KORE MINING LTD.

Consolidated Financial Statements

December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
KORE Mining Ltd.

Opinion

We have audited the accompanying consolidated financial statements of KORE Mining Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The accompanying consolidated financial statements of the Company as of December 31, 2021, and for the year then ended was audited by other auditors whose report thereon dated April 27,2022, expressed an unmodified opinion on those consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $4,216,603 during the year ended December 31, 2022, and the Company's accumulated net loss since inception of $21,442,045. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

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Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 21, 2023

KORE MINING LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	December 31, 2022	December 31, 2021
		$	$
Current assets			
Cash and cash equivalents		**743,336**	3,592,702
Accounts receivable		**227,848**	186,970
Prepaid expenses		**92,433**	125,818
Total current assets		**1,063,617**	3,905,490
Non-current assets			
Deposits	6	**239,334**	230,985
Equipment	7	**139,820**	323,187
Mineral properties	8	**1,878,284**	1,755,089
Total non-current assets		**2,257,438**	2,309,261
Total assets		**3,321,055**	6,214,751
Current liabilities			
Accounts payable	11	**672,853**	745,695
Lease liability	9	**78,341**	215,657
Total liabilities		**751,194**	961,352
Shareholders' equity			
Share capital	10	**19,416,853**	18,721,695
Warrants		**1,477,505**	1,353,652
Reserves		**3,082,196**	2,531,798
Accumulated deficit		**(21,442,045)**	(17,225,442)
Accumulated other comprehensive income (loss)		**35,352**	(128,304)
Total shareholders' equity		**2,569,861**	5,253,399
Total shareholders' equity and liabilities		**3,321,055**	6,214,751

Going concern	2
Subsequent events	16

Approved by the Board of Directors:

"James Hynes" — Director

"RJ MacDonald" — Director

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

(Expressed in Canadian dollars except for number of shares)

	Note	**For the year ended December 31, 2022 $**	For the year ended December 31, 2021 $
Expenses			
Depreciation		**192,224**	125,977
Exploration and evaluation expenses	8	**1,084,586**	3,385,880
General and administration		**566,471**	658,632
Management fees and wages	11	**976,409**	1,682,307
Marketing and professional fees		**795,910**	1,945,831
Share-based payments net of forfeitures	10	**589,015**	1,206,463
		(4,204,615)	(9,005,090)
Other income (expense)			
Foreign exchange gain (loss)		**4,126**	(48,026)
Interest and finance income		**8,184**	19,540
Interest expense		**(24,298)**	(26,164)
Gain on distribution of Karus Gold		**-**	9,355,106
Net (loss) income for the year		**(4,216,603)**	295,366
Item that may be subsequently reclassified to net (loss)			
Cumulative translation adjustment		**163,656**	(38,047)
Comprehensive (loss) income for the year		**(4,052,947)**	257,319
Basic and diluted (loss) income per common share		**(0.03)**	0.00
Weighted average number of common shares outstanding - basic		**126,166,881**	110,753,420
Weighted average number of common shares outstanding - diluted		**126,166,881**	115,620,067

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

KORE MINING LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	**For the year ended December 31, 2022 $**	For the year ended December 31, 2021 $
CASH USED IN OPERATING ACTIVITIES			
(Loss) income for the year		**(4,216,603)**	295,366
Items not involving cash:			
Depreciation		**192,224**	125,977
Gain on distribution of Karus Gold	5	**-**	(9,355,106)
Interest expense		**24,298**	26,164
Share-based payments net of forfeitures	10	**589,015**	1,206,463
Changes in non-cash working capital items:			
Amounts receivable		**(40,878)**	(92,901)
Prepaid expenses and advances		**33,991**	146,278
Deposits		**-**	(18,639)
Accounts payable		**(72,800)**	(588,657)
		(3,490,753)	(8,255,055)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(163,894)**	(104,895)
Proceeds from equity financing	10	**864,970**	8,028,098
Proceeds from the exercise of options		**70,000**	88,583
Issuance costs		**(154,576)**	(836,409)
Repayment of Karus Gold loan	5	**-**	500,000
Loan to Karus Gold	5	**-**	(500,000)
		616,500	7,175,377
INVESTING ACTIVITIES			
Bond for mineral properties		**-**	(116,812)
Equipment additions		**-**	(112,183)
		-	(228,995)
Impact of changes in foreign exchange on cash and cash equivalents		**24,887**	(4,986)
Change in cash		**(2,849,366)**	(1,313,659)
Cash at beginning of the year		**3,592,702**	4,906,361
Cash at end of the year		**743,336**	3,592,702
Supplemental cash flow information:			
Acquisition of office lease		**-**	190,049
Distribution of assets to Karus Gold	5	**-**	10,435,000
Issuance of warrants as issuance costs		**123,853**	121,547
Exercise of restricted share units		**-**	27,277

