EUROSUN MINING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in United States Dollars)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Euro Sun Mining Inc.

Opinion

We have audited the consolidated financial statements of Euro Sun Mining Inc and its subsidiaries (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, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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. 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 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on 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 our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Key audit matter	How our audit addressed the key audit matter
Accounting and measurement of convertible debenture security arrangement	
On February 18, 2022, the Company closed the first tranche of the convertible security funding arrangement with Lind Global Fund II, LP (“Lind”) for cash proceeds of $2,748,423 (CAD$3,500,000) (the “Convertible Security”). The principal loan amount of $2,748,423 (CAD$3,500,000) was grossed up for a prepaid interest amount of $550,834 (CAD$700,000), resulting in a face value of $3,299,257 (CAD$4,200,000). The Company also issued 7,947,321 common share purchase warrants in connection with the Convertible Security that management valued on the date of issuance based on a Geometric Brownian motion model. On July 8, 2022, the Company closed a second tranche of the Convertible Security for cash proceeds of $1,164,054 (CAD$1,500,000). The principal loan amount of $1,164,054 (CAD$1,500,000) was grossed up for a prepaid interest amount of $232,811 (CAD$300,000), resulting in a face value of $1,396,865 (CAD$1,800,000). The Company also issued 12,711,864 common share purchase warrants in connection with the second tranche of the Convertible Security that management valued on the date of issuance based on a Geometric Brownian motion model. In assessing the accounting for the Convertible Security, management concluded that the conversion option was an embedded derivative. Management designated the entire hybrid contract as a financial liability instrument measured at fair value through profit or loss. On issuance of the two tranches of the Convertible Security, management determined that the combined fair value of the Convertible Security resulted in a day-one loss for each tranche, taking into consideration the net proceeds received by the Company.	Our audit procedures included, but were not limited to: - Review of the underlying agreement and assessment of management’s accounting analysis associated with the Convertible Security. - Assessment of the reasonableness of the fair values of the warrants and the Convertible Security by a professional with specialized skill and knowledge in the field of valuation as at each measurement date by developing independent point estimates and by comparing these independent point estimates to management’s estimates. - Performance of a sensitivity analysis on key assumptions used by management in their assessment of the valuation as at year end date. - Testing of the disclosures in the consolidated financial statements with regards to the Convertible Security.

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Other information

Management is responsible for the other information. The other information comprises 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 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 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 judgement 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 risks 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.

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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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 28, 2023

EURO SUN MINING INC.

Consolidated statements of financial position
(Expressed in United States dollars)

As at:		**December 31, 2022**		December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**912,666**	$	182,085
Restricted deposits		**-**		23,663
Prepaid expenses and sundry receivables		**267,679**		418,234
Total current assets	**$**	**1,180,345**	$	623,982
Non-current assets				
Property, plant and equipment (Note 4)		**309,169**		811,040
Deposits (Note 14)		**-**		76,585
Total assets	**$**	**1,489,514**	$	1,511,607
Liabilities				
Current liabilities				
Trade and other payables (Note 5 and Note 10)	**$**	**3,121,777**	$	2,405,341
Deferred share unit liability (Note 6)		**48,417**		681,039
Convertible security (Note 15)		**2,492,978**		-
Current lease liability (Note 14)		**-**		160,211
Total current liabilities	**$**	**5,663,172**	$	3,246,591
Non-current lease liability (Note 14)		**-**		158,711
Total liabilities	**$**	**5,663,172**	$	3,405,302
Deficiency attributable to shareholders				
Share capital (Note 7 (b))	**$**	**239,495,678**	$	236,340,375
Contributed surplus (Note 7 (c))		**1,782,371**		1,506,187
Warrants (Note 7 (d))		**4,379,259**		3,249,883
Accumulated deficit		**(250,017,006)**		(242,893,329)
Accumulated other comprehensive income (loss)		**186,040**		(96,811)
Total shareholders' deficiency	**$**	**(4,173,658)**	$	(1,893,695)
Total liabilities and shareholders' deficiency	**$**	**1,489,514**	$	1,511,607

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 8, 13 and 15)
Subsequent event (Note 18)

Approved by the Board of Directors on March 28, 2023:

"Grant Sboros", Director   "*Deborah Battiston*", Director

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

EURO SUN MINING INC.

Consolidated statements of loss and comprehensive loss
(Expressed in United States dollars)

		Year ended December 31, 2022		Year ended December 31, 2021
Expenses				
Exploration and evaluation expenditures (Note 8)	**$**	**3,742,601**	$	7,333,833
Consulting and management fees (Note 10)		**1,161,882**		1,483,521
Professional fees		**218,887**		309,013
General office expenses		**61,494**		149,053
Travel expenses		**7,245**		50,011
Shareholder communications and filing fees		**113,869**		1,260,501
Share-based compensation (Note 6, 7 (c) and 10)		**(52,455)**		218,582
Change in fair value of convertible security (Note 15)		**(11,282)**		-
Change in fair value of investments		**-**		3,385
Loss on foreign exchange		**145,258**		(115,603)
Interest income		**(15)**		(35,818)
Interest expense		**5,768**		11,452
Loss on asset disposal (Note 4)		**294,979**		-
Financing fees (Note 15)		**1,657,558**		-
Loss on convertible debenture		**213,845**		-
Loss on sale of investments (Note 17)		**-**		232,494
Net loss for the year	**$**	**(7,559,634)**	$	(10,900,424)
Other comprehensive income				
Items that will subsequently be reclassified to operations:				
Currency exchange translation adjustments		**282,851**		85,835
Other comprehensive income for the year	**$**	**282,851**	$	85,835
Net comprehensive loss for the year	**$**	**(7,276,783)**	$	(10,814,589)
Basic and diluted loss per share (Note 9)	**$**	**(0.04)**	$	(0.06)
Weighted average number of common shares outstanding - basic and diluted		**185,629,487**		173,210,582

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

EURO SUN MINING INC.

