Excelsior
MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of United States Dollars)

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31
(Expressed in thousands of United States dollars)

	Note	2022	2021 *restated - see note 2*
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 5,604**	$ 20,854
Marketable Securities	**4**	**22**	-
Receivables		**86**	341
Prepaid expenses		**476**	1,020
Inventory	**5**	**1,741**	1,815
		7,929	24,030
LT Receivables	**4**	**62**	-
Property, plant and equipment	**6**	**107,459**	123,919
Restricted cash	**7**	**3,311**	3,311
Total Assets		**$ 118,761**	$ 151,260
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**8**	**$ 1,258**	$ 1,587
Amounts due to related parties	**15**	**124**	109
Lease liabilities		**97**	91
Insurance liabilities		**181**	582
Restricted share units		**146**	258
Derivative liabilities	**10**	**391**	2,803
Debt	**12**	**15,405**	-
		17,602	5,430
Lease liabilities		**302**	400
Debt	**12**	**-**	15,351
Derivative liabilities	**10**	**100,911**	148,555
Asset retirement obligation	**11**	**8,245**	24,960
Total liabilities		**127,060**	194,696
Equity			
Capital Stock	**13**	**108,045**	108,045
Other equity reserves	**13**	**12,453**	12,195
Deficit		**(127,968)**	(162,847)
Accumulated other comprehensive loss		**(829)**	(829)
Total Equity		**(8,299)**	(43,436)
Total Liabilities and equity		**$ 118,761**	$ 151,260

See note 1 - Nature of Operations and Going Concern

Approved on March 22, 2023 on behalf of the Board of Directors:

/signed/	/signed/
Colin Kinley	**Fred DuVal**
Chair of the Audit Committee	Director

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF (INCOME) LOSS AND COMPREHENSIVE (INCOME) LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in thousands of United States dollars)

	Note	2022	2021 *restated - see note 2*
Revenue			
Revenue		**$ (4,178)**	$ (5,033)
Cost of sales	**14**	**10,759**	13,764
Loss from mine operations		**$ 6,581**	$ 8,731
Operating Expenses			
Johnson Camp holding and maintenance cost		**$ 0**	$ (0)
Evaluation and permitting		**3,148**	1,156
Office and administration		**788**	720
Professional fees		**548**	666
Directors and officers fees		**2,117**	2,153
Investor relations		**227**	407
Share-based compensation	**13**	**121**	855
Regulatory fees		**92**	116
Depreciation		**172**	91
Total Operating Expenses		**$ 7,213**	$ 6,164
Other Items			
Loss (gain) on derivative at fair value	**10**	**(50,051)**	56,209
Financing expense		**2,019**	343
Interest income		**(16)**	(18)
Unrealized loss (gain) on foreign exchange		**10**	(29)
Paycheck Protection Program loan forgiveness		**-**	(1,090)
Other (income) loss		**(635)**	(657)
Total Other Items		**$ (48,673)**	$ 54,758
(Income) loss and comprehensive (income) loss for the period		**$ (34,879)**	$ 69,653
(Earnings) loss per common share:			
Basic and Diluted		**$ (0.13)**	$ 0.26
Weighted average number of common shares outstanding:			
Basic and Diluted	**13**	**274,835,944**	269,627,462

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in thousands of United States dollars)

	Note	2022	2021 *restated - see note 2*
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
(Loss) income for the period		$ 34,879	$ (69,653)
Items not affecting cash:			
Loss (gain) on derivative at fair value		(50,051)	56,209
Depreciation		321	241
Accretion of asset retirement obligation		603	291
Share-based compensation	13	145	924
Paycheck Protection loan forgiveness		-	(1,090)
Loss on Marketable Securities		3	-
Gain on Disposal		(115)	-
Unrealized loss (gain) on foreign exchange		10	(29)
Non-cash working capital item changes:			
Receivables		278	349
Prepaid expenses		544	(159)
Inventory		74	(877)
Deferred debt finance cost		54	28
Accounts payable and accrued liabilities		(420)	320
Amounts due to related parties		15	(3)
Net cash used by operating activities		(13,660)	(13,449)
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Gunnison project construction		8	(36)
Mineral properties		(1,187)	(2,520)
Net cash used by investing activities		(1,179)	(2,556)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Lease liabilities		-	(49)
Insurance liabilities	9	(401)	148
Paycheck Protection loan payments		-	(116)
Net proceeds from issuance of shares and warrants		-	23,241
Restricted cash		-	(0)
Net cash (used) provided by financing activities		(401)	23,224
Net change in cash and cash equivalents		(15,240)	7,219
Effect of foreign exchange on cash and cash equivalents		(10)	29
Cash and cash equivalents, beginning of year		20,854	13,606
Cash and cash equivalents, end of period		$ 5,604	$ 20,854
Cash and cash equivalents consist of:			
Cash			
Supplemental cash flow disclosures:			
Interest paid		$ 2,374	$ 2,230

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of United States dollars)

	Capital Stock										
	Number of Common shares		Amount		Other Equity Reserves		Deficit		Accumulated Other Comprehensive Loss		Total
Balance, December 31, 2020	240,235,255	$	89,480	$	11,406	$	(93,194)	$	(829)	$	6,863
Stock option exercises	1,047,345		78		(78)		-		-		-
Stock issuance (see note 10)	33,350,000		19,935		-		-		-		19,935
Restricted share units	203,344		-		30		-		-		30
Share issuance costs	-		(1,448)		-		-		-		(1,448)
Share-based compensation	-		-		837		-		-		837
Loss for the period (restated-see note 2)	-		-		-		(69,653)		-		(69,653)
Balance, December 31, 2021	274,835,944	$	108,045	$	12,195	$	(162,847)	$	(829)	$	(43,436)
Balance, December 31, 2021 (restated-see note 2)	274,835,944	$	108,045	$	12,195	$	(162,847)	$	(829)	$	(43,436)
Share-based compensation	-		-		258		-		-		258
Income for the period	-		-		-		34,879		-		34,879
Balance, December 31, 2022	274,835,944	$	108,045	$	12,453	$	(127,968)	$	(829)	$	(8,299)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. ("Excelsior" or the "Company") was incorporated under the laws of the Province of British Columbia, Canada on June 9, 2005 and trades on the Toronto Stock Exchange under the symbol "MIN". The address of the Company's registered office is Suite 2400, 1055 West Georgia Street, Vancouver, BC, Canada V6E 3P3.