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

(Expressed in Canadian dollars unless otherwise noted)

		Common Shares						
	Note	**Number**	**Amount $**	**Warrants $**	**Reserves $**	**Accumulated deficit $**	**Accumulated other comprehensive income (loss) $**	**Total Equity $**
December 31, 2020		106,074,912	22,220,248	1,053,620	1,281,542	(17,520,808)	(90,257)	6,944,345
Units issued		8,422,000	7,664,020	364,078	-	-	-	8,028,098
Issuance costs		-	(893,910)	(64,046)	121,547	-	-	(836,409)
Exercise of options		316,668	139,060	-	(50,477)	-	-	88,583
Exercise of restricted share units		15,767	27,277		(27,277)	-	-	-
Distribution of Karus Gold Corp.	5	-	(10,435,000)	-	-	-	-	(10,435,000)
Share-based payments	10	-	-	-	1,206,463	-	-	1,206,463
Net income for the year		-	-	-	-	295,366	-	295,366
Other comprehensive loss		-	-	-	-	-	(38,047)	(38,047)
December 31, 2021		114,829,347	18,721,695	1,353,652	2,531,798	(17,225,442)	(128,304)	5,253,399
Exercise of options		500,000	108,617	-	(38,617)	-	-	70,000
Rights offering	10	86,497,010	864,970	-	-	-	-	864,970
Share issuance costs		-	(278,429)	123,853	-	-	-	(154,576)
Share-based payments net of forfeitures	10	-	-	-	589,015	-	-	589,015
Net loss for the year		-	-	-	-	(4,216,603)	-	(4,216,603)
Other comprehensive income		-	-	-	-	-	163,656	163,656
December 31, 2022		201,826,357	19,416,853	1,477,505	3,082,196	(21,442,045)	35,352	2,569,861

1. NATURE OF OPERATIONS

KORE Mining Ltd. ("KORE" or the "Company") is an exploration and development stage company that trades on the TSX Venture Exchange ("TSXV") under the symbol 'KORE'. The Company is focused on the exploration and development of its California gold projects, Imperial and Long Valley. In January 2021, the Company transferred its Canadian exploration projects to Karus Gold Corp ("Karus Gold") in exchange for shares of Karus Gold which were then distributed to shareholders of the Company (Note 5). The Company's registered office is located at Suite 2500, 700 West Georgia Street, Vancouver BC V6C 3E8.

The Company is in the process of exploring and evaluating its mineral resource properties and has not yet determined whether these properties contain economically recoverable mineral reserves. The recoverability of the amounts capitalized to mineral properties is ultimately dependent upon the existence of economically recoverable ore reserves and resources, securing and maintaining title and/or beneficial interest in the properties, obtaining necessary financing to continue to explore, evaluate and develop the properties, and upon future profitable production or proceeds from disposition of such properties. The amounts shown as mineral properties represent costs incurred in acquiring the properties, and do not necessarily represent current or future fair values.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at December 31, 2022, the Company had a working capital of $312,423 (current assets less current liabilities) and has incurred net losses since inception of $21,442,045. For the year ended December 31, 2022, the Company used cash flows in operations of $3,490,753 (2021 - $8,255,055).