Consolidated statements of changes in shareholders' deficiency
(Expressed in United States dollars)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Shareholders' deficiency
Balance, December 31, 2020	$ 234,456,221	$ 4,342,585	$ 3,577,679	$ (235,066,995)	$ (182,646)	$ 7,126,844
Stock option vesting (Note 7 (c))	-	-	1,833	-	-	1,833
Stock option exercise (Note 7 (c))	491,780	-	-	-	-	491,780
Stock option exercise value allocation (Note 7 (c))	168,048	-	(168,048)	-	-	-
Stock option expiry (Note 7 (c))	-	-	(2,142,130)	2,142,130	-	-
Warrant expiry (Note 7 (d))	-	(931,960)	-	931,960	-	-
Warrant exercise (Note 7 (d))	1,063,584	-	-	-	-	1,063,584
Warrant exercise valuation allocation (Note 7 (d))	160,742	(160,742)	-	-	-	-
DSUs issued (Note 6)	-	-	236,853	-	-	236,853
Net loss and comprehensive loss	-	-	-	(10,900,424)	85,835	(10,814,589)
Balance, December 31, 2021	$ 236,340,375	$ 3,249,883	$ 1,506,187	$ (242,893,329)	$ (96,811)	$ (1,893,695)
DSUs issued (Note 6)	-	-	525,042	-	-	525,042
DSUs converted (Note 6)	148,858	-	(148,858)	-	-	-
RSUs forfeited (Note 6)	-	-	(100,000)	100,000	-	-
Security conversion (Note 7 (b))	1,440,520	-	-	-	-	1,440,520
Private placement (Note 7 (b))	1,639,037	-	-	-	-	1,639,037
Share issuance costs (Note 7 (b))	(73,112)	-	-	-	-	(73,112)
Warrants issued (Note 15)	-	1,465,333	-	-	-	1,465,333
Warrant expiry (Note 7 (d))	-	(335,957)	-	335,957	-	-
Net loss and comprehensive loss	-	-	-	(7,559,634)	282,851	(7,276,783)
Balance, December 31, 2022	$ 239,495,678	$ 4,379,259	$ 1,782,371	$ (250,017,006)	$ 186,040	$ (4,173,658)

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

EURO SUN MINING INC.

Consolidated statements of cash flows
(Expressed in United States dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities		
Loss for the year	**$ (7,559,634)**	$ (10,900,424)
Adjustment for:		
Depreciation (Note 4)	**216,211**	309,385
Change in fair value of convertible security (Note 15)	**11,282**	-
Change in fair value of investments (Note 17)	**-**	3,385
Interest income	**(15)**	(35,818)
Deferred share units (Note 6)	**(52,455)**	216,748
Stock options vested (Note 7 (c))	**-**	1,834
Loss on asset disposal (Note 4)	**294,979**	-
Non-cash financing fees (Note 15)	**1,657,558**	-
Loss on convertible debenture (Note 15)	**213,845**	-
Loss on sale of investments (Note 17)	**-**	232,494
Non-cash lease liability interest (Note 14)	**13,960**	-
	$ (5,204,269)	$ (10,172,396)
Prepaid expenses, sundry receivables and restricted deposits	**150,555**	380,776
Trade and other payables	**525,887**	189,623
Net cash used in operating activities	**$ (4,527,827)**	$ (9,601,997)
Cash flows from investing activities		
Interest income	**15**	35,818
Acquisition of property, plant and equipment (Note 4)	**(9,319)**	(181,736)
Sales of shares (Note 17)	**-**	618,463
Net cash (used in) provided by investing activities	**$ (9,304)**	$ 472,545
Cash flows from financing activities		
Warrant exercise (Note 7 (d))	**-**	1,063,584
Option exercise (Note 7 (c))	**-**	491,780
Payment of principal portion of lease liability (Note 14)	**(59,854)**	(162,629)
Proceeds of convertible debenture (Note 15)	**3,957,980**	-
Convertible security fees (Note 15)	**(192,225)**	-
Private placement (Note 7 (b))	**1,639,037**	-
Share issuance costs (Note 7 (b))	**(73,112)**	-
Cash provided by financing activities	**$ 5,271,826**	$ 1,392,735
Effect of exchange rate changes on cash and cash equivalents	**$ (4,113)**	$ 93,121
NET CHANGE IN CASH AND CASH EQUIVALENTS	**730,581**	(7,643,596)
CASH AND CASH EQUIVALENTS, beginning of year	**$ 182,085**	$ 7,825,681
CASH AND CASH EQUIVALENTS, end of year	**$ 912,666**	$ 182,085
Supplemental cash flow information:		
Deposit applied against lease liability (Note 14)	**$ 76,585**	$ -
Warrants issued (Note 15)	**1,465,333**	-
Convertible security fees (Note 15)	**1,440,520**	-
Acquisition of right-of-use assets (Note 4)	**-**	301,796

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

1. Nature of operations and going concern

Euro Sun Mining Inc., together with its subsidiaries (collectively the “Company”), is a gold and copper exploration and development mining company focused primarily on its 100% owned Rovina Valley Project (“RVP”) located in west-central Romania.

The Company was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares are currently posted for trading and listed on the Toronto Stock Exchange (“TSX”) under the symbol "ESM". The address of its registered office is 66 Wellington Street, West, Suite 5300, Toronto, Ontario, M5K 1E6.

These consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the year ended December 31, 2022, the Company incurred a net loss of $7,559,634 and as at December 31, 2022, reported an accumulated deficit of $250,017,006 and negative working capital of $4,482,827 including $912,666 in cash and cash equivalents. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company’s status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amounts shown as assets of the Company is dependent upon the Company obtaining the necessary financing to complete the exploration of its property, the discovery of economically recoverable reserves, any permitting required for mining activities, including environmental, and future profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, social and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise disclosed. The consolidated financial statements have been prepared on an accrual basis except for cash flow information.

Basis of presentation

The consolidated financial statements of the Company consolidate the accounts of Euro Sun Mining Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The Company's financial statements consolidate its subsidiaries which comprise the following at December 31, 2022 and 2021:

Name of entity	Country of incorporation	Ownership
SAMAX Romania Limited	Cyprus	100%
SAMAX Romania S.R.L.	Romania	100%

2. Significant accounting policies (continued)

Translation of foreign currency

These consolidated financial statements are presented in U.S. dollars (the Company's presentation currency).