The Company is developing the Gunnison Project in Southeastern Arizona and has engaged in an economic assessment for the restart of the mining from the existing Johnson Camp Mine (JCM) pits which includes the future construction of a new heap leach pad to generate cash flow to continue to support the ramping up to production of the Gunnison project. The Company is moving ahead with the work to advance this strategy.

The consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

During the year ended December 31, 2022 the Company had net income of $34.9 million that included a non-cash gain on the derivatives of $50.0 million and used cash for operating activities of $13.7 million. As at December 31, 2022 the Company had a negative working capital of $9.6 million, including a cash balance of $5.6 million. At December 31, 2022 the Company had certain current financial liabilities which carried financial covenants that may have been breached within the next twelve months due to the project's delay in reaching commercial production.

In support of the Company's plan for JCM sulfide leaching and Gunnison wellfield stimulation trials, on January 30, 2023 the Company and its lender, Nebari Natural Resources Credit Fund I LLP ("Nebari"), executed an amendment to the loan agreement which extends the due date of the $15 million loan advanced by Nebari to March 31, 2025. The amendment also lowers the required $5 million minimum cash balance for the Company to a $2.5 million minimum cash balance.

The Company's cash flow projections indicate that the minimum balance requirement is likely to be breached within the next 12 months unless additional financing is obtained. The amendment to the loan agreement allows a 60 day cure period in the event of a breach of this condition.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the "Stream Agreement"), the Company is required to maintain a leverage ratio of 3.5:1. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). On February 22, 2023 the Company and Triple Flag executed an amendment to the Stream Agreement which suspends the applicability of the leverage ratio until March 31, 2025 (the "Leverage Ratio Grace Period") to accommodate the extension of the Nebari loan due date.

In addition, the Company has entered into agreements for a $3 million private placement of unsecured convertible debentures (see Note 21 Subsequent Events).

Although the Company has taken steps, subsequent to December 31, 2022, to extend the maturity of the Nebari loan and to eliminate or mitigate the risk of certain covenant breaches, there remain conditions that represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through future mining of the existing JCM pits and through a combination of equity, debt and/or other arrangements. However, there can be no assurance that the Company will be able to obtain the necessary financing. The consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

2. BASIS OF PRESENTATION

a. Basis of Preparation and Consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis, except for any financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

All dollar figures are expressed in United States dollars unless otherwise indicated. Canadian dollars are expressed as "CAD$".

b. Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company's involvement with the entity and has the ability to affect those returns through the Company's power over the entity.

The results of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiaries are as follows:

Name	Place of Incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	Arizona, United States	100%	Exploration, evaluation, development and production of mineral property interests
Excelsior Mining Holdings, Inc. ("EM HOLDINGS")	Arizona, United States	100%	Exploration and evaluation of mineral property interests

During 2021 the Company merged its subsidiary Excelsior Mining JCM, Inc. into its subsidiary Excelsior Mining Arizona, Inc. for administrative efficiency.

c. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported.

Critical Judgments

Characterization of the Stream arrangement

As set out in Note 10, the Company applied judgment in determining the characterization of the Stream arrangement for both accounting and tax purposes including the Company's assessment that the partially prepaid sale of copper is currently a derivative liability for accounting purposes. This judgment will be monitored as facts and circumstances change such as the exercise or expiry of the expansion and buyback options and the relationship of the metal deliverable under the arrangement to the Company's actual production.

Evaluation of indicators of impairment

The evaluation of asset carrying values for indicators of impairment requires that Management makes significant judgments in assessing whether changes to certain factors would be considered an indicator of impairment which includes both internal and external factors such as: a reduction in quantity of the recoverable reserves; a reduction in metals prices; increases to forecasted capital and operating costs; and delays to the timing of achieving commercial production. If impairment indicators are identified, impairment testing is required. The recoverable amount of the cash-generating unit to which the assets belong that is used in the impairment testing is determined as the higher of its fair value less costs of disposal and its value in use. During the year ended December 31, 2022, management of the Company determined that there were no indicators of impairment.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

Stream Obligation

The carrying value of the stream obligation represents management's best estimate of the fair value of the arrangement. The fair value incorporates estimates of the Company's construction and expansion plans, production volumes, copper prices, discount rates and applicable tax considerations. (See Note 10)

Asset Retirement Obligation

The Company's provision for reclamation and closure cost obligations represent management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amount of related mining properties. (See Note 11)

Income Taxes

The Company is subject to income taxes in the United States. Significant judgment is required to determine the provision for income taxes. There are assumptions and uncertainties for which the ultimate tax determination is uncertain. The Company recognizes tax-related assets and liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. The final tax outcome could be materially different from tax amounts initially recorded and such differences will impact the current and deferred tax provisions in the period in which the tax outcome is determined. (See Note 16)

d. IAS 16 Amendment restatement

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 16 – Property, Plant and Equipment ("IAS 16"). The amendments introduced 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 Company is applying these amendments beginning January 1, 2022. The amendments were applied retrospectively to the comparative 2021 period presented.

The Company measures the cost of those items applying the measurement requirements of IAS 2. There is an impact of this adoption on the comparative numbers presented for 2021. Previously, in the year ended 2021, proceeds from the sale of copper and related costs from the project that was in development was netted against Mineral properties. Accordingly, numbers as at December 31, 2021, are restated as follows:

(Expressed in thousands of United States dollars)

Consolidated Balance Sheet

	Previously reported	Policy change adjustment	December 31, 2021 restated balance
Inventory	$ 1,250	$ 565	$ 1,815
Property, plant and equipment	133,132	(9,213)	123,919
Other Assets	25,526	-	25,526
Total Assets	$ 159,908	$ (8,648)	$ 151,260
Total Liabilities	$ 194,696	$ -	$ 194,696
Total Equity	(34,788)	(8,648)	(43,436)
Total Liabilities and Equity	$ 159,908	$ (8,648)	$ 151,260