The Company's ability to continue to carry out its planned exploration and development activities for at least the next twelve months is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. Over the past two fiscal years, the Company has raised in excess of $7.9 million from equity financings, net of issuance cost. Although the Company continues to work towards financing its operations, there is no assurance that any such initiatives will be sufficient and, as a result, this material uncertainty may give rise to significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. The summary of accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements have been authorized for issue by the Board of Directors of the Company on April 19, 2023.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as listed below. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when there are existing rights that give the Company the ability to direct the activities that significantly affect the investee's returns. The results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Incorporation Jurisdiction	Percentage Ownership	Principal Activity
Imperial USA Corp.	Nevada, USA	100%	Mineral Property Exploration & Development
Imperial Gold Corporation	Nevada, USA	100%	Holding Company
Kore USA Ltd.	Nevada, USA	100%	Mineral Property Exploration & Development
1184938 BC Ltd.	BC, Canada	100%	Holding Company

All intercompany balances and transactions have been eliminated on consolidation.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. The statements are presented in Canadian dollars unless otherwise noted.

Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical Judgments

The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

Significant Estimates

During the year ended December 31, 2021, the Company was required to make an estimate of the value of the shares of Karus Gold distributed to shareholders of the Company. Karus Gold is not publicly listed and had no observable market price to derive a fair value. Management relied on a number of factors, including third-party valuation report, similar projects and recent transactions, comparable land packages and valuation of publicly traded entities, historical exploration work and expenditures made on the project, as well as external market conditions, including current and future commodity price expectations.

The determination of the fair value of stock options or compensatory warrants using the Black-Scholes Option Pricing model requires the input of highly subjective assumptions, including expected future price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The presentation currency of the Company and the functional currency of the parent company and its Canadian subsidiary is the Canadian dollar, while the functional currency of the Company's United States subsidiaries is the United States dollar. The monetary assets and liabilities of any group entity that are denominated in a currency other than its functional currency at the reporting date are translated into the presentation currency at the rate of exchange on the reporting date, while non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at exchange rates approximating those in effect on the dates of the transactions. Exchange gains and losses arising on translation are included in profit or loss in the statement of comprehensive (loss) income.

When translating the results and financial position of its United States subsidiaries, assets and liabilities are translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the exchange rate at the dates of the transactions, or the average exchange rate if not significantly different. All resulting exchange differences are reported as a separate component of reserves in shareholders' equity entitled "Accumulated Other Comprehensive Income (Loss)".

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

Mineral Properties

Acquisition Costs

Costs incurred before the Company has acquired the right to explore a property are expensed as incurred. Exploration and evaluation asset acquisition costs, including option payments, are capitalized on an individual area of interest basis. Once a property is brought into production, the capitalized costs are amortized on a units-of-production basis, or until the properties are abandoned, sold or management determines that the asset is no longer economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments relating to the acquisition of exploration and evaluation assets that are exercisable at the discretion of the Company are recorded when paid.

Exploration and evaluation asset acquisition costs include cash consideration and the estimated fair market value of common shares or warrants on the date of issue.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Exploration and Evaluation Costs

Exploration and evaluation costs are expensed to operations as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular exploration and evaluation asset has been determined, the capitalized costs are assessed for impairment and then reclassified to mineral property development costs and carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value. The establishment of technical feasibility and commercial viability of an exploration and evaluation asset 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 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.

Decommissioning and Restoration

Decommissioning and restoration obligations encompass legal, statutory, contractual, or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2022 and 2021 the Company has determined that it does not have any decommissioning and restoration obligations related to its operations.

Impairment of Non-Financial Assets

Management reviews the carrying values of capitalized exploration and evaluation assets at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax 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. Fair value less costs to sell is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s length basis between knowledgeable, willing parties, less costs of disposal.

Fair value less costs to sell is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and is based on post-tax cash flows that are discounted using a post-tax discount rate.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions
Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax

Assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated expense recorded to date is reversed in the period of forfeiture. The carrying value of any share options that expire remain in share option reserve.

Share Capital

When the Company issues private placement units, the shares and warrants are measured using the residual method, where no objective fair value of each component is available. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss ("FVTPL")).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

Equipment
Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates: Vehicles 5 years straight line basis, Machinery and equipment 2-5 years straight line basis, and office leases 3 years straight line basis, being the term of the lease. An item of property and 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.