Items included in the consolidated financial statements of Euro Sun Mining Inc. (the "Parent") and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of loss.

The functional currency of the Parent is the Canadian dollar ("CAD$") and the functional currency of each of its subsidiaries is the U.S. dollar at December 31, 2022 and 2021.

Assets and liabilities of entities with functional currencies other than the U.S. dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive income as cumulative translation adjustments. There is no tax impact on this translation.

Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company measures its cash equivalents and investments at FVPL.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss. The Company measures cash, restricted deposits, sundry receivables and deposits at amortized cost.

2. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

The Company does not measure any financial assets at FVOCI.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are sundry receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, sundry receivable has been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade and other payables, and lease liability which are measured at amortized cost, and its deferred share unit liability, and convertible security which is measured at FVPL. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial liabilities at FVPL
Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

2. Significant accounting policies (continued)

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 instruments 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 Company has established a stock option plan to grant non-transferable equity settled options to purchase Common Shares to directors, officers, employees of and consultants to the Company. The number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares of the Company. The Company has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from immediate to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense in the period the options are vested, or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of stock options is credited to share capital. On expiry, any amount related to the initial value of the stock option is recorded to deficit.

Deferred share unit plan

Non-executive directors and executives are granted Deferred Share Units (“DSUs”) under the terms of the Company’s DSU Plan. Under the terms of the Company’s previous DSU plan, the fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share-based compensation expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the weighed average quoted market price of the Company’s common shares over the five trading days immediately preceding each reporting date with a corresponding change recorded in the consolidated statement of loss.

Under the terms of the Company’s new DSU plan, effective from June 2021, the fair value of DSUs at the time of award is determined with reference to the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of award. The fair value of the DSUs, which are settled in shares of the Company issued from treasury, is recognized as a share-based compensation expense with a corresponding increase in contributed surplus.

Deferred costs

Costs incurred to raise capital are written off as a charge to capital upon completion of each capital raising. Costs incurred on debt financings are netted against the carrying value of the loans and charged to the consolidated statement of loss over the term of the related loans. If the Company is in default, costs are immediately expensed to the consolidated statement of loss.

2. Significant accounting policies (continued)

Mine development assets

Mine development assets, a component of property, plant and equipment, are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These assets are comprised of expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Production stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a mine development asset moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with International Accounting Standard 16 ("IAS") IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an "other than de minimis" level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, capitalized to property, plant and equipment. Various relevant criteria are considered to assess when an "other than de minimis" level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

- The amount of minerals mined versus total ounces in the life of mine;
- The amount of ore tons mined versus total life of mine expected ore tons mined;
- The current stripping ratio versus the life of mine ratio; and
- The ore grade versus the life of mine grade.

Stripping costs incurred during the production stage of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefit to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future;
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan in the current component of the ore body that has been made accessible through strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the future economic benefit is being derived.

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred.

The Company depreciates property, plant and equipment on the straight-line depreciation method. The assets' useful lives are as follows:

Machinery and equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years
Right-of-use asset	-	3-5 years

Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs of initial search for mineral deposits and performing a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the consolidated statement of loss and until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mine development assets. Exploration and evaluation costs include an allocation of administration and salary costs as determined by management.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Canadian chartered banks, trust accounts held with Canadian lawyers, Romanian banks and cashable within three months of the date of original issue.

2. Significant accounting policies (continued)

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss, which may differ from earnings reported in the consolidated statement of loss due to items of income or expense that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Company records foreign exchange gains or losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included in deferred income tax expense or recovery in the consolidated statement of loss.

The Company recognizes uncertain tax positions in its consolidated financial statements when it is considered more likely than not that the tax position shall be sustained.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated whereby the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options, warrants, RSUs, DSUs, and convertible securities, if dilutive.

Restricted share unit plan

Non-executive directors and executives are granted Restricted Share Units (“RSUs”) under the terms of the Company’s RSU Plan. Under the terms of the Company’s RSU plan, the fair value of RSUs at the time of award is determined with reference to the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of award. The fair value of the RSUs, which are settled in shares of the Company issued from treasury, is recognized as a share-based compensation expense with a corresponding increase in contributed surplus.

2. Significant accounting policies (continued)

Provisions

(a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

(b) Decommissioning and site rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk-free discount rate. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Company's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the consolidated statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

Convertible security

The initial fair value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the principal liability component and the conversion option component. At the date of issue, the fair value of the hybrid financial instrument was estimated using the benchmark yields based on the Company's credit rating.

The initial fair value of the convertible component was determined using a Geometric Brownian motion model.

Both components are recorded at fair value at the end of each period with the change in fair value recorded through the consolidated statement of loss.

2. Significant accounting policies (continued)

Lease liabilities and right-of-use assets

At inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

The Company reports its right-of-use asset as part of property, plant and equipment on the consolidated statement of financial position. See Note 4 for continuity schedule of the right-of-use asset and Note 14 for lease liability.

Future accounting standards not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – Accounting policies, changes in accounting estimates and errors (“IAS 8”) was amended in February 2021. the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

2. Significant accounting policies (continued)

Amended accounting standards

The following standards were adopted by the Company on January 1, 2022.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended on January 1, 2022. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments did not have a significant impact on the Company's financial statements.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended on January 1, 2022. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments did not have a significant impact on the Company's financial statements.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

Estimated useful life of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

3. Critical accounting estimates and judgments (continued)

Share-based payments

The Company grants stock options, RSUs and DSUs to directors, officers, employees and consultants of the Company under its incentive stock option plan and DSU plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility and forfeiture rates. The fair value of DSUs is estimated using the current share price and are expensed over their vesting periods. Changes in assumptions used to estimate fair value could result in materially different results.

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company’s control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management’s assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company’s financial position and results of operation.

Contingencies

See Notes 8, 13, and 15.

3. Critical accounting estimates and judgments (continued)

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Functional currency

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions.

