On or before March 4, 2023	250,000	-
On or before November 4, 2023	400,000	-
On or before November 4, 2024*	2,000,000	1,000,000
On or before November 4, 2025**	3,000,000	2,000,000
<b>Total Requirement</b>	<b>6,100,000</b>	<b>3,000,000</b>

\*In lieu of paying the full \$2,000,000 in cash, the Company at its election may issue to M3 Metals, at then prevailing market prices for its common shares, that number of its common shares which would be equal in value to up to \$2,000,000.

\*\*In lieu of paying the full \$3,000,000 in cash, the Company at its election may issue to M3 Metals, at then prevailing market prices for its common shares, that number of its common shares which would be equal in value to up to \$3,000,000.

As part of the Option Agreement, the Company assumed the obligations under the underlying agreement (“Underlying Agreement”) with DDS Resources LLC and Mohave Mine Partnership LLC (collectively, “Vendors”). To meet these obligations, the Company must complete the following:

	Cash Option payments (US\$)	Expenditures (US\$)
On or before March 31, 2021	(paid) 75,000	(incurred) 50,000
On or before March 31, 2022	(paid) 100,000	(incurred) 200,000
On or before March 31, 2023	150,000	300,000
On or before March 31, 2024	200,000	350,000
On or before March 31, 2025	3,000,000	400,000
<b>Total Requirement</b>	<b>3,525,000</b>	<b>1,300,000</b>

Upon the final payment of US\$3,000,000, the Vendors will be granted a net smelter royalty of 1.5% on the Mohave Gold Property.

### 4. RIGHT-OF-USE ASSET AND LEASE LIABILITY

#### Right-of-Use Asset

	Office Leases
	\$
<b>Cost:</b>	
At August 31, 2021	-
Additions	111,717
<b>At August 31, 2022</b>	<b>111,717</b>
<b>Depreciation:</b>	
At August 31, 2021	-
Charge for the year	60,155
<b>At August 31, 2022</b>	<b>60,155</b>
<b>Net book value:</b>	
At August 31, 2021	-
<b>At August 31, 2022</b>	<b>51,562</b>

Depreciation of right-of-use asset is calculated using the straight-line method over the remaining lease term.

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 4. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

#### Lease Liability

	\$
Lease liability recognized as of February 1, 2022	111,717
Lease payments made	(63,000)
Interest expense on lease liability	4,045
	52,762
Less: current portion	(52,762)
<b>At August 31, 2022</b>	<b>-</b>

The lease liability was discounted at a discount rate of 8% as at February 1, 2022.

The remaining minimum future lease payments for fiscal 2023, excluding estimated operating costs, for the term of the lease including assumed renewal periods is \$54,000.

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2022	August 31, 2021
	\$	\$
Accounts payable	87,443	65,395
Accrued liabilities	53,972	29,980
	<b>141,415</b>	<b>95,375</b>

### 6. SHARE CAPITAL

#### Authorized share capital

The Company has authorized an unlimited number of common and preferred shares without par value.

#### Issued share capital

##### During the year ended August 31, 2021:

In November 2020, the Company closed a non-brokered private placement with the issuance of 11,875,000 units (5,500,000 units were issued to related parties) at a price of \$0.08 per unit for gross proceeds of \$950,000. Each unit consists of one common share of the Company and one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share of the Company at \$0.12 per share for one year from the date of issuance. No value was attribute to the warrants based on the residual method. The Company incurred \$4,795 cash expenses related to the financing.

In February 2021, the Company closed a non-brokered private placement with the issuance of 12,500,000 units (975,000 units were issued to related parties) at a price of \$0.40 per unit for gross proceeds of \$5,000,000. Each unit consists of one common share of the Company and one-half share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share of the Company at \$0.60 per share for two years from the date of issuance. No value was attribute to the warrants based on the residual method. The Company incurred \$149,830 in cash expenses related to the financing.

The Company issued 4,762,500 common shares in connection with the exercise of 4,762,500 warrants with an exercise price of \$0.12 for total proceeds of \$571,500.

