SIGNAL GOLD

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

Signal Gold Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Canadian Dollars)

	Notes	**Three months ended June 30, 2022 $**	Three months ended June 30, 2021 $	**Six months ended June 30, 2022 $**	Six months ended June 30, 2021 $
Gold		**9,657,088**	6,934,599	**17,672,462**	14,287,887
Silver		**5,309**	5,405	**10,238**	12,025
Total revenue		**9,662,397**	6,940,004	**17,682,700**	14,299,912
Cost of operations					
Operating expenses	2	**5,082,524**	6,611,503	**13,780,439**	14,531,625
Royalty expense	3	**323,774**	161,107	**468,745**	348,601
Depletion and depreciation		**2,139,153**	1,444,037	**3,369,862**	1,997,958
		7,545,451	8,216,647	**17,619,046**	16,878,184
Mine operating income (loss)		**2,116,946**	(1,276,643)	**63,654**	(2,578,272)
Expenses and other income					
Corporate administration		**1,312,727**	841,643	**2,571,636**	1,792,731
Gain on revaluation of investments	10	**-**	-	**(326,973)**	-
Share of loss from equity accounted investments	10,11	**15,034**	41,609	**51,677**	238,127
Share-based compensation expense	16	**206,455**	275,135	**348,547**	428,784
Finance expense	4	**549,089**	39,708	**663,409**	83,806
Other income	5	**(141,457)**	(69,487)	**(181,116)**	(200,964)
		1,941,848	1,128,608	**3,127,180**	2,342,484
Income (loss) before income taxes		**175,098**	(2,405,251)	**(3,063,526)**	(4,920,756)
Current income tax expense	18	**-**	-	**-**	30,345
Deferred income tax expense (recovery)	18	**506,000**	(203,000)	**817,000**	(252,000)
		506,000	(203,000)	**817,000**	(221,655)
Net loss and comprehensive loss for the period		**(330,902)**	(2,202,251)	**(3,880,526)**	(4,699,101)
Net loss per share - basic and fully diluted	17	**(0.00)**	(0.01)	**(0.02)**	(0.03)
Weighted average number of shares outstanding - basic and fully diluted		**185,220,343**	168,377,868	**183,595,126**	164,984,476

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Signal Gold Inc.

Condensed Interim Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**June 30, 2022** $	December 31, 2021 $
Assets			
Current assets			
Cash and cash equivalents		**10,942,097**	10,121,724
Trade and other receivables	6	**451,198**	1,287,219
Inventory	7	**6,442,940**	5,641,435
Prepaid expenses and deposits		**632,570**	792,816
		18,468,805	17,843,194
Non-current assets			
Restricted cash		**202,790**	198,790
Property, mill and equipment	9	**12,935,488**	14,397,393
Exploration and evaluation assets	8	**66,199,911**	59,376,373
Investments	10	**2,483,588**	2,156,615
Equity accounted investments	11	**1,526,962**	1,578,639
		101,817,544	95,551,004
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	12	**9,066,138**	9,528,294
Current portion of loans	13	**10,455,874**	1,363,383
Current portion of decommissioning liability	15	**127,882**	-
Flow-through premium	16	**321,545**	432,235
Advances	19	**12,478**	122,169
Unearned revenue	14	**-**	5,000,000
		19,983,917	16,446,081
Non-current liabilities			
Loans	13	**212,764**	235,570
Deferred income tax liability		**4,881,000**	4,064,000
Decommissioning liability	15	**3,585,850**	3,936,423
		28,663,531	24,682,074
Shareholders' equity			
Share capital, warrants and equity reserves	16	**89,622,666**	83,506,597
Accumulated deficit		**(16,468,653)**	(12,637,667)
		73,154,013	70,868,930
		101,817,544	95,551,004

Approved by the Board of Directors on August 4, 2022

"Mary-Lynn Oke"
Director

"Lewis Lawrick"
Director

Nature of operations, basis of presentation, and going concern (Note 1)

Commitments (Note 23)

Signal Gold Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	**Three months ended June 30, 2022 $**	Three months ended June 30, 2021 $	**Six months ended June 30, 2022 $**	Six months ended June 30, 2021 $
Operating activities					
Net loss		**(330,902)**	(2,202,251)	**(3,880,526)**	(4,699,101)
Adjustments to reconcile net loss to cash flow from operating activities:					
Depletion and depreciation		**2,139,153**	1,444,037	**3,369,862**	1,997,958
Write-down of inventory to net realizable value	2	**-**	58,000	**1,547,000**	2,529,000
Gain on revaluation of investments	10	**-**	-	**(326,973)**	-
Share of loss from equity accounted investments	10,11	**15,034**	41,609	**51,677**	238,127
Share-based compensation expense	16	**206,455**	275,135	**348,547**	428,784
Current income tax expense	18	**-**	-	**-**	30,345
Deferred income tax expense (recovery)	18	**506,000**	(203,000)	**817,000**	(252,000)
Deferred premium on flow-through shares	16	**(164,801)**	(91,652)	**(344,519)**	(233,714)
Interest accretion of decommissioning liability	15	**37,303**	4,223	**58,263**	6,573
Amortization of transaction costs	4	**50,589**	-	**50,589**	-
Foreign exchange loss on revaluation of loans		**51,200**	-	**51,200**	-
Change in working capital	20	**(5,325,178)**	(1,144,061)	**(5,671,642)**	(1,327,893)
Cash flow used in operating activities		**(2,815,147)**	(1,817,960)	**(3,929,522)**	(1,281,921)
Investing activities					
Additions of property, mill and equipment	9	**(814,649)**	(1,519,300)	**(2,712,136)**	(2,305,469)
Additions of exploration and evaluation assets	8	**(4,330,645)**	(4,141,340)	**(7,330,901)**	(6,967,882)
(Increase) decrease in restricted cash		**-**	-	**(4,000)**	12,000
Cash flow used in investing activities		**(5,145,294)**	(5,660,640)	**(10,047,037)**	(9,261,351)
Financing activities					
Proceeds from financing agreement	16	**5,999,776**	8,500,030	**5,999,776**	8,500,030
Issuance costs from financing agreement	16	**(286,022)**	(709,312)	**(286,022)**	(709,312)
Proceeds from loans	13	**10,257,600**	-	**10,257,600**	-
Transaction costs from loans	13	**(330,158)**	-	**(330,158)**	-
Repayment of loans	13	**(413,188)**	(505,845)	**(1,052,652)**	(979,491)
Proceeds from exercise of stock options	16	**93,800**	210,061	**208,388**	843,450
Proceeds from exercise of warrants	16	**-**	6,000	**-**	2,822,737
Cash flow provided from financing activities		**15,321,808**	7,500,934	**14,796,932**	10,477,414
Net increase (decrease) in cash		**7,361,367**	22,334	**820,373**	(65,858)
Cash at beginning of period		**3,580,730**	14,546,403	**10,121,724**	14,634,595
Cash at end of period		**10,942,097**	14,568,737	**10,942,097**	14,568,737