Leases
A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is estimated at 15%. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

New IFRS Pronouncements - not yet adopted
Amendments to IAS 1 - Presentation of Financial Statements
In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current liabilities with covenants. These amendments seek to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period.

These amendments to IAS 1 override but incorporate the previous amendments, Classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company does not expect the impact of this amendment to be significant to its consolidated financial statements.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption. The Company does not expect the impact of this amendment to be significant to its consolidated financial statements.

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
On February 12, 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) to introduce the definition of an accounting estimate and include other amendments to help entities to distinguish changes in accounting estimates from changes in accounting policies. The amendment to IAS 8 is effective for annual reporting periods on or after January 1, 2023, and early adoption is permitted. The Company does not expect the impact of this amendment to be significant to its consolidated financial statements.

Amendment to IAS 12, Income Taxes
On May 7, 2021, the IASB issued an amendment to IAS 12, Income Taxes (“IAS 12”) to clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations. The amendment requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable deductible temporary differences. The amendment to IAS 12 is effective for annual reporting periods on or after January 1, 2023, and early adoption is permitted. The Company does not expect the impact of this amendment to be significant to its consolidated financial statements.

5. SPINOUT OF KARUS GOLD

In January 2021, the Company transferred its Canadian exploration properties, together with related assets, to Karus Gold in exchange for 53,112,455 shares of Karus Gold (“Spinout Shares”), which were immediately distributed to the shareholders of the Company pursuant to a statutory plan of arrangement (the “Spinout”). The Spinout Shares were distributed to shareholders of the Company as a return of capital on the basis of one Karus Gold share for every two KORE shares held.

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of the Karus shares to KORE shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded in the statement of income. The fair value of the Karus shares was estimated to be $10,435,000 which was recorded as a reduction of share capital.

The assets transferred to Karus Gold and net gain on distribution of Spinout Shares consisted of the following:

(Expressed in Canadian dollars unless otherwise noted)

Assets transferred:		
Exploration & evaluation assets	$	1,052,969
Equipment		11,925
Deposits		15,000
		1,079,894
Fair value of Karus Gold shares distributed		10,435,000
Gain on distribution of Karus Gold	$	9,355,106

In connection with the Spinout, the Company loaned Karus Gold $500,000 bearing simple interest of 8% per annum, which was repaid with accrued interest of $5,700 during the year ended December 31, 2021. Karus Gold also issued the Company a 1% NSR on all projects transferred, not otherwise subject to an NSR. In addition, Karus Gold reimbursed the Company for $407,242 of transaction costs which have been recorded as a reduction to general and administration, management fees and professional fees in profit and loss for the year ended December 31, 2021.

6. DEPOSITS

		December 31, 2022		December 31, 2021
Reclamation bond (1)	$	125,161	$	116,812
GICs		95,534		95,534
Security deposit		18,639		18,639
Total	**$**	**239,334**	**$**	**230,985**

(1) The Company’s US subsidiary, KORE USA Ltd, has posted a reclamation bond of $125,161 (US$92,410) with the USDA Forest Services for a future drill program at the Long Valley project. The reclamation bond is considered to be a held to maturity financial instrument and will be returned to the Company upon restoration.

(Expressed in Canadian dollars unless otherwise noted)

7. EQUIPMENT

Cost:		Equipment		Vehicles		Right of Use - Office Lease	Total
Balance December 31, 2020	**$**	**4,500**	**$**	**60,752**	**$**	**121,374**	**186,626**
Additions		68,234		43,949		190,049	302,232
Disposition to Karus Gold		(4,500)		(9,500)		- -	14,000
Foreign exchange		1,162		(2,297)		(6,511) -	7,646
Balance December 31, 2021	**$**	**69,397**	**$**	**92,904**	**$**	**304,912**	**467,212**
Foreign exchange		874		6,640		11,603	19,117
Balance December 31, 2022	**$**	**70,270**	**$**	**99,544**	**$**	**316,514**	**486,329**