Consolidated Income Statement

	Previously reported	Policy change adjustment	Nine months ended December 31, 2021 *restated balance*
Revenue			
Revenue	$ -	$ (5,033)	$ (5,033)
Cost of sales	-	13,764	13,764
Loss from mine operations	$ -	$ 8,731	$ 8,731
Operating Expenses			
Johnson Camp holding and maintenance cost	$ 102	$ (102)	$ -
Evaluation and permitting	987	169	1,156
Depreciation	241	(150)	91
Other operating expenses	4,917	-	4,917
Total Operating Expenses	$ 6,247	$ (83)	$ 6,164
Total Other Items	$ 54,758	$ -	$ 54,758
Loss and comprehensive Loss for the period	$ 61,005	$ 8,648	$ 69,653
Loss per common share:			
Basic and Diluted	$ 0.23	$ 0.03	$ 0.26

Consolidated Cash Flows

	Previously reported	Policy change adjustment	Year ended December 31, 2021 restated balance
Net cash used by operating activities	$ (4,667)	$ (8,782)	$ (13,449)
Net cash used by investing activities	$ (11,366)	$ 8,810	$ (2,556)
Net cash provided by financing activities	$ 23,252	$ (28)	$ 23,224

e. Inventory

The Company also adopted the following inventory policies coming from the IAS16 Amendment: Inventory is recorded at the lower of cost and net realizable value (NRV). The average COMEX price for Grade A copper cathode for the reporting month is used to determine the NRV of copper cathode in inventory. The copper cathode held as finished goods at month end is shipped and sold the following month.

In-process inventory represents copper in solution that has been extracted from the wellfield and captured in the processing ponds and plant and is currently being converted to copper cathode, the final saleable product. Finished goods inventory is copper cathode that has not yet been sold to the offtaker.

f. Revenue Recognition

The Company's revenue mainly consists of the sales of copper cathode. The Company follows IFRS 15 - *Revenue from Contracts with Customers ("IFRS 15")* to recognize revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer.

Copper cathode revenue is recognized when control is transferred to the customer. The transfer of control occurs when the copper cathode has been assayed, readied for shipment and then loaded onto the means of transport arranged by the customer.

The provisional sales price of Grade 1 copper cathode is determined based on the last known 1st position HG Copper COMEX settlement price at the time of transfer of control. The final sales price of copper cathode is the average HG Copper COMEX settlement price for the month of sale.

g. Financial assets

Management determines the appropriate classification of financial instruments at the time of the purchase and evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified. The Company's investments are categorized as:

- *Financial instruments at fair value through profit or loss* – These include financial instruments designated at fair value through profit or loss at inception and those designated as held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling or repurchasing it in the short term or if so designated by management.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Financial Instruments and Measurement

Financial assets – Classification

Financial assets are classified at initial recognition based on the applicable measurement model: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (loss) ("OCI").

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not subsequently measured at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial liabilities

Financial liabilities are designated as either FVTPL or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable are classified as other financial liabilities and carried on the balance sheet at amortized cost.

Debt is recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition the debt is measured at amortized cost, calculated using the effective interest rate method.

(Expressed in thousands of United States dollars)

Derivative instruments, including embedded derivatives in financial liabilities or non-financial contracts are recorded at FVTPL and, accordingly, are recorded on the consolidated statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The Company's stream obligation and foreign currency warrants to purchase common shares are classified as derivative liabilities.

b. Cash and cash equivalents

Cash and cash equivalents include demand deposits (2022 & 2021 - $45) and short-term investments (Guaranteed Investment Certificate 2022-$2,500 (2021-$8,000)) held at financial institutions in the United States and Canada. Short-term investments consist of redeemable short-term investment certificates with maturities greater than 90 days and less than one year, and readily convertible into a known amount of cash. Cash and cash equivalents exclude cash subject to restrictions and are measured as a financial asset at amortized cost.

c. Material and supplies

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value, less any allowances for obsolescence. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

d. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the reclamation of the asset. The purchase price or construction cost is the fair value of consideration given to acquire the asset.

Depreciation of property, plant and equipment commences when the asset has been fully commissioned and is available for its intended use.

Wellfield, site infrastructure and other tangible assets, including the solvent extraction-electrowinning plant, roads, pipelines and transmission lines are depreciated using a unit-of-production method, which is determined each period based on copper pounds produced over the estimated proven and probable copper reserves of the orebody unless the useful life of the asset is less than the life of the mine.

Depreciation of other site assets, including vehicles, mobile equipment, and buildings are calculated using the straight-line method to allocate the initial cost over their estimated useful lives, as follows:

Asset Class	Estimated useful life
Vehicles	2-5 years
Mobile equipment	2-5 years
Buildings	10-25 years

Depreciation of office equipment and software is based on the declining balance method at various depreciation rates ranging from 20% to 45% over their estimated useful lives.

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

e. Construction in progress

Construction in progress costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the other appropriate category of mineral properties, plant and equipment. No depreciation is recorded until the assets are fully commissioned and available for their intended use.

f. Exploration and evaluation assets

Costs related to the acquisition of exploration and evaluation assets are capitalized. Costs incurred for the exploration and evaluation of mineral properties, prior to the establishment of commercial viability and technical feasibility, are recognized in profit or loss as incurred. Exploration and evaluation assets are assessed for impairment indicators at the end of each reporting period.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a mineral property has been determined, subsequent expenditures are classified as mineral property development costs within mineral properties, plant and equipment and are carried at cost until the properties to which the expenditures are related to are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

g. Impairment of long-lived assets

At the end of each reporting period, management reviews the PP&E to determine whether there are any indications that those assets may be impaired. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal, and its value in use. Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date in an arm's length transaction between knowledgeable and willing parties.

In assessing the recoverable amount, the estimated future pretax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined, net of depreciation, if no impairment loss had been recognized.

h. Asset retirement obligation ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated net present value of the ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related assets. The capitalized amount is amortized over the estimated life of the assets. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is recognized in profit or loss for the period. The ARO can also increase or decrease due to changes in the original estimated undiscounted costs, or changes in the timing of these expenditures. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

i. Income taxes

Income tax expense or benefit for the reporting period includes current and deferred income taxes. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred income tax is recognized using the liability method on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax basis of assets and liabilities. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment of change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

j. Share-based compensation transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and consultants. The Company recognizes share-based compensation expense based on the estimated fair value of the options at the grant date. A fair value measurement for each grant is determined using an option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense with offset to Other equity reserves. This includes a forfeiture estimate, which is revised as necessary based on actual forfeiture rates.