Supplemental cash flow information (Note 20)

Signal Gold Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, except share information)

	Notes	Share capital Number of shares	Issued capital $	Equity reserves $	Warrants $	Accumulated deficit $	Total $
Balance at December 31, 2020		**153,953,798**	**67,008,392**	**1,793,871**	**1,584,217**	**(5,545,554)**	**64,840,926**
Common shares issued for cash	16	10,241,000	8,500,030	-	-	-	8,500,030
Share issuance expense, net of tax	16	-	(709,312)	-	-	-	(709,312)
Flow-through share premium	16	-	(750,913)	-	-	-	(750,913)
Share-based compensation from issuance of share units	16	-	-	277,818	-	-	277,818
Redemption of share units	16	176,481	37,395	(37,395)	-	-	-
Share-based compensation from issuance of options	16	-	-	152,466	-	-	152,466
Exercise of stock options	16	3,317,083	1,546,028	(702,578)	-	-	843,450
Expiry of stock options transferred to deficit	16	-	-	(4,510)	-	4,510	-
Exercise of warrants	16	6,328,165	3,212,340	-	(389,603)	-	2,822,737
Issuance of shares for property acquisition	8	64,917	45,000	-	-	-	45,000
Net loss for the period		-	-	-	-	(4,699,101)	(4,699,101)
Balance at June 30, 2021		**174,081,444**	**78,888,960**	**1,479,672**	**1,194,614**	**(10,240,145)**	**71,323,101**
Balance at December 31, 2021		**180,306,657**	**81,979,482**	**1,527,115**	**-**	**(12,637,667)**	**70,868,930**
Common shares issued for cash	16	11,722,673	5,999,776	-	-	-	5,999,776
Share issuance expense, net of tax	16	-	(1,268,382)	-	982,360	-	(286,022)
Flow-through share premium	16	-	(233,829)	-	-	-	(233,829)
Share-based compensation from issuance of share units	16	-	-	330,313	-	-	330,313
Redemption of share units	16	887,125	389,108	(389,108)	-	-	-
Share-based compensation from issuance of options	16	-	-	76,983	-	-	76,983
Exercise of stock options	16	678,750	350,865	(142,477)	-	-	208,388
Expiry of stock options transferred to deficit	16	-	-	(49,540)	-	49,540	-
Issuance of shares for property acquisition	8	87,983	70,000	-	-	-	70,000
Net loss for the period		-	-	-	-	(3,880,526)	(3,880,526)
Balance at June 30, 2022		**193,683,188**	**87,287,020**	**1,353,286**	**982,360**	**(16,468,653)**	**73,154,013**

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION, AND GOING CONCERN

Signal Gold Inc. (individually, or collectively with its subsidiaries, as applicable, "Signal Gold" or the "Company") (formerly Anaconda Mining Inc.) is a gold mining, development, and exploration company, operating in the top-tier Canadian mining jurisdictions of Newfoundland and Nova Scotia. The Company is advancing the Goldboro Gold Project in Nova Scotia, a significant development project which is now subject to a definitive feasibility study. The Company also operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as approximately 15,000 hectares of highly prospective mineral property, including those adjacent to the past producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project.

Signal Gold is incorporated in Canada under the laws of Ontario. The Company's common shares are listed on the Toronto Stock Exchange under the ticker symbol "SGNL". The Company's head office and registered office is located at 20 Adelaide St. East, Suite 915, Toronto ON M5C 2T6.

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2021. The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value.

For the three and six months ended June 30, 2022, the Company had a net loss of $330,902 and $3,880,526 (three and six months ended June 30, 2021 – $2,202,251 and $4,699,101), and as at June 30, 2022, had a working capital deficit (current assets less current liabilities) of $1,515,112 (December 31, 2021 – working capital of $1,397,113). The deficit is mainly attributed to the impact of the cessation of mining due to a water management issue in the first half of 2022. As at June 30, 2022, the Company may have insufficient cash to fund its planned operations for the next twelve months. The Company's ability to continue operations in the normal course of business is dependent upon establishing sufficient operating cash flows from the Argyle mine, and to the extent required, through access to equity and debt markets, however there is no assurance that this will be successful. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

In June 2022, Signal Gold completed a non-brokered private placement for aggregate gross proceeds of $5,999,776 (note 16) to finance its ongoing permitting and development activities at the Goldboro Gold Project. The Company has also returned to normal operations at the Argyle mine and is projecting to generate significant cash flows to support ongoing development at Point Rousse. These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these condensed interim consolidated financial statements should such adverse events impair the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 4, 2022.

These condensed interim consolidated financial statements comprise the financial statements of Signal Gold Inc. and its wholly-owned subsidiaries Goldboro Gold Mines Inc. (Canada) (formerly Orex Exploration Inc.), Colorado Minerals Inc. (Canada), Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), and the Company's equity accounted investment in Magna Terra Minerals Inc. ("Magna Terra"). All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2021.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2021, except for the following:

COVID-19 Pandemic

The 2019 novel coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020. The Company has prepared contingency plans in the event that certain scenarios should occur, such as a temporary shutdown. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

2. OPERATING EXPENSES

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Mining costs	**3,010,583**	2,224,773	**6,524,719**	5,311,361
Processing costs (including refining and transport)	**3,051,955**	2,961,750	**6,220,018**	5,987,210
Mine support costs	**574,986**	519,949	**1,065,498**	972,578
Inventory adjustment	**(1,555,000)**	847,031	**(1,576,796)**	(268,524)
Write-down of inventory to net realizable value	**-**	58,000	**1,547,000**	2,529,000
	5,082,524	6,611,503	**13,780,439**	14,531,625

Mining, processing and mine support costs noted above are prior to the allocation of costs to inventory. The inventory adjustment reflects an allocation of mining, processing and mine support costs to the ore stockpiles, gold-in-circuit and finished goods inventory.