Convertible security

The initial value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the liability component and the convertible debenture components, which required a number of assumptions. The significant assumptions used in determining the value of the convertible security include the discount rate used in the discounted cash flow of the liability component. In determining the appropriate discount rate, the Company considered rates of benchmark yields based on management's assessment of the Company's credit rating.

Management used significant judgement in determining that the fair value on the convertible security on issuance did not equal the transaction price. The resulting difference between the transaction price and the fair value on initial recognition (the "Day 1 loss") was deferred as the fair value of the convertible security is based on a valuation technique where not all the inputs are observable. The unrecognized Day 1 loss was recorded in net loss only to the extent that it arises from a change in factor that market participants would take into account when pricing the convertible security. The Company believes that time is such a factor specific to the convertible security and the Day 1 loss is recognized on a straight-line basis in the statement of loss over the contractual life of the convertible security.

(Expressed in United States Dollars)

4. Property, plant and equipment

	Leasehold improvements, furniture and fixtures	Machinery, equipment & vehicles	Right of use asset	Total
Cost:				
Balance, December 31, 2020	$ 575,968	$ 249,927	$ 331,946	$ 1,157,841
Additions	139,669	42,067	301,796	483,532
Balance, December 31, 2021	$ 715,637	$ 291,994	$ 633,742	$ 1,641,373
Additions	**6,806**	**2,513**	**-**	**9,319**
Disposals	**(393,188)**	**-**	**(633,742)**	**(1,026,930)**
Balance, December 31, 2022	**$ 329,255**	**$ 294,507**	**$ -**	**$ 623,762**
Depreciation:				
At December 31, 2020	$ 211,664	$ 128,222	$ 181,062	$ 520,948
Depreciation charge for the year	92,124	63,896	153,365	309,385
Balance, December 31, 2021	$ 303,788	$ 192,118	$ 334,427	$ 830,333
Depreciation charge for the year	**46,306**	**46,340**	**123,565**	**216,211**
Disposals	**(273,959)**	**-**	**(457,992)**	**(731,951)**
Balance, December 31, 2022	**$ 76,135**	**$ 238,458**	**$ -**	**$ 314,593**
Net book value:				
At December 31, 2021	$ 411,849	$ 99,876	$ 299,315	$ 811,040
At December 31, 2022	**$ 253,120**	**$ 56,049**	**$ -**	**$ 309,169**

As at December 31, 2022, the carrying value of property, plant and equipment is comprised of $nil in Canada (December 31, 2021 – $nil) and $309,169 in Romania (December 31, 2021 - $811,040).

In March 2022, the Company vacated its office in Bucharest, Romania. As a result of the Company terminating its lease, the Company disposed of the right-of-use asset and leasehold improvements associated with the Bucharest office.

In November 2022, the Company vacated its office in Brad, Romania. As a result of the Company terminating its lease, the Company disposed of the right-of-use asset and leasehold improvements associated with the Bucharest office.

In November 2022, the Company terminated its car leases in Romania. As a result of the Company terminating its lease, the Company disposed of the right-of-use asset associated with these leases.

The disposal of these assets resulted in a loss on the Company's consolidated statement of loss for the year ended December 31, 2022 of $294,979 (December 31, 2021 - $nil).

(Expressed in United States Dollars)

5. Trade and other payables

	December 31, 2022	December 31, 2021
Trade payables	**$ 1,662,470**	$ 1,076,370
Accrued liabilities	**1,459,307**	1,328,971
	$ 3,121,777	$ 2,405,341

6. Deferred share units and restricted share units

Effective January 21, 2010, the Company established a Deferred Share Unit ("DSU") Plan for directors or officers of the Company or any affiliate thereof ("Eligible Person"). Prior to June 2021, a DSU issued was equivalent in value to one common share of the Company based on the five-day average trading price of the Company's common shares on the TSX immediately prior to the date on which the value of the DSU is determined. Upon termination, an eligible person receives a cash payment equivalent to the quoted market value of a common share on the termination date multiplied by the number of DSUs held by them. DSUs that will be settled in cash are recorded as a DSU liability on the consolidated statement of financial position and the liability is based on the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of the consolidated statement of financial position.

In June 2021, the Company approved a change to the DSU plan such that each DSU will provide the right to receive, on a deferred payment basis, a common share or cash equivalent of a common share in an amount equal to the fair market value of the common share at the applicable payment date at the discretion of the Board of Directors. As the Company expects to settle any such DSUs using common shares of the Company, any DSUs issued after June 2021, are recorded in contributed surplus on the consolidated statement of financial position.

In June 2021, the Company approved a Restricted Share Unit ("RSU") plan, such that every RSU will provide the right to receive a common share or cash equivalent of a common share in an amount equal to the fair market value of the common share at the applicable payment date at the discretion of the Board of Directors. As the Company expects to settle any such RSUs using common shares of the Company, any RSUs issued are recorded in contributed surplus on the consolidated statement of financial position. RSUs are settled on or before December 15 of the third calendar year following the calendar year in which the RSU is granted.

(Expressed in United States Dollars)

6. Deferred share units and restricted share units (continued)

The following transactions occurred during the periods noted below:

	DSUs Pre June 2021 Plan	DSUs Post June 2021 Plan	RSUs	Total
Number outstanding, December 31, 2020	5,441,259	-	-	5,441,259
Paid out	(2,075,000)	-	-	(2,075,000)
Granted	200,000	919,110	-	1,119,110
Number outstanding, December 31, 2021	**3,566,259**	**919,110**	**-**	**4,485,369**
Granted	**-**	**1,916,660**	**2,236,840**	**4,153,500**
Settled	**(2,566,668)**	**-**	**(657,894)**	**(3,224,562)**
Paid out	**(133,332)**	**-**	**-**	**(133,332)**
Converted to shares (Note 7 (b))	**-**	**(1,084,146)**	-	**(1,084,146)**
Number outstanding, December 31, 2022	**866,259**	**1,751,624**	**1,578,946**	**4,196,829**

	December 31, 2022	December 31, 2021
Deferred share unit liability	**$ 48,417**	$ 681,039

In May 2021, 200,000 DSUs were granted, with one third vesting immediately, one third vesting in one year from the grant date, and one third vesting in two years from the grant date. The value of these DSUs has been included in the DSU liability.