The Other equity reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

Restricted Share Units (each an "RSU") issued to directors, officers and employees require the Company to withhold applicable income tax on exercised and settled amounts with the tax authorities. The fair value of the RSU is recognized over the vesting period of the RSU granted as share-based compensation expenses with offset to RSU liabilities. The

Company's RSU policy allows for a net settlement arrangement, and RSU are classified in their entirety as cash-settled share-based payment transactions.

k. Warrants

The Company recognizes the fair value of all warrants issued, recording the amount as an expense, an addition to a related asset, or a cost of issue of shares, as appropriate. Warrants are measured at the time of issue using an option-pricing model to determine their fair value. Warrants that are equity instruments are not remeasured subsequent to the grant date unless the terms and conditions of the warrants are modified. Warrants that are not share-based payments and are denominated in a currency other than the functional currency of the Company are considered to be a derivative and are recorded at fair value through profit and loss.

l. Foreign currency translation

Items included in the financial statements of the Company and its wholly-owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries is the United States Dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

m. Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the loss attributable to common shareholders, and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, except when the adjustment is anti-dilutive.

n. Leases

Right-of-use assets and lease liabilities are recognized at the commencement date of a lease. Lease liabilities are initially measured at the present value of lease payments to be paid after the lease's commencement date, discounted using the interest rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made on or before the lease's commencement date, plus any initial direct costs incurred and an estimate of decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated, on a straight-line basis, from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability. If a purchase option is expected to be exercised, the asset is amortized over its useful life.

Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if and when there is a change in future lease payments arising from a change in an index or rate, or if and when there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Lease payments for short-term leases, which have a lease term of 12 months or less, leases of low-value assets, which have an underlying asset value, when new, of $5 or less, as well as leases with variable lease payments are recognized as an expense over the term of such leases.

o. Recent accounting pronouncements

Classification of Liabilities as Current or Non-current:

The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estmates and Errors.*

(Expressed in thousands of United States dollars)

Disclosure of Accounting Policies:

The IASB amended IAS 1 to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

The Company is still assessing the impact of these accounting pronouncements on its financial statements.

4. MARKETABLE SECURITIES/LONG TERM RECEIVABLES

On August 24, 2022, the Company entered into a Purchase and Sale Agreement with Intrepid Metals Corp. and Intrepid Metals (USA) Corp. ("Purchasers") for the sale of an exploration property and its related property data, located in Cochise County south of the Gunnison and JCM sites. The exploration property was non-core and not contiguous to Gunnison or JCM. The property had a nil carrying value and the gain on the sale was recorded in other (income) loss. In consideration for the sale the Purchasers will pay an aggregate of $70 and issue 750,000 Purchaser shares as follows:

- Pay $30 in cash and issue 250,000 Purchaser shares at closing date, 08/30/2022.
- Issue 250,000 Purchaser shares on or prior to the date that is 12-months from the Closing Date.
- Issue 250,000 Purchaser shares on or prior to the date that is 18-months from the Closing Date.
- Pay $40 in cash on or prior to the date that is 18-months from the Closing Date.

5. INVENTORY

At the end of December 31, 2022 the company recorded a write-down of $1,113 (2021- $860) to adjust the copper inventory value to NRV.

The summary for inventory as at December 31, 2022 and December 31, 2021 are summarized below.

	December 31, 2022	December 31, 2021 *restated - see note 2*
Materials & Supplies	**1,073**	1,250
Copper in Solution	**372**	432
Finished goods	**296**	133
Inventory	**1,741**	1,815

The amount of inventories recognized in cost of sales during the year ended December 31, 2022 were $2,462 (2021- $2,039).

(Expressed in thousands of United States dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Land & Mineral Properties	Plant	Vehicles & Mobile Equipment	Office Equipment & Capitalized Leases	Construction in Progress	Total
Cost						
At January 1, 2021	18,186	12,242	584	752	82,535	114,299
Additions	11,753	-	-	498	(1,058)	11,193
Change in Asset Retirement Obligation Estimate	9,714	-	-	-	-	9,714
Disposals	-	-	-	(241)	-	(241)
Adjustment (see note 2)	(9,213)	-	-	-	-	(9,213)
At December 31, 2021	30,440	12,242	584	1,009	81,477	125,752
Accumulated Depreciation						
At January 1, 2021	(824)	(57)	(317)	(630)	-	(1,828)
Depreciation	-	(23)	(82)	(136)	-	(241)
Disposals	-	-	-	236	-	236
At December 31, 2021	(824)	(80)	(399)	(530)	-	(1,833)
Net carrying amount	**29,616**	**12,162**	**185**	**479**	**81,477**	**123,919**
Cost						
At January 1, 2022	30,440	12,242	584	1,009	81,477	125,752
Additions	1,187	-	-	-	(8)	1,179
Change in Asset Retirement Obligation Estimate	(17,318)	-	-	-	-	(17,318)
Disposals	-	-	-	-	-	-
At December 31, 2022	14,309	12,242	584	1,009	81,469	109,613
Accumulated Depreciation						
At January 1, 2022	(824)	(80)	(399)	(530)	-	(1,833)
Depreciation	-	(23)	(82)	(115)	(101)	(321)
Disposals	-	-	-	-	-	-
At December 31, 2022	(824)	(103)	(481)	(645)	(101)	(2,154)
Net carrying amount	**13,485**	**12,139**	**103**	**364**	**81,368**	**107,459**

(Expressed in thousands of United States dollars)

7. RESTRICTED CASH

As of December 31, 2022, the Company has restricted cash deposits of $3,311 (December 31, 2021 - $3,311) as collateral to secure the issuance of bonds.