3. ROYALTY EXPENSE

During the three and six months ended June 30, 2022, a royalty expense of $323,774 and $468,745, reflecting the net smelter return of 3% payable to a third party on gold sold from the Argyle Property was recorded on the condensed interim consolidated statement of comprehensive loss (three and six months ended June 30, 2021 – $161,107 and $348,601).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

4. FINANCE EXPENSE

	Notes	**Three months ended June 30, 2022 $**	Three months ended June 30, 2021 $	**Six months ended June 30, 2022 $**	Six months ended June 30, 2021 $
Extinguishment of gold prepayment agreement	14	**321,092**	-	**321,092**	-
Interest expense on gold prepayment agreement		**-**	-	**87,485**	-
Interest expense on Promissory Note		**155,812**	-	**155,812**	-
Amortization of transaction costs	14	**50,589**	-	**50,589**	-
Other finance expenses		**21,596**	39,708	**48,431**	83,806
		549,089	39,708	**663,409**	83,806

5. OTHER INCOME

	Notes	**Three months ended June 30, 2022 $**	Three months ended June 30, 2021 $	**Six months ended June 30, 2022 $**	Six months ended June 30, 2021 $
Deferred premium on flow-through shares		**(164,801)**	(91,652)	**(344,519)**	(233,714)
Unrealized (gain) loss on derivatives	14	**(49,634)**	-	**78,704**	-
Research and development		**13,263**	30,074	**24,631**	49,230
Foreign exchange loss (gain)		**67,248**	(192)	**69,921**	1,390
Interest income		**(7,533)**	(7,717)	**(9,853)**	(17,870)
		(141,457)	(69,487)	**(181,116)**	(200,964)

6. TRADE AND OTHER RECEIVABLES

	June 30, 2022 $	December 31, 2021 $
HST receivable	**351,569**	641,985
Due from related parties	**92,129**	57,426
Other receivables	**7,500**	75,808
Insurance proceeds receivable	**-**	512,000
	451,198	1,287,219

As at June 30, 2022, included in trade and other receivables is $92,129 (December 31, 2021 - $57,426) of amounts charged under the service level agreement with Magna Terra (note 22), which was received subsequent to period-end.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

7. INVENTORY

	June 30, 2022	December 31, 2021
	$	$
Gold dore	**67,000**	50,000
Gold-in-circuit	**3,246,000**	3,112,000
Ore in stockpiles	**1,322,000**	920,000
Supplies and consumables	**1,807,940**	1,559,435
	6,442,940	5,641,435

As at June 30, 2022, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost.

8. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2021	Payments under option agreements	Expenditures/ acquisition*	Balance as at June 30, 2022
	$	$	$	$
Goldboro Gold Project, Nova Scotia	47,049,148	75,000	4,435,732	51,559,880
Point Rousse Project, Newfoundland	7,804,271	-	746,272	8,550,543
Tilt Cove Gold Project, Newfoundland	4,522,954	87,500	1,479,034	6,089,488
	59,376,373	**162,500**	**6,661,038**	**66,199,911**

* As at June 30, 2022, $2,217,896 of expenditures were in trade payables and accrued liabilities.

Properties	Balance as at December 31, 2020	Payments under option agreements	Expenditures/ acquisition*	Balance as at December 31, 2021
	$	$	$	$
Goldboro Gold Project, Nova Scotia	36,948,906	45,000	10,055,242	47,049,148
Point Rousse Project, Newfoundland	4,935,236	-	2,869,035	7,804,271
Tilt Cove Gold Project, Newfoundland	2,920,138	157,500	1,445,316	4,522,954
	44,804,280	**202,500**	**14,369,593**	**59,376,373**

* As at December 31, 2021, $2,795,259 of expenditures were in trade payables and accrued liabilities.

As at June 30, 2022, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 23.

The Goldboro Gold Project – The Goldboro Gold Project is located on the southern shore of Nova Scotia. The Goldboro mineral resource comprises the Boston Richardson Zone, the East Goldbrook Zone, and the West Goldbrook Zone. The Company also has 100% interest in the Lower Seal Harbour Property, which is located 5 kilometres southeast of the Goldboro deposit.

Point Rousse Project – The Point Rousse Project, located in northeastern Newfoundland, contains five mining leases and seven mineral licenses.

Tilt Cove Gold Project – The Tilt Cove Project is comprised of exploration stage assets including highly prospective geology for gold deposits.

- During the year ended December 31, 2020, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 76 claims, collectively the "Nippers Harbour Property", which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of $135,000 (of which $30,000 has been paid) in cash and $85,000 in common shares of Signal Gold (of which $15,000 in common shares have been issued) over a four-year period.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

- During the year ended December 31, 2020, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in a total of 10 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospector of $30,000 (of which $10,000 has been paid) in cash and $45,000 in common shares of Signal Gold (of which $25,000 in common shares have been issued) over a two-year period.
- During the year ended December 31, 2019, the Company entered into option agreements with local prospectors to acquire a 100%-undivided interest in a total of 93 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of $271,000 (of which $178,500 has been paid) in cash and $169,500 in common shares of Signal Gold (of which $102,000 in common shares have been issued) over a four-year period.

9. PROPERTY, MILL AND EQUIPMENT

For the period ended June 30, 2022

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	42,773,419	13,242,504	4,019,745	546,280	60,581,948
Additions*	1,751,010	23,451	245,043	420,179	2,439,683
Transfers	-	80,389	-	(80,389)	-
Disposals	-	-	(26,444)	-	(26,444)
	44,524,429	**13,346,344**	**4,238,344**	**886,070**	**62,995,187**
Accumulated depreciation					
Beginning of year	33,471,432	10,218,847	2,494,276	-	46,184,555
Depreciation/depletion	3,093,625	554,145	241,698	-	3,889,468
Disposals	-	-	(14,324)	-	(14,324)
	36,565,057	**10,772,992**	**2,721,650**	**-**	**50,059,699**
Net book value	**7,959,372**	**2,573,352**	**1,516,694**	**886,070**	**12,935,488**

* As at June 30, 2022, $236,211 of additions were in trade payables and accrued liabilities. During the six months ended June 30, 2022, $93,106 of PME additions were financed through leases.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

For the year ended December 31, 2021

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Additions*	6,714,856	493,745	253,338	609,698	8,071,637
Transfers	-	178,832	252,791	(431,623)	-
Disposals	(72,393)	-	(37,119)	-	(109,512)
	42,773,419	**13,242,504**	**4,019,745**	**546,280**	**60,581,948**
Accumulated depreciation					
Beginning of year	30,658,313	9,395,783	2,167,673	-	42,221,769
Depreciation/depletion	2,872,053	823,064	363,722	-	4,058,839
Disposals	(58,934)	-	(37,119)	-	(96,053)
	33,471,432	**10,218,847**	**2,494,276**	**-**	**46,184,555**
Net book value	**9,301,987**	**3,023,657**	**1,525,469**	**546,280**	**14,397,393**

* As at December 31, 2021, $334,352 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2021, $386,099 of PME additions were financed through leases.