In August 2021, 416,664 DSUs were granted, with all DSUs vesting immediately.

In September 2021, 208,332 DSUs were granted, with all DSUs vesting immediately.

In December 2021, 294,114 DSUs were granted, with all DSUs vesting immediately.

In March 2022, 333,330 DSUs were granted, with all DSUs vesting immediately.

In June 2022, 624,996 DSUs were granted, with all DSUs vesting immediately.

In December 2022, 2,566,668 DSUs and 657,894 RSUs were subject to settlement agreements with certain parties. The new settlement amounts were included in accounts payable and accrued liabilities at December 31, 2022

As at December 31, 2022, 2,167,883 of the total outstanding DSUs had vested (December 31, 2021 – 4,352,035).

The Company granted 2,236,840 RSUs during the year ended December 31, 2022, with all RSUs vesting immediately.

As at December 31, 2022, 1,578,946 of the total outstanding RSUs had vested (December 31, 2021 - $Nil).

(Expressed in United States Dollars)

7. Share capital

(a) Authorized
Unlimited number of common shares, without par value.
Unlimited number of preference shares, without par value.

(b) Issued common shares

	Number of common shares		Stated value
Balance, December 31, 2020	169,750,514	$	234,456,221
Warrant exercise	3,220,000		1,063,584
Value allocation on warrant exercise	-		160,742
Option exercise	1,925,000		491,780
Value allocation on option exercise	-		168,048
Balance, December 31, 2021	174,895,514	$	236,340,375
Debenture conversion	**22,315,398**		**1,440,520**
Private placement	**44,290,000**		**1,639,037**
Share issuance costs	**-**		**(73,112)**
DSU conversion	**1,084,146**		**148,858**
Balance, December 31, 2022	**242,585,058**	**$**	**239,495,678**

During the year ended December 31, 2022, the Company issued 22,315,398 shares as settlement for a portion of the Convertible Security (Note 15).

On November 30, 2022, the Company closed the first tranche of its non-brokered private placement financing issuing 41,790,000 common shares at $0.05 per common share for gross proceeds of $1,546,861 (CAD$2,089,500).

On December 14, 2022, the Company closed the second tranche of its non-brokered private placement financing issuing 2,500,000 common shares at $0.05 per common share for gross proceeds of $92,176 (CAD$125,000).

(Expressed in United States Dollars)

7. Share capital (continued)

(c) Stock options

	Number of options		Weighted average exercise price (CAD)
Balance, December 31, 2020	12,627,425	$	0.55
Exercised	(1,925,000)		0.33
Expired	(2,317,425)		1.36
Balance, December 31, 2021 and December 31, 2022	8,385,000	$	0.38

As at December 31, 2022, stock options held by directors, officers, employees and consultants are as follows:

Options outstanding	Options exercisable		Grant date fair value vested		Exercise price (CAD)	Date of expiry	Remaining contractual life in years
500,000	500,000	$	105,130	$	0.46	March 28, 2024	1.24
410,000	410,000		118,713	$	0.73	April 5, 2024	1.26
1,225,000	1,225,000		167,308	$	0.28	October 15, 2024	1.79
300,000	300,000		50,815	$	0.33	November 7, 2024	1.85
1,000,000	1,000,000		149,374	$	0.30	January 6, 2025	2.02
4,950,000	4,950,000		677,994	$	0.39	June 30, 2025	2.50
8,385,000	8,385,000	$	1,269,334				2.18

During the year ended December 31, 2022, the Company did not grant any stock options (no stock options granted for the year ended December 31, 2021) and no option vesting expense was recorded ($1,833 for the year ended December 31, 2021).

There were no options exercised during the year ended December 31, 2022. During the year ended December 31, 2021, the weighted average share price on the date of option exercise was CAD$0.35.

(Expressed in United States Dollars)

7. Share capital (continued)

(c) Stock options (continued)

Contributed surplus

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSUs/ RSUs	Weighted average exercise price CAD	Carrying amount of DSUs/ RSUs	Total carrying amount
Balance, December 31, 2020	12,627,425	$ 0.55	$ 3,577,678	-	$ -	$ -	$ 3,577,678
Granted	-	-	1,834	919,110	0.26	236,853	238,687
Exercised	(1,925,000)	0.33	(168,048)	-	-	-	(168,048)
Expired	(2,317,425)	1.36	(2,142,130)	-	-	-	(2,142,130)
Balance, December 31, 2021	8,385,000	$ 0.38	$ 1,269,334	919,110	$ -	$ 236,853	$ 1,506,187
Granted / vested	**-**	**-**	**-**	**4,153,500**	**$ 0.13**	**525,042**	**525,042**
Converted to shares	**-**	**-**	**-**	**(1,084,146)**	**-**	**(148,858)**	**(148,858)**
Forfeited	**-**	**-**	**-**	**(657,894)**		**(100,000)**	**(100,000)**
Balance, December 31, 2022	**8,385,000**	**$ 0.38**	**$ 1,269,334**	**3,330,570**	**$ 0.13**	**$ 513,037**	**$ 1,782,371**

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD)
Balance, December 31, 2020	50,678,766	$ 0.50
Expired	(15,344,947)	0.50
Exercised	(3,220,000)	0.40
Balance, December 31, 2021	32,113,819	$ 0.53
Issued	20,659,185	0.29
Expired	(4,006,477)	0.55
Balance, December 31, 2022	**48,766,527**	**$ 0.40**

At December 31, 2022, outstanding warrants to acquire common shares of the Company were as follows:

Number of warrants outstanding	Grant date fair value	Weighted average exercise price (CAD)	Expiry date
28,107,342	$ 2,913,926	$ 0.55	June 5, 2023
7,947,321	819,349	$ 0.29	March 1, 2026
12,711,864	645,984	$ 0.14	July 18, 2026
48,766,527	$ 4,379,259	$ 0.40	

(Expressed in United States Dollars)

7. Share capital (continued)

(d) Common share purchase warrants (continued)

On February 18, 2022, the Company issued 7,947,321 warrants in association with the Convertible Security issued (Note 15). The warrants entitle the holder to purchase one common share of the Company at an exercise price of CAD$0.29 until February 18, 2026. The fair value of these warrants of CAD$0.13 was estimated using the Geometric Brownian motion method using the following assumptions: expected volatility of 80.29% based on the Company's historical volatility, share price of CAD$0.24, risk-free rate of 1.66% and expected life of four years.