Restricted cash of $3,082 deposited in 2018 included $444 for a reclamation bond as part of the Mined Land Reclamation Plan for the JCM and $2,638 for the Class III Underground Injection Control Area Permit, required by the United States Environmental Protection Agency. In addition, $222 was deposited prior to 2018 as collateral to secure the issuance of surety bonds.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Trade payables	$ 446	$ 921
Accrued liabilities	602	391
Employee-related accruals	210	275
	$ 1,258	1,587

Trade payables include the Company's obligations to suppliers of goods or services acquired on trade credit for goods received or services provided that have been invoiced but not yet paid. Accrued liabilities and employee-related accruals include estimated amounts for goods or services received but not yet invoiced by the supplier, as well as obligations that increase throughout the year and are settled at points in time.

9. INSURANCE FINANCING

In May and December of 2021, the Company entered into three Commercial Premium Finance Agreements ("Agreements") to finance $469, $387, and CAD$110 to pay for insurance premiums. The Agreements bear interest at a rate of 4.75%, 5.25%, and 8.34%, respectively per annum, payable monthly with a term of nine, eleven, and eight months, respectively. As of December 31, 2022, the Company had paid all three agreements in full.

In June of 2022, the Company entered into a Commercial Premium Finance Agreement to finance $483 to pay for insurance premiums. The agreement bears interest at a rate of 5.5% per annum, payable monthly with a term of eleven months. As of December 31, 2022, the Company had paid $316 of the principal.

10. DERIVATIVE LIABILITIES

On October 30, 2018 the Company entered into an agreement for a $75,000 project financing package (collectively, the "Financing") with Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") for the purposes of developing the Gunnison Project. The Financing consisted of a $65,000 copper metal stream (the "Stream") and a concurrent $10,000 private placement of common shares of Excelsior (the "Equity Placement").

Under the terms of the metals purchase and sale agreement (the "Stream Agreement") between Triple Flag and Excelsior and its subsidiaries, Excelsior Arizona and Excelsior JCM, Triple Flag paid $65,000 against the future sale and delivery by Excelsior Arizona of a percentage of the refined copper production from the Gunnison Project. Excelsior will sell to Triple Flag a percentage of refined copper at a price equal to 25% of the copper spot price. The exact percentages of copper production to be sold to Triple Flag varies according to the total production capacity, based on a sliding scale.

The percentages applicable at certain production levels are detailed in the table below.

Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit	16.50%	5.75%	3.50%

Following a decision by Excelsior to expand the production capacity, Triple Flag will have the option to invest a further $65,000 in exchange for an increase in its entitlement to copper under the Stream ("Expansion Option"). In an amendment to the Triple Flag agreement that was executed on December 22, 2021 the Company and Triple Flag agreed to remove the right to buy-down the stream percentage.

(Expressed in thousands of United States dollars)

The table below shows the range of percentage of production to be purchased by Triple Flag based on specified production levels based on various scenarios that include Triple Flag's Expansion Option. Actual amounts will be calculated within the range, based on the proven production history.

Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit + Expansion Option	16.50%	11.00%	6.60%

The stream obligation and share purchase warrants are recorded at fair value at each statement of financial position date as the Company has determined that the stream obligation and the share purchase warrants are derivative liabilities carried at FVTPL.

As at December 31, 2022 the fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve, the long-term copper price volatility of 25.85% (December 31, 2021 – 25.11%), a discount rate which factors in the Company's credit spread of 8.55% (December 31, 2021 – 7.48%) (see note 19 for sensitivity analysis), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

On November 30, 2018, pursuant to the Project Financing, the Company issued 3.5 million share purchase warrants at an exercise price of CAD$1.50 per share and exercisable into 3.5 million common shares of the Company until November 30, 2023. Effective January 11, 2022 the exercise price was adjusted to CAD$0.54 per share. The Company determined that the share purchase warrants are derivative liabilities.

On February 22, 2021 the Company issued an additional 33.35 million share purchase warrants as part of a bought deal Unit offering. The Units consisted of 1 (one) share of the Company's common stock and 1 (one) share purchase warrant. The warrants had an exercise price of CAD $1.25 per share and were exercisable into 33.35 million common shares of the Company until August 22, 2022. The warrants have expired.

<u>Share purchase warrants – Triple Flag</u>

As of December 31, 2022, the Company recorded the fair value of the share purchase warrants issued based on a Black-Scholes-Merton option-pricing model with the following assumptions:

- Underlying Share Price – CAD$ 0.16 (December 31, 2021 – CAD$ 0.41)
- Maturity Date – November 30, 2023
- Strike Price – CAD$ 0.54
- Volatility – 69.9% (December 31, 2021 – 63%)
- USD/CAD Exchange Rate - $0.7378 (December 31, 2021 - $0.7912)

(Expressed in thousands of United States dollars)

The following table summarizes the fair value of the derivative liabilities during the year ended December 31, 2022 and 2021:

	Stream	Warrants	Total
Fair value at December 31, 2020	**$ 89,663**	**$ 809**	**$ 90,472**
Loss (gain) during the year	61,245	(5,036)	56,209
Addition	-	5,024	5,024
Issuance cost	-	(347)	(347)
Fair value at December 31, 2021	**$ 150,908**	**$ 450**	**$ 151,358**
Loss (gain) during the period	(49,614)	(442)	(50,056)
Fair value at December 31, 2022	**$ 101,294**	**$ 8**	**$ 101,302**

At December 31, 2022, the current portion of the derivative liabilities is $391 based upon the production schedule and other inputs used in the valuation.

11. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation ("ARO") represents management's best estimate of the present value of costs that are expected to be incurred for mine closure and reclamation and rehabilitation costs for the JCM and the Gunnison Project. Based on the current projected mine life of the Gunnison Project, these costs and activities are not expected to begin until approximately 30 years after the start of operation on the Gunnison Project. The Company reviewed the closure requirements under existing permits and the assumptions used in the present value calculation and adjusted the obligation to $8,245 as of December 31, 2022. The update resulted in a net decrease of $16,715 from the ARO at December 31, 2020 of $24,960.

As of December 31, 2022, the estimated undiscounted JCM reclamation obligation is $12,119 (2021 - $12,119) and the estimated undiscounted Gunnison Project reclamation obligation is $2,903 (2021 - $2,903). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as of December 31, 2022, the Company used an inflation rate of 2.0% (2021 – 3.56%) and a discount rate of 3.97% (2021 – 1.9%) in calculating the present value of the obligation. The current inflation rate used is based on target inflation rates set by the Federal Reserve and changes in current inflation indices was used in 2021. The discount rate is based on the 30-year treasury bond index.