Right-of-use assets

The Company leases various assets including buildings, machinery, and equipment, and vehicles. The following table summarizes the changes in right-of-use assets within property, mill and equipment:

	Property	Mill and Infrastructure	Equipment	Total
	$	$	$	$
As at January 1, 2021	22,116	206,225	496,618	724,959
Additions	348,099	-	38,000	386,099
Depreciation	(90,799)	(76,513)	(120,881)	(288,193)
As at December 31, 2021	279,416	129,712	413,737	822,865
Additions	5,312	-	87,794	93,106
Depreciation	(64,776)	(41,105)	(61,878)	(167,759)
Net book value as at June 30, 2022	**219,952**	**88,607**	**439,653**	**748,212**

10. INVESTMENTS

	June 30, 2022	December 31, 2021
	$	$
Novamera Inc.	**2,483,588**	2,156,615
	2,483,588	2,156,615

In June 2017, the Company commenced a research and development project to develop a new technology to mine steeply-dipping narrow gold veins that cannot be mined cost-effectively with existing technologies (the “Narrow Vein Mining Project” or the “Project”). The Company secured funding of over $2,000,000 for the Project, including $1,500,000 from the Atlantic Innovation Fund (“AIF”), more than $520,000 through the Research & Development Corporation (“RDC”), and up to $50,000 from the Industrial Research Assistance Program (“IRAP”).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

On April 9, 2020, the Company completed a $2.0 million financing with a venture capital firm to further the advancement of the Project through its subsidiary Novamera. As part of the funding arrangement, the technology and the Company's related agreements with the AIF, RDC, and IRAP were transferred to Novamera. In exchange for a $2.0 million investment in Novamera, the venture capital firm received a 41% interest in Novamera, in the form of preferred shares. The Company retained a 34% interest in Novamera on closing, with the balance being held by employees of Novamera. Novamera has indemnified the Company for any potential repayments related to the AIF and RDC drawn down by the Company up to the date of the transaction.

On July 21, 2021, Novamera completed a $5,000,017 equity financing in which the Company did not participate. As a result of the financing, the Company's investment was diluted to a 19% interest and the Company relinquished its seat on the Board of Directors. Consequently, the Company discontinued the use of the equity method based on a determination that the Company's influence over Novamera was no longer demonstrable as significant.

On July 21, 2021, the Company classified its equity investment in Novamera as fair value through profit or loss. As a result, based on the share price of the equity financing, the Company recorded $1,020,432 as a gain, which represents the excess of the fair value of the investment on that date ($2,156,615) as compared to the investment's carrying value under the equity method ($1,136,183).

Prior to the completion of the financing, the Company had significant influence over Novamera from an accounting perspective and recorded a gain of $6,086 and a loss of $178,207 for the Company's share of Novamera's net income (loss) for the three and six months ended June 30, 2021, respectively.

On March 9, 2022, Novamera completed a $128,210 equity financing in which the Company did not participate. Based on the share price of the equity financing, the Company recorded $326,973 as a gain on the revaluation of the investment for the six months ended June 30, 2022.

11. EQUITY ACCOUNTED INVESTMENTS

	June 30, 2022	December 31, 2021
	$	$
Magna Terra Minerals Inc.	**1,526,962**	1,578,639
	1,526,962	1,578,639

On October 15, 2019, the Company announced that it had entered into a definitive Share Purchase Agreement (the "SPA") with Magna Terra, whereby Magna Terra proposed to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, 2647102 Ontario Inc ("ExploreCo"), which held the Company's interests in the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick. On July 30, 2020, the Transaction was completed with the Company acquiring a total of 12,493,482 common shares of Magna Terra, representing a 27% interest in Magna Terra upon closing.

On November 19, 2021 and June 2, 2022, Magna Terra completed equity financings of $1,200,000 and $858,000, respectively, in which the Company did not participate. As a result of the financings, the Company's investment was diluted to a 19% interest and the Company relinquished its second seat on the Magna Terra Board of Directors. The Company continues to hold one seat on the Board of Directors.

As of June 30, 2022, the Company had significant influence over Magna Terra from an accounting perspective and recorded a loss of $15,034 and $51,677 for the Company's share of Magna Terra's net loss for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 – $47,695 and $59,920).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

12. TRADE PAYABLES AND ACCRUED LIABILITIES

	Notes	**June 30, 2022** $	December 31, 2021 $
Trade payables		**5,698,979**	6,732,898
Accrued liabilities		**2,477,562**	2,040,845
Accrued payroll costs		**656,771**	600,429
Derivative liability	14	**232,826**	154,122
		9,066,138	9,528,294

Trade and other payables generally arise from the Company's ongoing operations and capital projects, and are subject to materially standard vendor trade terms and are typically due within 30 days.

13. LOANS AND REVOLVING CREDIT FACILITY

The following table provides the details of the current and non-current components of loans:

	June 30, 2022 $	December 31, 2021 $
Promissory Note	**10,029,231**	-
Lease liabilities	**411,318**	419,472
Other loans	**228,089**	563,481
Term Loan	**-**	505,688
Provincial government loan	**-**	63,912
Federal government loan	**-**	46,400
	10,668,638	1,598,953
Current portion		
Promissory Note	**10,029,231**	-
Lease liabilities	**198,554**	183,902
Other loans	**228,089**	563,481
Term Loan	**-**	505,688
Provincial government loan	**-**	63,912
Federal government loan	**-**	46,400
	10,455,874	1,363,383
Non-current portion		
Lease liabilities	**212,764**	235,570
	212,764	235,570

On May 5, 2022, the Company entered into a senior secured loan facility with Auramet International LLC ("Auramet") whereby the Company received a promissory note of US$8,000,000 (the "Promissory Note" or the "Note") (note 14). The Note is due on May 5, 2023 and the Company may repay the Note from time to time, in minimum incremental amounts of US$1,000,000, either in whole or in part, subject to any accrued interest.