Accumulated depreciation:		Equipment		Vehicles		Right of Use - Office Lease	Total
Balance December 31, 2020	**$**	**1,125**	**$**	**6,011**	**$**	**13,150**	**20,286**
Additions		24,173		14,131		87,674	125,978
Disposition to Karus Gold		(1,125)		(950)		- -	2,075
Foreign exchange		110		(80)		(194) -	164
Balance December 31, 2021	**$**	**24,284**	**$**	**19,112**	**$**	**100,630**	**144,025**
Additions		32,829		19,128		140,267	192,224
Foreign exchange		2,007		2,147		6,107	10,260
Balance December 31, 2022	**$**	**59,120**	**$**	**40,387**	**$**	**247,003**	**346,510**
Net book value:							
Balance December 31, 2020	**$**	**3,375**	**$**	**54,741**	**$**	**108,224**	**166,340**
Balance December 31, 2021	**$**	**45,113**	**$**	**73,792**	**$**	**204,282**	**323,187**
Balance December 31, 2022	**$**	**11,150**	**$**	**59,158**	**$**	**69,511**	**139,820**

8. MINERAL PROPERTIES

The balance and summary of the changes to mineral properties was as follows:

		Long Valley USA		Imperial USA		FG Gold Canada		Gold Creek Canada		Total
Balance, December 31, 2020	$	498,340	$	1,284,135	$	554,833	$	498,136	$	2,835,444
Transfer to Karus Gold						(554,833)		(498,136)		(1,052,969)
Foreign exchange adjustment		(7,301)		(20,085)						(27,386)
Balance, December 31, 2021	$	491,039	$	1,264,050	$	-	$	-	$	1,755,089
Foreign exchange adjustment		32,845		90,350						123,195
Balance, December 31, 2022	**$**	**523,884**	**$**	**1,354,400**	**$**	**-**	**$**	**-**	**$**	**1,878,284**

Imperial Project

In March 2017, the Company purchased Imperial USA Corp. which owns the Imperial project located in California. In settlement of the purchase price, the Company paid US$150,000. The Company issued a 1% net smelter return royalty ("NSR") on the property in connection with this acquisition. The remaining payments under the agreement comprised US$1,000,000 payable upon the announcement of a revised Preliminary Economic Assessment ("PEA") or similar report (milestone achieved and payment made during the year ended December 31, 2020) and US$1,000,000 payable 30 days after the date that gold is poured from ore mined from the related properties. The vendor has the option to receive shares in the Company in settlement of this remaining payment of US$1,000,000 up to achieving a maximum 4.9% ownership interest in the Company, above which level further share consideration is at the option of the Company.

(Expressed in Canadian dollars unless otherwise noted)

In May 2019, the Company received an investment from Macquarie Bank Ltd and its affiliates (collectively, "Macquarie") of $4,000,000. As part of the investment by Macquarie, Macquarie subscribed for 6,000,000 common shares and acquired a 1% NSR royalty on the Imperial Project for a total cost of $4,000,000 (the "Macquarie Royalty"). The agreement provides for certain rights for Macquarie to provide project development financing, rights of refusal and offer on additional royalty issuances and sales and prescribes the proceeds to be used primarily to advance permitting of the Imperial Project.

Long Valley Project

In March 2017, the Company purchased certain mining claims in the Long Valley area of California with an upfront payment of US$350,000 to the vendor. The remaining payments under the agreement comprise US$500,000 due 30 days after commencement of commercial production and US$500,000 payable on the 12-month anniversary of the commencement of commercial production. A US$25,000 deposit was paid to the vendor prior to execution of the purchase agreement, which will be applied to the final payment, unless forfeited in the event the agreement is terminated. The vendor has the option to receive shares in the Company in settlement of the remaining payments.