On July 18, 2022, the Company issued 12,711,864 warrants in association with the Convertible Security issued (Note 15). The warrants entitle the holder to purchase one common share of the Company at an exercise price of CAD$0.1357 until July 18, 2026. The fair value of these warrants of CAD$0.066 was estimated using the Geometric Brownian motion method using the following assumptions: expected volatility of 80.98% based on the Company's historical volatility, share price of CAD$0.115, risk-free rate of 3.21% and expected life of four years.

8. Exploration and evaluation expenditures

Exploration and evaluation expenditures during the periods presented were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Consulting and technical	**$ 2,132,931**	$ 2,571,406
Feasibility study	**116,482**	1,664,764
Surface rights	**195,234**	312,699
Environmental studies	**632,951**	1,046,208
Field office support and administration	**504,176**	1,429,398
Depreciation	**160,827**	309,358
	$ 3,742,601	$ 7,333,833

The Company owns 100% of the Rovina Valley Project in Romania; mining license number 18174/2015 which is held through its subsidiary SAMAX Romania S.R.L. The license was ratified by the Romanian Government on November 16, 2018 and is valid for 20 years, with the right of extension for successive periods of 5 years each. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at December 31, 2022, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

In late 2022, SAMAX Romania SRL, a wholly owned subsidiary of the Company, received a notice of action from the Cluj County court regarding an action made by Asociatia Declic against SAMAX Romania S.R.L. for the suspension of the environmental licence held by SAMAX Romania S.R.L. with respect to the Rovina Valley project, followed by an action for annulment in respect of the same environmental licence.

The Cluj County court dismissed the grounds for suspension of the environmental licence. However, on appeal, the Cluj Court of Appeals overturned this verdict and admitted the suspension thereof. The Company expects to file evidence with the Cluj County court to respond to the action for annulment of the environmental licence. The outcome of the environmental license matter and impact on the development of the Rovina Valley project are uncertain.

(Expressed in United States Dollars)

9. Loss per share

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Basic and diluted weighted average shares for the year ended December 31, 2022 is 185,611,665 (December 31, 2021 – 173,210,582). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.

For the years ended December 31, 2022 and 2021, the loss per share was as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Basic and diluted loss per share	**$ (0.04)**	$ (0.06)

10. 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, and also comprise the directors of the Company.

Key management personnel compensation:

	Year ended December 31, 2022	Year ended December 31, 2021
Directors and officers compensation	**$ 1,462,835**	$ 1,394,988
Share-based payments	**224,066**	253,697
	$ 1,686,901	$ 1,648,685

As at December 31, 2022, the Company had $915,427 (December 31, 2021 - $14,658) in accounts payable owing to various current and former officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

See Notes 5, 6, 7, 13, and 18.

11. Financial risk factors

The Company’s financial instruments comprise cash and cash equivalents, restricted deposits, sundry receivables, investments, trade and other payables, and deferred share unit liability.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are; credit risk, liquidity risk and market risk. Management reviews and agrees policies for managing each of these risks, which are summarized below:

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the years ended December 31, 2022 and 2021 using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

(a) Credit Risk

The Company’s exposure to credit risk is primarily relating to its financial assets consisting of cash and cash equivalents, restricted deposits and sundry receivables. Cash and cash equivalents consist of deposit accounts held at various Canadian and Romanian high credit quality financial institutions, from which management believes the risk of loss to be minimal.

(Expressed in United States Dollars)

11. Financial risk factors (continued)

(b) Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2022, the Company had a cash and cash equivalents balance of $912,666 (2021 - $182,085) to settle trade and other payables of $3,121,777 (2021 - $2,405,341). Current liabilities consist of trade and other payables, and deferred share unit liability, all generally due within one year.

(c) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices will affect the value of the Company's financial instruments.

(i) Interest rate risk

The Company has cash and cash equivalent and restricted cash balances as at December 31, 2022 and 2021. The Company considers interest rate risk to be minimal as cash is held on deposit at major financial institutions.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Company is affected by currency transaction and translation risk primarily with respect to the Canadian dollar and Romanian Lei. Consequently, fluctuations in the U.S. dollar currency against these currencies could have a material impact on the Company's business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied during the years ended December 31, 2022 and 2021:

	2022		2021	
	Average rate	**Closing rate**	Average rate	Closing rate
RON	0.2133	0.1981	0.2404	0.2288
CAD	0.7682	0.7383	0.7978	0.7888

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2022 would result in an increase or decrease in operating loss of approximately $6,400. A 1% strengthening or weakening of the US dollar against the Canadian dollar would result in an increase or decrease in other comprehensive income of approximately $17,000.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments. As the Company is not in production, its exposure to commodity price risk is reduced.

(Expressed in United States Dollars)

12. Capital disclosures

The Company manages its capital structure, defined as cash and cash equivalents, restricted deposits, share capital, contributed surplus and warrants, to ensure sufficient funds are available to the Company to support the acquisition, exploration and development of mineral properties. 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. The Company has cash and cash equivalents and restricted cash held with large Canadian chartered banks and Romanian banks.

The properties in which the Company currently has an interest are in the exploration stage and as such the Company may need to access additional capital through the issuance of shares. The Company will continue to assess new properties and continue to explore and develop existing properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2022 and 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

The Company's capital items are the following:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	**$ 912,666**	$ 182,085
Restricted deposits	**-**	23,663
Share capital	**239,495,678**	236,340,375
Warrants	**4,379,259**	3,249,883
Contributed surplus	**1,782,371**	1,506,187
	$ 246,569,974	$ 241,302,193

13. Commitments and contingencies

(a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $412,000 upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately $372,000 pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

(b) Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

See Note 8 related to ongoing matters related to the environmental license.