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 6. SHARE CAPITAL (continued)

#### During the year ended August 31, 2022:

The Company issued 7,112,500 common shares in connection with the exercise of 7,112,500 warrants with an exercise price of \$0.12 for total proceeds of \$853,500.

#### Escrow shares

As at August 31, 2022, the Company has 5,568,747 common shares subject to escrow pursuant to the requirements of the Exchange, which will be released through November 2023.

#### Stock options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to ten years from the date the common shares are listed on the Exchange. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

In January 2021, the Company granted 1,295,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.50 per share for a period of five years, vested immediately. The options were valued at \$543,512 using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 0.41%, volatility of 125%, and nil forecasted dividend yield.

In September 2021, the Company granted 1,700,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.40 per share for a period of five years, vested immediately. The options were valued at \$531,590 using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.11%, volatility of 128%, and nil forecasted dividend yield.

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
	#	\$
<b>Balance, August 31, 2020</b>	<b>100,000</b>	<b>0.20</b>
Granted	1,295,000	0.50
<b>Balance, August 31, 2021</b>	<b>1,395,000</b>	<b>0.48</b>
Granted	1,700,000	0.40
<b>Balance, August 31, 2022</b>	<b>3,095,000</b>	<b>0.44</b>

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 6. SHARE CAPITAL (continued)

A summary of the stock options outstanding and exercisable at August 31, 2022 is as follows:

<b>Exercise Price</b>	<b>Options Outstanding</b>	<b>Options Exercisable</b>	<b>Expiry Date</b>
<b>\$</b>	<b>#</b>	<b>#</b>	
0.50	1,295,000	1,295,000	January 15, 2026
0.20	100,000	100,000	April 19, 2026
0.40	1,700,000	1,700,000	September 20, 2026
	<b>3,095,000</b>	<b>3,095,000</b>	

The weighted average life of the outstanding stock options is 3.76 years.

#### Warrants

A summary of warrants activities are as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>\$</b>
<b>Balance, August 31, 2020</b>	-	-
Issued	18,125,000	0.29
Exercised	(4,762,500)	0.12
<b>Balance, August 31, 2021</b>	<b>13,362,500</b>	<b>0.34</b>
Exercised	(7,112,500)	0.12
<b>Balance, August 31, 2022</b>	<b>6,250,000</b>	<b>0.60</b>

A summary of the warrants outstanding and exercisable at August 31, 2022 is as follows:

<b>Exercise Price</b>	<b>Warrants Outstanding and Exercisable</b>	<b>Expiry Date</b>
<b>\$</b>	<b>#</b>	
0.60	6,250,000	February 12, 2023

The weighted average life of the outstanding warrants is 0.45 years.

#### Loss per share

Outstanding stock options and warrants have been excluded from the calculation of diluted loss per share as the effect would be anti-dilutive.

### 7. FINANCIAL INSTRUMENTS AND FINANCIAL 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's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

## **BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### **7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

*(a) Foreign exchange risk*

The Company conducts the majority of its exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at August 31, 2022, the Company had a foreign currency net monetary liability position of approximately US\$4,030. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$400.

*(b) Interest rate*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

*(c) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

*(d) Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

*(e) Commodity price risk*

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

### **8. CAPITAL MANAGEMENT**

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 9. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company. As at August 31, 2022, the Company has \$73,326 (2021 - \$36,487) included in accounts payable and accrued liabilities due to an officer and companies related by way of common officers. As at August 31, 2022, the Company has \$7,191 (2021 - \$nil) included in amounts receivable due from an officer and companies related by way of common officers.