The vendor retained a net smelter return royalty on the claims ("the Seller NSR"). The Seller NSR provides for a royalty of 0.5% when the price of gold is under US$1,400/oz, 1.0% when the price of gold is between US$1,401 to US$1,600/oz and 2.0% when the price of gold is above US$1,600/oz. The Company has the option to purchase back 1% of the royalty when the price of gold is above US$1,600/oz for US$2 million if purchased prior to the announcement of a feasibility study or for US$4 million if repurchased prior to commencement of commercial production. In addition, there is a further 1% NSR payable to another third party.

Exploration and Evaluation Expenses

Details of the exploration and evaluation expenses incurred were as follows:

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Claim holding and taxes	300,871	909,156
Contractors, professional fees and wages	216,783	1,090,786
Engineering and development	99,852	378,567
Geophysics and ground prospecting	56,641	203,607
Permitting and environment	39,407	445,246
Project administration and support	49,164	92,395
Technical reports and studies	339,229	377,311
Travel, logistics & camp costs	30,951	90,097
Recoveries	(48,312)	(201,285)
	1,084,586	3,385,880

(Expressed in Canadian dollars unless otherwise noted)

9. LEASE LIABILITY

Balance, December 31, 2020	**$**	**106,147**
New lease liability		190,049
Lease payments		(104,895)
Interest expense		26,164
Foreign exchange		(1,808)
Balance, December 31, 2021	**$**	**215,657**
Lease payments		(163,894)
Interest expense		24,298
Foreign exchange		2,281
Balance, December 31, 2022	**$**	**78,341**

Effective September 2020, the Company entered into an office lease in Imperial County, California with a monthly payment of US$3,150 for a period of three years.

Effective July 2021, the Company entered into an office lease in Vancouver, British Columbia with a monthly payment of $9,559 for a period of 23 months.

The Company capitalized the leases in accordance with its accounting policy and recognized a corresponding right of use asset in capitalized assets.

10. SHARE CAPITAL

Authorized
Unlimited number of common shares with no par value.

Issued and outstanding
The Company had the following share transactions during the year ended December 31, 2022:

- The Company issued 500,000 common shares pursuant to the exercise of previously granted incentive stock options at an exercise price of $0.14 per share. The fair value of these stock options, calculated based on Black-Scholes option pricing model, was $38,617 which was reclassified from reserves to share capital. The market price of the Company’s shares at the time of the exercise of these stock options was $0.37 per share.

- During November 2022, the Company completed a rights offering to the holders of its common shares and raised $864,970 from issuance of 86,497,010 common shares (the “Rights Offering”). The Rights Offering represented ¾ right for each common share outstanding, with one right entitling the holder to subscribe for one common share of the Company. In connection with the Rights Offering, the Company incurred professional fees of $154,576 which was recognized within share capital on the statement of financial position.

The directors of the Company subscribed for an aggregate of 35,628,687 common shares through the exercise of their subscription privilege in the Rights Offering for an aggregate purchase price of $356,287. The Company had entered into standby commitment agreements with its directors to support the Rights Offering (the "Standby Commitment Agreements"). In connection with these Standby Commitment Agreements, the Company issued an aggregate of 11,157,937 common share purchase warrants (the "Standby Commitment Warrants"). Each Standby Commitment Warrant is exercisable for five years from the date of issuance into one common share of the Company at a price of $0.105 per common share. The Standby Commitment Warrants were valued at $123,853 based on the following Black-Scholes assumptions: 0% dividend yield, 75% expected volatility, 3.26% expected interest and 5 years expected life. The fair value of the Standby Commitment Warrants was considered cost of the Rights Offering and therefore recognized within share capital.

The Company had the following share transactions during the year ended December 31, 2021:

- Distributed the Spinout Shares of Karus Gold to the shareholders of the Company with a value of $10,435,000 (Note 5).

- Issued 316,668 common shares for gross proceeds of $88,583 pursuant to option exercises; the Company reallocated $50,477 of share-based compensation reserve to share capital in connection with the exercise of these options.

- Issued 15,767 common shares pursuant to the exercise of restricted share units.