In March 2019, the Company entered into a $5,000,000 term loan (the "Term Loan") from the Royal Bank of Canada ("RBC"). The Term Loan was initially repayable monthly over a 24-month term with certain prepayment options. It was subject to an existing general security agreement with RBC, which includes a specific security interest in the Company's ball mill and cone crushers, and a debt service coverage ratio covenant to be measured on an annual basis. The Term Loan was arranged with the support of Export Development Canada ("EDC"), to whom the Company pays a guarantee fee with respect to a guarantee issued over half the principal amount. The Facility carried a fixed interest rate of 4.6% and a performance guarantee fee by EDC of 1.85%, payable quarterly based on the proportional amount outstanding. The final payment under the Term Loan was made in April 2022.

The Company has financed the acquisition of certain equipment through the assumption of lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $748,212 as at June 30, 2022 (December 31, 2021 – $822,865). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between October 31, 2023 and January 1, 2028. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

The Company has financed insurance premiums through a loan, which bears interest at a rate of 4.8% per annum with a maturity date of October 31, 2022. As at June 30, 2022, $228,089 (December 31, 2021 – $563,481) was outstanding in relation to this financing arrangement.

On June 1, 2016, the Company entered into an agreement with the provincial government of Newfoundland and Labrador to receive a loan of $400,000. The loan, which was obtained to finance the automation of parts of the mill, was repayable in 60 monthly payments of $7,187 with an interest rate of 3% and was fully repaid during the six months ended June 30, 2022.

On April 7, 2015, the Company entered into an agreement with the federal government to receive a loan of $500,000, also related to the mill automation project. The loan was non-interest bearing, repayable in 60 equal installments, and was fully repaid during the six months ended June 30, 2022.

Revolving Credit Facility, Revolving Demand Facility, and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Agreement"). In November 2018, the revolving equipment lease line of credit was increased to $750,000. In March 2020, the revolving credit facility was amended to $275,000 and a $725,000 revolving demand facility was included in the Agreement. In August 2020, the revolving credit facility was removed from the Agreement and the revolving demand facility was increased to $1,000,000. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at June 30, 2022, an irrevocable letter of credit in the amount of $908,119 as collateral for the Company's surety bonds (note 15) has been issued under the revolving demand facility (December 31, 2021 – $908,119). As at June 30, 2022, there was an outstanding balance of $nil on the revolving equipment lease line of credit (December 31, 2021 - $nil).

In July 2021, the Company obtained an additional $3,000,000 revolving demand facility with RBC (the "Revolver"). The Revolver is subject to the existing general security agreement with RBC and a debt service coverage ratio covenant to be measured on an annual basis. The Revolver was arranged with the support of EDC, which has provided a performance guarantee over 75% of the Revolver limit. The interest rate is calculated as the Royal Bank Prime rate plus 1.50% inclusive of EDC guarantee fees. As of June 30, 2022, the Revolver was undrawn.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

The following summary sets out the movement in loans over the period ended June 30, 2022 and the year ended December 31, 2021:

	Promissory Note	Term Loan	Government Loans	Lease Liabilities	Other Loans	Total
	$	$	$	$	$	$
As at December 31, 2021	**-**	**505,688**	**110,312**	**419,472**	**563,481**	**1,598,953**
Changes from financing cash flows:						
Proceeds	10,257,600	-	-	-	-	10,257,600
Repayments of loans/leases	-	(505,688)	(110,312)	(101,260)	(335,392)	(1,052,652)
Interest paid	(155,812)	(5,341)	(2,851)	(10,214)	(10,165)	(184,383)
	10,101,788	(5,341)	(2,851)	307,998	217,924	10,619,518
Other changes:						
Foreign exchange loss	51,200	-	-	-	-	51,200
Transaction costs	(330,158)	-	-	-	-	(330,158)
Amortization of transaction costs	50,589	-	-	-	-	50,589
Property, mill, and equipment acquired through leases	-	-	-	93,106	-	93,106
Interest expense	155,812	5,341	2,851	10,214	10,165	184,383
As at June 30, 2022	**10,029,231**	**-**	**-**	**411,318**	**228,089**	**10,668,638**

	Term Loan	Government Loans	Lease Liabilities	Other Loans	Total
	$	$	$	$	$
As at December 31, 2020	**1,981,519**	**287,264**	**373,972**	**-**	**2,642,755**
Changes from financing cash flows:					
Repayments of loans/leases	(1,475,831)	(176,952)	(340,599)	(55,123)	(2,048,505)
Interest paid	(70,147)	(2,905)	(21,735)	(2,469)	(97,256)
	435,541	107,407	11,638	(57,592)	496,994
Other changes:					
Insurance premiums financed through loans	-	-	-	618,604	618,604
Property, mill, and equipment acquired through leases	-	-	386,099	-	386,099
Interest expense	70,147	2,905	21,735	2,469	97,256
As at December 31, 2021	**505,688**	**110,312**	**419,472**	**563,481**	**1,598,953**

14. PROMISSORY NOTE AND GOLD PREPAYMENT AGREEMENT

On May 5, 2022, the Company entered into a senior secured loan facility with Auramet whereby the Company received a promissory note of US$8,000,000. The Note is due on May 5, 2023 and the Company may repay the Note from time to time, in minimum incremental amounts of US$1,000,000, either in whole or in part, subject to any accrued interest. The Note was subject to an original issue discount fee of 2.5%, which was deducted from the principal amount of the Note advanced to the Company. Interest accrues on the unpaid principal amount at the rate of 8% per annum plus the greater of (i) 90 Day US$ SOFR (Secured Overnight Financing Rate), and (ii) 1.00% per annum payable quarterly in arrears. The Note is secured by a guarantee of the Company's wholly-owned subsidiary Goldboro Gold Mines Inc. (the "Guarantor"), a general security agreement over all present and after-acquired property of the Guarantor, and a pledge by the Company of 100% of the outstanding shares of the Guarantor. In connection with the Note, the Company also granted European style call options to Auramet to purchase 3,000 ounces of gold at a strike price of US$2,075, with the following expiry dates: 750 ounces on January 31, 2023, 750 ounces on February 28, 2023, 750 ounces on March 31, 2023, and 750 ounces on April 28, 2023. The Note is subject to a minimum liquidity covenant whereby the Company shall maintain a minimum of $1,500,000 in cash, cash equivalents, and undrawn lines of credit at all times while the Note is outstanding.