(c) Legal

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

A former contractor of the Company has initiated a legal action seeking approximately $363,000 in relation to the termination of the contract, of which the Company has accrued $38,000 at December 31, 2022. The Company does not believe the additional termination amounts are due to the former contractor and the Company intends to defend the matter vigorously as it believes the former contractor's claim is without merit.

(d) Going concern

See Note 1.

(e) Title to mining license

See Notes 1 and 8.

(Expressed in United States Dollars)

14. Lease liability

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease was 7,815 Euros ($9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due were subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing August 2017. As at December 31, 2021, the Company had paid a deposit equivalent to six months rent and services charges of $76,585. The Company used a discount rate of 8.5% in determining the present value of the lease payments. In March 2022, the Company vacated the office in Bucharest. On termination of the lease, the landlord agreed to use the six months rent and services deposit towards the remaining rent payments required for the final six months of the lease. As a result, the Company discharged its lease liability related to the Bucharest office.

On May 27, 2021, the Company entered into a lease agreement for office space in Brad, Romania. The monthly rent payable under the terms of the lease was 3,710 Euros ($4,598). The lease was for a fixed term of three years commencing May 2021. The Company used a discount rate of 8.5% in determining the present value of the lease payments. The Company terminated this lease in November 2022.

The Company also had various vehicle leases which have been included in the lease liability. The monthly rent payable under the terms of the leases ranged from 999 Euros ($1,134) to 1,573 Euros ($1,806). The term of the leases ranged from 36 months to 57 months. The Company terminated these leases in November 2022.

Lease liability as at December 31, 2020	$	187,569
Additions		301,796
Interest expense		23,226
Lease payments		(162,629)
Effect of foreign exchange currency difference		(31,040)
Lease liability as at December 31, 2021	**$**	**318,922**
Interest expense		13,960
Lease payments		(136,439)
Lease termination		(135,424)
Effect of foreign exchange currency difference		(61,019)
Lease liability as at December 31, 2022	**$**	**-**

		December 31, 2022		December 31, 2021
Current lease liability	**$**	**-**	$	160,211
Non-current lease liability		**-**		158,711
	$	**-**	$	318,922

Future undiscounted minimum lease payments for the lease agreements are as follows:

		December 31, 2022		December 31, 2021
Within one year	**$**	**-**	$	192,942
After one year but not more than five years		**-**		196,971
More than five years		**-**		-
	$	**-**	$	389,913

15. Convertible security

The Company has recorded the Convertible Security including the host contract and embedded derivative at fair value through profit and loss. The Convertible Security has been recorded at Level 3 in the fair value hierarchy.

The Convertible Security may be converted to common shares of the Company at a rate of no more than 1/24th of the face value of the Convertible Security in any given month and at a price per share equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date. Lind reserves the right at any time to increase the conversion limit from 1/24th of the face value of the first closing to CAD$500,000 per month, providing that increased amount does not exceed 15% of the aggregate trading volume of the shares for the immediately proceeding 20 days.

The Company has the right to buy-back the outstanding face value of the loan face value at any time with no penalty. If the Company elects to exercise its buy-back rights, Lind will have the option to convert up to 33% of such face value to common shares of the Company at the price that is equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior.

The Convertible Security agreement contains a clause that allows Lind to convert an unlimited amount of the outstanding balance to shares under certain market capitalization or cash balance events. At December 31, 2022, the Company's market capitalization fell below the CAD$26,900.000 level qualifying as a market capitalization event. As a result of this event, the Company has classified the Convertible Security as a current liability in the consolidated financial statements at December 31, 2022.

On February 18, 2022, the Company executed a convertible security funding agreement ("Convertible Security") for an initial principal amount (the "First Tranche") of $2,748,423 (CAD$3,500,000) and a potential additional amount of up to $1,177,949 (CAD$1,500,000) of convertible securities.

Pursuant to the agreement, the Company has issued to Lind Global Fund II, LP ("Lind") a convertible security with a face value of $3,299,257 (CAD$4,200,000), representing a principal amount of $2,748,423 (CAD$3,500,000) and an interest amount of $550,834 (CAD$700,000) on March 1, 2022. The First Tranche is due two years from the date of issuance and has a maturity date of March 1, 2024.

The First Tranche is secured by all the assets of the Company and bears interest at 10% per annum and matures on March 1, 2024. The First Tranche includes covenants typical and customary for secured convertible securities of this nature. The Company must comply with the covenants on a regular basis. As at December 31, 2022, the Company has met the covenants.

In relation to the First Tranche, the Company issued to Lind 7,947,321 warrants of the Company exercisable for a term of 48 months from the date of their issuance, subject to acceleration, with a warrant exercise price of CAD$ 0.28626, being 130% of the 20-day VWAP of the shares, immediately prior to execution of the agreement (Note 7 (d)).

On the issuance date, the fair value of the First Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 73% based on historical volatility of the Company's common shares, risk-free rate of 1.42%, share price on issuance date of CAD$0.24 and expected life of two years. The fair value of the First Tranche of the convertible security was $3,283,513, which resulted in a loss of $492,667 compared to funding proceeds received of $2,669,245 net of commitment fees of $121,601. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss, but rather should be deferred against the liability components and realized over the term of convertible security in the financing costs, as factors that a market participant would include in pricing the instrument, including time, become observable.

15. Convertible security (continued)

On July 18, 2022, the Company issued to Lind a second convertible security (the “Second Tranche”) under the agreement with a face value of $1,396,865 (CAD$1,800,000), representing a principal amount of $1,164,054 (CAD$1,500,000) and an interest amount of $232,811 (CAD$300,000). The Second Tranche is due two years from the date of issuance and has a maturity date of July 18, 2022.

The Second Tranche is secured by all the assets of the Company and bears interest at 10% per annum and matures on July 18, 2024. The Second Tranche includes covenants typical and customary for secured convertible securities of this nature. The Company must comply with the covenants on a regular basis.