A 0.5% increase in the inflation rate would increase the ARO by $1,366, whereas a 0.5% decrease in the inflation rate would decrease the amount by $1,176,

A 0.5% increase in the discount rate would decrease the ARO by $1,151, whereas a 0.5% decrease in the discount rate would increase the amount by $1,345.

Changes in the ARO for the years ended December 31, 2022 and 2021 are summarized below.

Asset Retirement Obligation	December 31, 2022	December 31, 2021
Balance, beginning of period	**$ 24,960**	**$ 14,955**
Change in estimate	(17,318)	9,714
Accretion expense	603	291
Balance, end of period	**$ 8,245**	**$ 24,960**

(Expressed in thousands of United States dollars)

12. DEBT

Nebari Credit Facility

On October 31, 2019, the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP ("Nebari") for a $15,000 credit facility (the "Credit Facility"). The Credit Facility was fully drawn by May 31, 2020. For the year ended December 31, 2022, the Company capitalized Nebari interest expenses of $1,080 (2021 - $2,188).

On December 22, 2021, the Company entered into an Amended and Restated Credit Agreement ("ARCA) with Nebari to extend the maturity of the Credit Facility to September 29, 2023. The interest rate charged on the outstanding balance continues at 14.2%. The ARCA includes an upward interest rate supplement that is calculated as the excess of the 3 month LIBOR rate over 1.5% and is determined on the first day of each month through January 30, 2023. The rate supplement after January 30, 2023 is the sum of the forward-looking secured overnight financing rate (administered by CME Group Benchmark Administration Limited or a successor administrator) for a tenor of 3 months plus 0.26161%. The amendment includes a repayment bonus to Nebari of 3% ($450) of the amount drawn on the credit facility due at the repayment date. The amendment to the loan agreement requires the Company to maintain a $5 million minimum cash balance allowing a 60 day cure period in the event of a breach of this condition. Nebari also offered an additional $15 million loan, available in three tranches, and subject to Nebari completing satisfactory due diligence on the JCM Pit restart and plans for and actual production improvements on the existing wellfield. The availability period for the first $5 million tranche (fourth tranche) of this additional loan was to end on June 30, 2022; however, on May 31, 2022 Nebari extended the availability of the fourth tranche to December 31, 2022, but has now expired. The transaction has been accounted for as a modification of the existing credit facility agreement and the carrying amount of the liability was adjusted to the present value of the cash flows under the amended agreement.

Credit Facility	**December 31, 2022**		**December 31, 2021**	
Proceeds	$	15,000	$	15,000
Bonus Repayment		450		450
Less: unamortized transaction costs		(45)		(99)
Balance, end of period	**$**	**15,405**	**$**	**15,351**

13. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of non-voting common shares with no par value. As of December 31, 2022, there were 274,835,944 common shares outstanding and nil non-voting common shares outstanding. There was no share activity during the year ended December 31, 2022.

On February 22, 2021, the Company closed a "bought deal" public offering of units of the Company (the "Units") with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units consisting of one common share and one common share purchase warrant at a price of CAD$0.95 (US$0.75) per Unit for gross proceeds of CAD$31,683 (US$24,959). The warrants have expired.

Transaction costs related to the public offering were approximately CAD$2,279 (US$1,796) and resulted in net proceeds to the Company of CAD$29,404 (US$23,163).

There were no dilutive shares for the year ended December 31, 2022 (2021 – nil).

Stock Options

The Company's stock option plan (the "Plan") provides for the grant of incentive stock options to directors, officers, employees and consultants of the Company. The Plan reserves for issuance, along with the Company's other Share-Based Compensation Plans a maximum of 10% of the issued and outstanding Common Shares at the time of a grant of options.

(Expressed in thousands of United States dollars)

Options granted under the Plan have a maximum term of ten years. The exercise price of the options is determined by the Board of Directors and is not less than the closing price of the common shares on the last trading day prior to the date the options are granted. The vesting terms are at the Board of Directors' discretion.

The Plan is an evergreen plan which provides that if any option has been exercised, then the number of common shares into which such option was exercised shall become available to be issued upon the exercise of options subsequently granted under the Plan. The Plan will operate in conjunction with the Restricted Share Unit Plan (the "RSU Plan") and the Performance Share Unit Plan (the "PSU Plan"). The Stock Option Plan, RSU Plan and PSU Plan are collectively referred to as the "Security-Based Compensation Plans".

The following is a summary of stock option activity for the years ended December 31, 2022 and 2021:

	Number of Options	Weighted Average Exercise Price (CAD$)
Outstanding, December 31, 2020	**16,840,000**	$ 0.85
Granted	2,120,000	$ 0.63
Exercised	(212,766)	$ 0.47
Expired	(350,000)	$ 0.97
Forfeited	(750,000)	$ 0.95
Outstanding, December 31, 2021	**17,647,234**	$ 0.82
Granted	900,000	$ 0.27
Expired	(537,234)	$ 1.05
Forfeited	(512,500)	$ 0.97
Outstanding, December 31, 2022	**17,497,500**	$ 0.78
Exercisable, December 31, 2022	**15,533,750**	$ 0.81

During the year ended December 31, 2022, no stock options were exercised.

(Expressed in thousands of United States dollars)

As at December 31, 2022, the following stock options were outstanding and exercisable:

Outstanding	Exercisable		Exercise Price CAD$	Remaining life (years)	Expiry Date
100,000	100,000	CAD$	1.00	0.02	January 8, 2023
200,000	200,000	CAD$	1.02	0.02	January 8, 2023
300,000	225,000	CAD$	0.74	0.02	January 8, 2023
100,000	25,000	CAD$	0.27	0.02	January 8, 2023
100,000	100,000	CAD$	1.25	0.15	February 22, 2023
150,000	150,000	CAD$	1.29	0.27	April 9, 2023
4,330,000	4,330,000	CAD$	1.00	0.84	November 2, 2023
600,000	600,000	CAD$	0.60	0.92	December 3, 2023
12,500	12,500	CAD$	0.27	0.92	December 3, 2023
3,045,000	3,045,000	CAD$	1.02	1.24	March 26, 2024
200,000	200,000	CAD$	0.96	1.95	December 10, 2024
210,000	210,000	CAD$	1.12	2.08	January 28, 2025
1,480,000	1,480,000	CAD$	0.48	2.23	March 24, 2025
3,850,000	3,850,000	CAD$	0.60	2.29	April 15, 2025
800,000	-	CAD$	0.73	2.62	August 12, 2025
100,000	100,000	CAD$	0.80	2.64	August 19, 2025
235,000	176,250	CAD$	0.82	3.19	March 8, 2026
300,000	225,000	CAD$	0.74	3.25	March 31, 2026
635,000	317,500	CAD$	0.41	4.00	December 31, 2026
750,000	187,500	CAD$	0.27	4.34	May 2, 2027
17,497,500	15,533,750				