The Company deducted a total of $330,158, including the original issue discount fee and other transaction costs, from the carrying value of the Note, which will be amortized over the term of the Note. During the three months ended June 30, 2022, the Company recognized $50,589 in finance expenses in the condensed interim consolidated statement of comprehensive loss related to the amortization of transaction costs (three and six months ended June 30, 2021 – $nil and $nil, respectively).

On December 23, 2021, the Company executed a gold prepayment agreement with Auramet, whereby the Company received $5,000,000, less fees, for 2,273 ounces of gold ($2,315 per ounce; finance expense of $262,000), to be delivered in 9 monthly deliveries from January 2022 to September 2022. As part of the agreement, the Company also granted Auramet European style call options to purchase 4,000 ounces of gold at a strike price of $2,600, with the following expiry dates: 1,300 ounces on July 29, 2022, 1,300 ounces on August 31, 2022, and 1,400 ounces on September 30, 2022.

During the six months ended June 30, 2022, the Company delivered 759 ounces of gold against the gold prepayment agreement. On May 5, 2022, the remaining obligation under the gold prepayment agreement was extinguished with the proceeds of the Note with Auramet and the Company recognized $321,092 in finance expenses in the condensed interim consolidated statement of comprehensive loss for both the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 – $nil and $nil, respectively). As of June 30, 2022, the call options granted to Auramet under the gold prepayment agreement remained outstanding.

As of June 30, 2022, the Company recognized a derivative liability of $232,826 (December 31, 2021 – $154,122) associated with the outstanding call options and recorded an unrealized gain on derivatives of $49,634 and unrealized loss on derivatives of $78,704 in other income in the condensed interim consolidated statement of comprehensive loss for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 – $nil and $nil).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

15. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	June 30, 2022	December 31, 2021
	$	$
Opening balance	**3,936,423**	3,484,072
Interest accretion	**58,263**	19,651
Additions/change in estimates	**(33,284)**	357,343
Change in inflation/discount rates	**(247,670)**	75,357
Closing balance	**3,713,732**	3,936,423
Current portion	**127,882**	-
Non-current portion	**3,585,850**	3,936,423

The provisions for reclamation are provided against the Company's operations at the Point Rousse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. The Company expects to incur the majority of its reclamation costs between 2022 and 2030, based on existing life of mine assumptions. During the year ended December 31, 2021, the Company recognized $357,343 of additions to the provision for asset retirement obligations in relation to the commencement of Argyle development as well as updated cost estimates.

As at June 30, 2022, the Company had entered an agreement with an insurance company to provide a surety bond for $3,481,243 (December 31, 2021 – $3,481,243) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

During the year ended December 31, 2018, the Company obtained a permit from the Nova Scotia government to complete a bulk sample program at the Goldboro Project which requires the Company to maintain total reclamation security of $225,000 to cover related rehabilitation and closure costs. During the year ended December 31, 2020, the Nova Scotia government required the Company to increase the total reclamation security by $25,000 to $250,000. The reclamation security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

As at June 30, 2022, the Company was required to provide collateral of $908,119 (December 31, 2021 – $908,119) under the terms of the surety bonds, equivalent to 25% of the value of the bonds, which was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada.

16. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at June 30, 2022, the Company had 193,683,188 (December 31, 2021 – 180,306,657) common shares outstanding.

On June 9, 2022, the Company completed a non-brokered private placement for aggregate gross proceeds of $5,999,776, whereby it issued 3,652,375 flow-through units of the Company (the "FT Units") at a price of $0.56 per FT unit, and 8,070,298 units of the Company (the "Units") at a price of $0.49 per Unit. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consists of one common share and one-half of one Warrant. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.74 until June 9, 2025. A cash commission of 6% of certain proceeds from the issuance of FT Units, for a total cost of $119,729, was issued in connection to the private placement. An amount equal to the gross proceeds from the flow-through common shares ($2,045,330) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2022. As of June 30, 2022, the full $2,045,330 of the flow-through funds remained to be spent on eligible exploration expenses. A flow-through liability of $233,829 was recorded upon closing, representing the difference between the market price of the Company's shares on June 9, 2022 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

On May 28, 2021, the Company completed a non-brokered private placement for aggregate gross proceeds of $8,500,030, whereby it issued 10,241,000 flow-through common shares of the Company at a price of $0.83 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares ($8,500,030) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2021. As at June 30, 2022, $7,507,122 of the flow-through funds were spent on eligible exploration expenses, with $992,908 remaining to be spent. A flow-through liability of $750,913 was recorded upon closing, representing the difference between the market price of the Company's shares on May 28, 2021 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at June 30, 2022, the Company derecognized a cumulative amount of $663,197 of the flow-through liability and recognized a corresponding income amount (for the three and six months ended June 30, 2022 - $164,801 and $344,519, respectively), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 31, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of $5,510,000, whereby it issued 9,500,000 flow-through common shares of the Company at a price of $0.58 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares ($5,510,000) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. All of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of $376,811 was recorded upon closing, representing the difference between the market price of the Company's shares on July 31, 2020 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. During the year ended December 31, 2021, the Company derecognized the flow-through liability and recognized a corresponding income amount as the liability had been fulfilled by incurring qualifying exploration expenditures.

Warrants

A summary of the Company's warrant activities for the six months ended June 30, 2022 and the year ended December 31, 2021 is presented below:

	Warrants	Weighted average exercise price
	#	$
Outstanding, December 31, 2020	**11,810,665**	**0.37**
Exercised	(11,725,665)	0.37
Expired/forfeited	(85,000)	0.28
Outstanding, December 31, 2021	**-**	**-**
Granted	5,861,337	0.74
Outstanding, June 30, 2022	**5,861,337**	**0.74**

On June 9, 2022, the Company issued warrants in relation to a non-brokered private placement to acquire 5,861,337 common shares, which are exercisable at $0.74 per share and expire on June 9, 2025. The warrants issued were valued using a risk-free rate of 3.07%, and expected dividend yield of nil, an expected volatility of 66.8%, and an expected life of 3 years.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

As at June 30, 2022, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
June 9, 2022	5,861,337	$0.74	June 9, 2025
	5,861,337	**$0.74**	

Incentive Plans

The Company has adopted a stock option plan (the “Stock Option Plan”) and a share unit plan (the “Share Unit Plan” and together with the Stock Option Plan, the “Incentive Plans”). The Incentive Plans are each a “rolling evergreen” plan and provide that the number of common shares of the Company available for issuance from treasury under the Incentive Plans shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant. Any increase in the issued and outstanding common shares of the Company will result in an increase in the available number of common shares issuable under the Incentive Plans. Any issuance of common shares from treasury pursuant to the settlement of stock options or share units granted pursuant to the Incentive Plans shall automatically replenish the number of common shares issuable under the Incentive Plans. When each stock option or share unit is exercised, cancelled, or terminated, a common share shall automatically be made available for the grant of a stock option or share unit under the Incentive Plans.