In relation to the Second Tranche, the Company issued to Lind 12,711,864 warrants of the Company exercisable for a term of 48 months from the date of their issuance, subject to acceleration, with a warrant exercise price of CAD$0.1357, being 115% of the 10-day VWAP of the shares, immediately prior to execution of the agreement (Note 7 (d)).

On the issuance date, the fair value of the Second Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 66% based on historical volatility of the Company’s common shares, risk-free rate of 3.26%, share price on issuance date of CAD$0.115 and expected life of two years. The fair value of the Second Tranche of the convertible security was $1,202,336, which resulted in a loss of $35,202 compared to funding proceeds received of $1,120,448, net of commitment fees of $46,686. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss, but rather should be deferred against the liability components and realized over the term of convertible security in the financing costs, as factors that a market participant would include in pricing the instrument, including time, become observable.

At December 31, 2022, the fair value of the First Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 75.16% based on historical volatility of the Company’s common shares, risk-free rate of 3.73%, share price on valuation date of CAD$0.10 and expected life of 1.39 years.

At December 31, 2022, the fair value of the Second Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 71.78% based on historical volatility of the Company’s common shares, risk-free rate of 3.09%, share price on valuation date of CAD$0.10 and expected life of 1.77 years.

(Expressed in United States Dollars)

15. Convertible security (continued)

Convertible Security		**Tranche #1**		**Tranche #2**		**Total**
Issued at fair value	$	3,283,513	$	1,202,336	$	4,485,849
Early conversions		(1,137,339)		(303,181)		(1,440,520)
Loss (gain) on fair value adjustment		67,663		(56,381)		11,282
Effect of foreign exchange currency difference		(338,633)		59,062		(279,571)
Balance at December 31, 2022	**$**	**1,875,204**	**$**	**901,836**	**$**	**2,777,040**
Unrecognized Day 1 Loss		**Tranche #1**		**Tranche #2**		**Total**
Unrecognized loss deferred at issuance	$	(492,667)	$	(35,202)	$	(527,869)
Recognized loss during the year		205,465		8,380		213,845
Effect of foreign exchange currency difference		28,490		1,472		29,962
Balance at December 31, 2022	**$**	**(258,712)**	**$**	**(25,350)**	**$**	**(284,062)**
Total balance at December 31, 2022	**$**	**1,616,492**	**$**	**876,486**	**$**	**2,492,978**

Subsequent to December 31, 2022, the Company issued 9,278,373 shares on conversion of a portion of the outstanding convertible security.

16. Income taxes

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2021 - 26.5%) were as follows:

		2022		**2021**
Loss before income taxes from continuing operations	$	(7,559,634)	$	(10,900,424)
Expected income tax recovery based on statutory rate		(2,003,000)		(2,889,000)
Adjustment to expected income tax benefit:				
Share-based compensation		27,000		58,000
Non deductible items		(182,000)		1,308,000
Other		(21,000)		-
Change in benefit of tax assets not recognized		2,179,000		1,523,000
Deferred income tax provision (recovery) from continuing operations	$	-	$	-

(b) Deferred income taxes

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2022		**2021**
Non-capital loss carry-forwards (Canada)	$	56,855,000	$	66,111,000
Share issue costs (Canada)		876,000		1,365,000
Other (Canada)		5,347,000		6,342,000
Capital loss carry-forwards (Canada)		82,304,000		44,265,000
	$	145,382,000	$	118,083,000

(Expressed in United States Dollars)

16. Income taxes (continued)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at December 31, 2022, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $56,855,000 (2021 - $66,111,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2040.

As at December 31, 2022, the Company had estimated non-capital losses for Romanian income tax purposes of approximately $nil (2021 - $nil) available to use against future taxable income.

17. Investments

On July 2, 2020, the Company received 96,211,544 shares of BlueLake Mineral (previously Nickel Mountain) valued at $1,136,537 (SEK10,583,270) as consideration for the sale of Vilhelmina Mineral AB. At December 31, 2021, the Company had disposed of all shares of BlueLake Mineral and held no ownership in BlueLake Mineral.

Changes in the investments in BlueLake Mineral during the period were as follows:

	Common shares	
	#	$
Balance, December 31, 2020	96,211,544	869,546
Mark-to-market loss on value of shares recorded in the consolidated statement of loss	**-**	**(3,385)**
Effect of foreign exchange currency difference	**-**	**(552)**
Reverse stock split 20:1	**(91,400,966)**	**-**
Sale of shares	**(4,810,578)**	**(865,609)**
Balance, December 31, 2021 and December 31, 2022	**-**	**-**

The BlueLake Mineral shares were valued using quoted prices for identical assets and therefore, had been recorded at Level 1 within the fair value hierarchy.

On January 11, 2021, BlueLake Mineral completed a reverse stock split merging 20 existing shares into one new share. Following this reverse stock split, the Company held 4,810,578 shares of BlueLake Mineral. During the year ended December 31, 2021, the Company disposed of 4,810,578 shares of BlueLake Mineral on the Swedish Nordic Growth Market (“NGM”) stock exchange for proceeds of approximately $601,821.

In May 2021, BlueLake Mineral spun off Mezhlisa Holding, a private oil company. As a result, the Company received 4,810,578 shares of the privately held Mezhlisa Holding recorded in the financial statements initially at estimated fair value of $90,000 based on allocations suggested by BlueLake Mineral. The Mezhlisa Holding shares were sold during the year ended December 31, 2021 for proceeds of approximately $16,642. These shares were classified as a Level 3 investment prior to the sale. These financial instruments were measured at fair value utilizing non-observable market inputs. Any net realized and unrealized gains were recognized in the consolidated statement of loss.

18. Subsequent events

In February 2023, the Company issued 8,000,000 common shares in satisfaction of termination agreements with former members of senior management of the Company, as well as 1,184,210 common shares in satisfaction of RSUs outstanding with a terminated member of management.

Subsequent to December 31, 2022, the Company issued 9,278,373 shares on conversion of a portion of the outstanding convertible security. See Note 15.