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for the risk-free interest rate, dividend yield, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. The Company recognized share-based compensation costs of $145 for the year ended December 31, 2022 (2021 - $855) of which $24 (2021 – $77) was included in cost of sales.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Risk-free interest rate	2.79%	1.04%
Dividend yield	0.00%	0.00%
Volatility	54.75%	54.42%
Expected life of options	5.0 years	4.47 years
Forfeiture rate	12.38%	12.38%

Restricted Share Units

The Company's RSU Plan, adopted on June 28, 2018, provides for the grant of restricted shares to employees, consultants, officers, and directors of the Company. An individual restricted share unit will have the same value as one common share. The number of RSUs awarded, and its associated vesting terms, are determined at the discretion of the Board of Directors. The maximum aggregate number of common shares issuable to participants at any time pursuant to the RSU Plan, together with all other Security-Based Compensation Plans of the Company, may not exceed 10% of the currently issued and outstanding common shares of the Company at the time of a grant of the RSU.

(Expressed in thousands of United States dollars)

Upon each vesting date, participants receive the issuance of common shares from treasury equal to the number of RSUs vesting, or a cash payment equal to the number of vested RSUs multiplied by the fair market value of a common share, calculated as the closing price of the common shares on the TSX for the trading day immediately preceding such payment date; or a combination thereof. The RSU Plan is considered a cash-settled award plan, therefore, the RSU Plan is classified as a liability, and is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The fair value of RSUs is estimated based on the quoted market price of the Company's common shares on the last day of the reporting period.

A summary of the activity related to the Company's RSUs for the year ended December 31, 2022 and 2021 is provided below.

Restricted Share Units	
Balance, December 31, 2020	**2,016,092**
Exercised	(242,692)
Granted	50,000
Balance, December 31, 2021	**1,823,400**
Exercised	-
Granted	-
Balance, December 31, 2022	**1,823,400**

At December 31, 2022, the fair value of outstanding RSUs was revalued which decreased the balance by $112 (December 31, 2021 increased by $135), which were classified as share-based compensation costs.

14. EXPENSES BY NATURE

	Twelve months ended December 31,	
	2022	2021
Direct mining costs	**6,449**	8,446
Royalties and selling costs	**761**	903
Employee compensation and benefits	**3,376**	4,188
Share-based compensation	**24**	77
Depreciation	**149**	150
Cost of Sales	**10,759**	**13,764**

15. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below.

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and President, SVP Business Development, former SVP/Chief Financial Officer, current Interim Chief Financial Officer, SVP/GM, and Corporate Secretary.

(Expressed in thousands of United States dollars)

Remuneration attributed to key management personnel is summarized as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
Salaries, fees and benefits	$	2,117	$	1,875
Share-based compensation		307		806
Total	$	2,424	$	2,681

Salaries, fees and benefits to key management includes all salaries, bonuses, fees, and other employment benefits, pursuant to contractual employment agreements, consultancy or management services arrangements.

Other Related Parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, a Director of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amounts shown in the table below represent amounts paid and accrued to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company.

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a Director of the Company. Kinley provides certain technical services regarding project preparation and development to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount shown in the table below represents amounts paid to Kinley as reimbursement for legal fee expenses incurred by Kinley.

Transactions with related parties other than key management personnel included the following:

	Year ended December 31, 2022		Year ended December 31, 2021	
King & Bay	$	40	$	178
Kinley		96		100
Total	$	136	$	278

As of December 31, 2022, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - $124 (December 31, 2021 - $95)
- King & Bay - $0 (December 31, 2021 - $14)

(Expressed in thousands of United States dollars)

16. INCOME TAXES

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

		December 31, 2022		December 31, 2021
Loss for the year	$	34,879	$	(61,005)
Combined federal and state income tax rates		24.87%		24.87%
Income tax recovery based on the above rate	$	8,675	$	(15,173)
Increase due to:				
Non-deductible costs		-		(1,252)
Income tax benefits not recognized		(8,675)		16,425
Income tax expense (recovery)	$	-	$	-

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

		December 31, 2022		December 31, 2021
Non-capital losses - US	$	18,416	$	7,098
Non-capital losses - State		2,737		-
Non-capital losses - Canada		5,657		4,528
Capital Assets - Federal		(6,930)		-
Capital Assets - State		1,047		-
Exploration and evaluation assets		5,193		3,950
Asset retirement obligation		1,735		5,015
Stock based compensation		1,669		-
Stream obligation		25,193		16,166
Accounts pyabale		62		-
Unrealzied FX		(8)		-
Marketable Securities		2		-
Accounts pyabale		(1,374)		-
Other		-		1,696
Capital Leases		99		-
Net deferred tax assets	$	53,498	$	38,454

(Expressed in thousands of United States dollars)

Deductible (taxable) temporary differences for which deferred taxes have not been recognized:

		December 31, 2022		December 31, 2021	Expiry Date
Non-capital losses - US	$	87,694	$	75,037	Unlimited
Non-capital losses - State		70,707		-	2039
Non-capital losses - Canada		20,951		16,770	2025 to 2040
Capital Assets - Federal		(32,997)		-	Unlimited
Capital Assets - State		27,055		-	Unlimited
Exploration and evaluation assets		20,879		15,881	2039 to unlimited
Asset retirement obligation		6,975		20,164	Unlimited
Stock based compensation		6,709		-	
Stream obligation		101,294		65,000	
Accounts payable		251		-	
Unrealized FX		(32)		-	
Marketable Securities		8		-	
Other		(5,524)		6,821	
Capital Leases		400		-	
Net deductable (taxable) temporary differences	$	304,370	$	199,673	

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

The Company recognized deferred tax liabilities in the amount of ($6,938), deferred tax assets in the amount of $6,938, and did not recognize deferred tax assets in the amount of $53,498. Deferred tax assets are recognized to the extent of deferred liabilities and for tax loss carryforwards and other temporary differences to the extent that it is more-likely-than-not that the Company would realize the related tax benefit through future taxable profits. The Company has determined that it is not more-likely-than-not that the Company would have sufficient future taxable profits to realize the benefit of the deferred tax assets.