As at June 30, 2022, 19,368,319 common shares were available for the grant of stock options or share units to directors, officers, employees and service providers in connection with the Incentive Plans.

Stock Option Plan

As at June 30, 2022, 2,158,334 options under the Company’s Stock Option Plan were outstanding with 1,550,000 exercisable.

The following summary sets out the activity in the Stock Option Plan, for the six months ended June 30, 2022 and the year ended December 31, 2021:

	Options #	Weighted average exercise price $
Outstanding, December 31, 2020	**5,930,834**	**0.30**
Granted	545,000	0.72
Exercised	(3,766,250)	0.25
Expired/forfeited	(220,000)	0.61
Outstanding, December 31, 2021	**2,489,584**	**0.43**
Granted	570,000	0.67
Exercised	(678,750)	0.31
Expired/forfeited	(222,500)	0.48
Outstanding, June 30, 2022	**2,158,334**	**0.53**
Options exercisable, June 30, 2022	**1,550,000**	**0.47**

During the six months ended June 30, 2022, 570,000 options (year ended December 31, 2021 – 545,000) were granted to employees and consultants of the Company at a weighted average exercise price of $0.67 (year ended December 31, 2021 – $0.72). The vesting terms of the options were as follows: 470,000 of the options vest over a three year period in three equal instalments and 100,000 of the options vest over a six month period in two equal instalments. Subsequent to period end, 125,000 options were granted to an employee of the Company.

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

During the six months ended June 30, 2022, 678,750 options were exercised (year ended December 31, 2021 – 3,766,250). The corresponding grant date fair value of $142,477 (year ended December 31, 2021 – $793,362) was reclassified from equity reserves to issued capital.

During the six months ended June 30, 2022, 222,500 options expired unexercised or were forfeited (year ended December 31, 2021 – 220,000). The corresponding grant date fair value of $49,540 (year ended December 31, 2021 – $26,372) was reclassified from equity reserves to accumulated deficit.

The following table sets out the details of the stock options granted and outstanding as at June 30, 2022. The weighted average exercise price for the outstanding stock options was $0.53 as at June 30, 2022.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
62,500	62,500	0.27 years	$0.28	October 5, 2022
12,500	12,500	0.37 years	$0.26	November 13, 2022
50,000	50,000	0.48 years	$0.32	December 22, 2022
875,000	875,000	0.56 years	$0.46	January 19, 2023
100,000	33,333	0.56 years	$0.63	January 20, 2023
168,334	168,334	2.68 years	$0.21	March 3, 2025
125,000	125,000	3.22 years	$0.58	September 14, 2025
210,000	140,000	3.67 years	$0.77	February 26, 2026
125,000	83,333	3.86 years	$0.67	May 6, 2026
230,000	-	4.74 years	$0.74	February 24, 2027
100,000	-	4.74 years	$0.71	March 22, 2027
100,000	-	4.91 years	$0.50	May 24, 2027
2,158,334	**1,550,000**	**2.20 years**	**$0.53**	

The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumptions below. The expected volatility is based on the historical volatility (based on the remaining life of the options) adjusted for any expected changes in future volatility due to publicly available information.

The following table sets out the details of the valuation of stock option grants for the six months ended June 30, 2022 and the year ended December 31, 2021:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
February 10, 2021	100,000	0.19%	Nil	108.3%	1 year
February 26, 2021	320,000	0.88%	Nil	84.2%	5 years
May 6, 2021	125,000	0.91%	Nil	83.3%	5 years
January 20, 2022	100,000	1.25%	Nil	56.0%	1 year
February 24, 2022	270,000	1.74%	Nil	75.9%	5 years
March 22, 2022	100,000	2.26%	Nil	75.5%	5 years
May 24, 2022	100,000	2.64%	Nil	75.0%	5 years

The fair value of the stock options granted for the three and six months ended June 30, 2022 was $31,230 and $213,768, respectively (three and six months ended June 30, 2021 – $54,950 and $242,496, respectively). Share-based compensation expense recognized in relation to stock options during the three and six months ended June 30, 2022 was $36,508 and $76,983, respectively (three and six months ended June 30, 2021 – $90,073 and $152,466).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

Share Unit Plan

The Company's Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined at the discretion of the Board of Directors on the date of grant. In granting share units, the Board of Directors may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan.

As at June 30, 2022, 2,216,065 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the six months ended June 30, 2022 and the year ended December 31, 2021:

	Share units	Weighted average fair value
	#	$
Outstanding, December 31, 2020	**1,466,567**	**0.27**
Granted	803,435	0.76
Redeemed	(495,870)	0.38
Forfeited	(23,334)	0.77
Outstanding, December 31, 2021	**1,750,798**	**0.46**
Granted	1,373,392	0.74
Redeemed	(887,125)	0.44
Forfeited	(21,000)	0.37
Outstanding, June 30, 2022	**2,216,065**	**0.64**

During the six months ended June 30, 2022, 1,373,392 share units (year ended December 31, 2021 – 803,435) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.74 (year ended December 31, 2021 – $0.76). The vesting terms of these share units were as follows: 79,392 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 1,294,000 share units vest over a three year period in three equal instalments. Subsequent to period end, 240,000 share units were granted to an employee of the Company.

During the six months ended June 30, 2022, 887,125 share units were redeemed (year ended December 31, 2021 – 495,870). The corresponding grant date fair value of $389,108 (year ended December 31, 2021 – $186,178) was reclassified from equity reserves to issued capital.

During the six months ended June 30, 2021, 21,000 share units were forfeited (year ended December 31, 2021 – 23,334).

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the three and six months ended June 30, 2022 was $5,500 and $1,013,670, respectively (three and six months ended June 30, 2021 – $18,125 and $557,105, respectively). Share-based compensation expense recognized in relation to share units during the three and six months ended June 30, 2022 was $169,947 and $271,564, respectively (three and six months ended June 30, 2021 – $185,062 and $276,318, respectively).