Summary of key management personnel compensation:

	For the years ended August 31,	
	2022	2021
	\$	\$
Exploration and evaluation property expenditures	60,000	35,000
Management fees	402,000	182,000
Share-based compensation	406,510	526,726
	<b>868,510</b>	<b>743,726</b>

The following amounts were incurred with respect to companies related by common officers and directors:

	For the years ended August 31,	
	2022	2021
	\$	\$
Exploration and evaluation property expenditures	150,000	300,000
Rent	7,500	9,075
	<b>157,500</b>	<b>309,075</b>

The following amounts were received as recovery of rent with respect to companies related by common officers and directors:

	For the years ended August 31,	
	2022	2021
	\$	\$
Other income	21,700	-

### 10. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. All non-current assets of the Company are located in the USA.

**BLACK MOUNTAIN GOLD USA CORP.**

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

**11. INCOME TAXES**

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

For the year ended	August 31, 2022	August 31, 2021
Net loss before income tax	\$ (1,411,435)	\$ (2,126,719)
Statutory tax rate	27%	27%
Expected income tax expense (recovery) at the statutory tax rate	(381,087)	(574,214)
Non-deductible expenses	143,627	146,748
Rent expense	(17,010)	-
Amortization of ROU Asset	16,242	-
Other	11,594	(71,330)
Deferred tax assets not recognized	226,634	498,796
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized as the availability of future taxable profits is uncertain:

	<b>As at August 31,</b>			
	2022	Expiry Dates	2021	Expiry Dates
	\$		\$	
Non-capital losses	2,885,377	2036 - 2042	1,974,124	2036 - 2041
Share issue costs	94,457	No expiry	127,064	No expiry
Other	-	No expiry	39,252	No expiry

## BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

### 12. SUBSEQUENT EVENTS

- a. In September 2022 and October 2022, the Company entered into a binding memorandum of understanding (“MOU”) and a definitive agreement (“Definitive Agreement”), respectively, with the shareholders of Equatorial Potash Pty Ltd (“Equatorial”) for the option to acquire up to a 100% interest in the Banio Potash Project (“Option”) by acquiring all of the issued and outstanding shares of Equatorial. Equatorial’s wholly-owned subsidiary, Mayumba Potasse SARL, holds a 100% interest in the Banio Potash Project. The Banio Potash Project is located in Gabon, Western Africa on the Atlantic coast and is situated at the southern part of the country, approximately 50 km south of Mayumba and along the border with the Republic of Congo. Pursuant to the MOU and Definitive Agreement, in order to exercise the option, the Company will make option payments and expenditure requirements as follows:

	Cash US\$	Shares #	Exploration expenditure US\$	Ownership earned %
Upon signing of binding MOU	(paid) 18,750			
Within ten days of TSX approval of the definitive agreement	257,000	650,000		25
Within ten days of completion of Phase 2 Drilling*	300,000	550,000	2,500,000	51
Within ten days of Preliminary Economic Assessment or Scoping study	300,000	1,000,000	1,500,000	70
Within ten days of completion of Phase 3 Drilling**	500,000	1,500,000	3,000,000	
Within ten days of completion of Definitive Feasibility Study	3,000,000	2,500,000	5,000,000	100
<b>Totals</b>	<b>4,375,750</b>	<b>6,200,000</b>	<b>12,000,000</b>	

\* In addition to the completion of the Phase 2 Drilling, a current resource estimate in a report in form required by NI 43-101 must be completed in order for the Company to make the payment and issue the shares. Phase 2 Drilling entails the conduct of 1,500 meters of exploration drilling for Potash at the Banio Potash Project Tenement area issued to Equatorial.

\*\* In addition the completion of the Phase 3 Drilling, an updated, revised resource estimate must be completed in order for the Company to make the payment and issue the shares. Phase 3 Drilling entails the conduct of 3,000 meters of exploration drilling for Potash at the Banio Potash Project Tenement area issued to Equatorial.

The Definitive Agreement and the Option to acquire the Banio Potash Project are subject to the acceptance of the TSX Venture Exchange which has not been received as of the date of the approval of these financial statements.

- b. In November 2022, the Company’s Exploration Plan of Operations (“EPO”) at its Mohave Gold Project was approved by the Bureau of Land Management. The Company must provide a financial guarantee for the reclamation costs of approximately US\$360,000 before initiation of exploration activities.