17. SEGMENTED INFORMATION

The Company operates in one reportable operating segment in North America. The Company's property, plant and equipment is primarily all in the United States.

18. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available to the Company, in order to support the acquisition, exploration and evaluation, 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.

In the management of capital, the Company considers components of equity and debt.

The properties in which the Company currently has an interest are in the development and production ramp up stage. The Company has previously obtained financing for the development and construction and ramp up activities of the Gunnison Project in the form of the Stream and Equity Placement discussed in note 8 and debt discussed in note 10. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In accordance with the Amended and Restated Credit Agreement ("ARCA") signed with Nebari on December 22, 2021 the Company is required to maintain a minimum cash balance of $5,000 (lowered to $2,500 in 2023). The minimum cash balance is defined in the ARCA to include cash and cash equivalents, plus accounts receivable from the sale of copper cathode and copper cathode inventory as reported on the Company's balance sheet. In the event that the minimum cash balance is less than $5,000 (lowered to $2,500 in 2023) at any monthly reporting date then there is a 60-day cure period allowed.

19. FINANCIAL INSTRUMENTS

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Risk management is the responsibility of management and is carried out under policies approved by the Board of Directors. Material risks are monitored and are regularly discussed with the Audit Committee and Board of Directors.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Company's cash flows or value of its financial instruments.

Currency risk

The Company is subject to currency risk on financial instruments which are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses relating to these financial instruments would impact earnings (loss).

The Company is exposed to currency risk through cash and cash equivalents, accounts payable and accrued liabilities which are denominated in CAD$. The balances in these accounts are not significant, therefore, the Company's exposure to currency risk is considered minimal. The Company has not hedged its exposure to currency fluctuations at this time.

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal. The Company's outstanding debt obligations are at fixed interest rates and accounted for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates.

A 1% increase in the interest rate would decrease the value of the stream obligation by $8,267, whereas a 1% decrease in the interest rate would increase the value of the stream liability by $10,517.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for copper. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation, and political and economic conditions. The financial instrument impacted by commodity prices is the Stream obligation.

A 10% increase in the market price of copper would increase derivative liabilities by $13,536, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by $11,014.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, and restricted cash.

(Expressed in thousands of United States dollars)

The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-quality North American financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations. See note 1.

The Company has the following guaranteed commitments and contractual obligations as of December 31, 2022:

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts Payable and Accrued Liabilities	$ 1,258	$ 1,258	$ -	$ -	$ -
Lease Liabilities	399	97	302	-	-
Insurance Liabilities	181	181	-	-	-
Debt	15,405	15,405	-	-	-
Total Contractual Obligations	$ 17,243	$ 16,941	$ 302	$ -	$ -

As of December 31, 2022, the Company has cash and cash equivalents of $5,604 to settle current liabilities of $17,602 (see Note 21 Subsequent Events as the debt has been extended and no longer current).

Fair value estimation

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company is able to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities, debt and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments. Derivative liabilities are Level 3.

20. LEGAL

On November 3, 2021 the Company became aware of a civil claim filed against the Company and certain of its officers and directors in the Supreme Court of British Columbia by MM Fund (the "Action"). The plaintiff seeks certification of the Action as a class proceeding on behalf of a class of all persons and entities, wherever they may reside or may be domiciled, who purchased the securities of the Company offered by the Company's Prospectus Supplement dated and filed on February 12, 2021 (the "Prospectus").

The plaintiff alleges that the Prospectus contained misrepresentations related to the Company's anticipated timeline to achieve a production rate of 25 million pounds per annum. The plaintiff alleges that as a result of the misrepresentations in the Prospectus, the securities of the Company were sold to the public at an artificially inflated price. The plaintiff seeks an order certifying the Action as a class proceeding, a declaration the Prospectus contained a misrepresentation, unspecified damages, pre- and post-judgment interest and costs.

The Company contends the allegations made against it in the Action are meritless and will be vigorously defended, although no assurance can be given with respect to the ultimate outcome of the Action.

On September 1, 2022, the British Columbia Supreme Court granted the application by the Company to strike MM Fund's certification application and further ordered MM Fund to remove all pleadings relating to advancing a class proceeding against the Company. The Company was awarded its costs of the application in any event of the cause. MM Fund's action may continue as an individual claim; however, subject to appeal, MM Fund has been found to be incapable of advancing the action as a class proceeding. Subsequently on September 26, 2022, MM Fund appealed this ruling to the British Columbia Supreme Court.

21. SUBSEQUENT EVENTS

1. On January 30, 2023 the Company announced that it has agreed with Nebari Natural Resources Credit Fund I LP to extend the maturity date of its existing US$15 million credit facility to March 31, 2025.

2. On February 9, 2023 the Company closed on a USD$3 million private placement of unsecured convertible debentures (the "Debenture Offering"). Pursuant to the Debenture Offering, investors subscribed for a total of USD$3 million principal amount of convertible debentures (the "Debentures"). The terms of the Debentures include:

- a maturity date of three years from the date of closing (the "Maturity Date"), with the principal amount, together with any accrued and unpaid interest, payable on the Maturity Date, unless earlier converted in accordance with the terms;
- the Debentures bear interest (the "Interest") at the rate of 10% per annum, which Interest will be payable on April 1, 2025 and on the Maturity Date, unless earlier converted into common shares of the Company ("Common Shares");
- the principal amount of the Debenture is convertible into Common Shares at the option of the holder at a conversion price of USD$0.19 per Common Share;
- the accrued and unpaid Interest is convertible into Common Shares at a conversion price equal to the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days prior to the date of conversion; and
- the Debentures are unsecured.