(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

17. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
Net loss for the period	**$ (330,902)**	$ (2,202,251)	**$ (3,880,526)**	$ (4,699,101)
Weighted average basic and diluted number of shares outstanding	**185,220,343**	168,377,868	**183,595,126**	164,984,476
Net loss per share:				
Basic and diluted	**$ (0.00)**	$ (0.01)	**$ (0.02)**	$ (0.03)

The following table lists the equity securities excluded from the computation of diluted earnings per share. The securities were excluded as the inclusion of the equity securities had an anti-dilutive effect on net income, or the exercise prices relating to the particular security exceed the weighted average market price of the Company's common shares during the relevant period.

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
Stock options	**2,158,334**	3,133,751	**2,158,334**	3,133,751
Share units	**1,481,004**	896,226	**1,481,004**	896,226
Warrants	**5,861,337**	5,482,500	**5,861,337**	5,482,500
	9,500,675	9,512,477	**9,500,675**	9,512,477

18. INCOME TAXES

During the three and six months ended June 30, 2022, no current income tax expense was recorded in the condensed interim consolidated statement of comprehensive loss (three and six months ended June 30, 2021 – $nil and $30,345, respectively).

During the three and six months ended June 30, 2022, a deferred income tax expense of $506,000 and $817,000, respectively (three and six months ended June 30, 2021 – recovery of $203,000 and $252,000, respectively) was recognized in the condensed interim consolidated statement of comprehensive loss.

19. ADVANCES

In March 2020, the Company secured funding of $949,850 from the Government of Canada's Future Skills Centre (the "Centre") for a project entitled "Creating a Microlearning Model for the Canadian Mining Industry". Funding through the Centre is a non-repayable grant and will be credited against eligible costs incurred. During the six months ended June 30, 2022, the Company received $nil as an advance from the Centre and $109,691 was credited against eligible costs incurred in relation to advances received from the Centre (year ended December 31, 2021 – $320,015 and $387,696, respectively). As at June 30, 2022, $12,478 (December 31, 2021 – $122,169) related to amounts received from the Centre for future project expenditures was included as an advance in the condensed interim consolidated statement of financial position.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information to the statements of cash flows is as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Change in non-cash working capital:				
Trade and other receivables	**299,165**	(79,995)	**836,021**	(82,005)
Prepaid expenses and deposits	**336,944**	(116,503)	**160,246**	(9,346)
Inventory	**(1,484,288)**	791,816	**(1,830,505)**	(445,540)
Unearned revenue	**(3,330,400)**	-	**(5,000,000)**	-
Advances	**(62,355)**	146,831	**(109,691)**	121,831
Trade payables and accrued liabilities	**(1,084,244)**	7,135	**272,287**	980,512
Current taxes payable	**-**	(1,893,345)	**-**	(1,893,345)
	(5,325,178)	(1,144,061)	**(5,671,642)**	(1,327,893)
Supplemental cash flow information:				
Interest paid	**11,657**	27,446	**28,571**	55,492
Property, mill and equipment acquired through leases	**6,915**	234,287	**93,106**	234,287

21. FINANCIAL INSTRUMENTS

The Company's financial instruments as at June 30, 2022 and December 31, 2021 are cash, restricted cash, investments, accounts payable, accrued liabilities, and certain current and non-current loans. The carrying amount of the Company's other financial instruments approximates fair value due to their short-term nature.

The contractual cash flow obligations of the Company as at June 30, 2022 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	9,066,138	-	-	**9,066,138**
Promissory Note	10,185,043	-	-	**10,185,043**
Lease liabilities	212,232	187,064	32,597	**431,893**
Other loans	230,370	-	-	**230,370**
	19,693,783	187,064	32,597	**19,913,444**

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements ("price risk").

Foreign Currency Risk
The Company's functional currency is the Canadian Dollar. The Company sells its gold production and transacts business using the Canadian Dollar.

The Company is exposed to foreign currency risk with respect to its US$8,000,000 Promissory Note with Auramet and with regards to its US dollar bank accounts. There are minimal operational expenses incurred by the Company in US dollars.

The assets and liabilities of the Company are recorded in Canadian dollars. The Company reviews its foreign currency risk exposure periodically, giving consideration to alternative financial investments.

Interest Rate Risk
The Company has no interest-bearing assets and variable-interest debts with the exception of the Promissory Note. Signal Gold invests excess cash, when available, in a cashable money market account. The Company reviews its interest rate exposure periodically, giving consideration to potential renewals of existing positions and alternative financial investments.

Commodity price risk
Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to commodity price risk with respect to gold prices. The Company closely monitors gold prices to determine the appropriate course of action to be taken by the Company.

22. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. Compensation of key management personnel (including directors) was as follows for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Salaries, bonuses, fees and short term benefits	**223,277**	173,754	**428,603**	325,345
Share based compensation	**97,864**	18,500	**161,070**	79,164
	321,141	192,254	**589,673**	404,509

As at June 30, 2022, included in trade and other payables is $52,734 (December 31, 2021 – $112,250) of amounts due for directors' fees and bonuses.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 11, the Company completed a transaction with Magna Terra on July 30, 2020, whereby Magna Terra acquired all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo. The Company and Magna Terra have entered into a service level agreement whereby the Company provides certain services to Magna Terra, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at June 30, 2022, included in trade and other receivables in note 6 is $92,129 (December 31, 2021 - $57,426) of amounts charged under the service level agreement, which was received subsequent to period-end.

23. COMMITMENTS

As at June 30, 2022, the Company has a commitment to spend a total of $3,038,238 of flow-through funds on eligible exploration expenses, related to the private placements completed in May 2021 and June 2022 (note 16).

In the second quarter of 2022, the Company locked into forward sales on a delivery basis for a total of 100 ounces of its production for the third quarter of 2022. The gold price for the orders was locked in at an average of $2,400 per ounce with delivery in the third quarter of 2022.

The Company has royalty obligations on its various mineral properties as follows:

- A $3,000,000 capped NSR on four mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle and Stog'er Tight properties, is calculated at 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter.
- A $3,000,000 capped NSR of 3% on a property that forms part of the Argyle property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold on a property that forms part of the Stog'er Tight property.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At June 30, 2022, the Company has determined it has approximately $16 million in expenditures deductible against future receipts.

The Company also has royalties payable to various vendors of mineral leases located outside the currently anticipated mining areas.