- Issued 8,422,000 units at a price of $0.95 per unit for gross proceeds of $8,000,900, pursuant to a bought deal public offering, where each unit consisted of one common share and one half of a common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of $1.35 per share until June 18, 2023. The Company also issued 339,975 Warrants at a price of $0.08 for gross proceeds of $27,198 pursuant to an over-allotment option granted to the Underwriters. The net proceeds were allocated to shares and warrants on the basis of $0.91 per share and $0.08 per whole Warrant based on the terms of the over-allotment option. Pursuant to the terms of an agreement with the underwriters, ("Underwriters"), the Company paid a cash commission of $446,946 and issued 468,751 brokers warrants with an exercise price of $0.95 and a term of two years. The broker warrants were valued at $121,547 based on the following Black Scholes assumptions: 0% dividend yield,75% expected volatility, 0.76% expected interest and a 2-year expected life. The Company also incurred cash share issuance costs of $389,463 in connection with this offering.

Stock Options

Pursuant to a rolling stock option plan (the "Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, with the exercise price to be determined on the date of issuance of the options. The term of options granted under the plan may not exceed five years and such options vest at terms to be determined by the board of directors at the time of the grant, but the exercise price shall not be less than the price determined by the policies of the stock exchange on which the Company's common shares are then listed.

(Expressed in Canadian dollars unless otherwise noted)

A summary of stock option activity was as follows:

	Number of options		Weighted average exercise price
Balance, December 31, 2020	**8,300,002**	**$**	**0.38**
Granted	2,575,000		0.64
Expired	(33,334)		1.50
Exercised	(316,668)		0.28
Forfeited	(250,000)		0.62
Balance, December 31, 2021	**10,275,000**	**$**	**0.44**
Granted	600,000		0.37
Forfeited	(1,550,000)		0.75
Exercised	(500,000)		0.14
Balance, December 31, 2022	**8,825,000**	**$**	**0.40**

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

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price $
November 1, 2023	750,000	750,000	0.50
January 12, 2024	1,500,000	1,500,000	0.14
May 8, 2024	150,000	150,000	0.25
July 2, 2024	2,600,000	2,600,000	0.27
July 29, 2024	150,000	100,000	0.62
October 28, 2024	500,000	500,000	0.29
April 27, 2025	800,000	800,000	0.44
September 3, 2025	300,000	283,333	1.50
November 30, 2025	25,000	25,000	1.34
July 29, 2026	1,450,000	966,667	0.62
January 20, 2027	600,000	200,000	0.37
	8,825,000	**7,875,000**	**0.40**

(Expressed in Canadian dollars unless otherwise noted)

Warrants

A summary of warrants activity was as follows:

	Number of warrants		Weighted average exercise price
Balance, December 31, 2020	**3,500,000**	**$**	**1.50**
Issued	5,019,726		1.31
Balance, December 31, 2021	**8,519,726**	**$**	**1.39**
Issued	11,157,937		0.11
Expired	(3,500,000)		1.50
Balance, December 31, 2022	**16,177,663**	**$**	**0.48**

As at December 31, 2022, the following warrants were outstanding:

Expiry date	Number of warrants outstanding		Exercise price $
June 18, 2023	4,550,975		1.35
June 18, 2023	468,751		0.95
November 16, 2027	11,157,937		0.11
	16,177,663	**$**	**0.48**

Restricted Share Units ("RSUs")

In October 2020, the Company's shareholders approved the Omnibus Plan ("Omnibus Plan"), which is a fixed plan that reserves for issuance a maximum of 10,605,828 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance-based instruments.

A summary of restricted share unit activity was as follows:

	Number of RSUs
Balance, December 31, 2020	**248,000**
Exercised	(15,767)
Balance, December 31, 2021	**232,233**
Granted	859,460
Balance, December 31, 2022	**1,091,693**

(Expressed in Canadian dollars unless otherwise noted)

As at December 31, 2022, the following RSUs were outstanding:

Expiry date	Number of RSUs outstanding	Number of RSUs exercisable
December 30, 2023	232,233	212,233
January 20, 2025	859,460	592,793
	1,091,693	**805,026**

Share-Based Compensation

During the year ended December 31, 2022, the Company granted 600,000 (2021 - 2,575,000) options to employees, consultants and management and 859,460 RSUs (2021 - Nil). The fair value of the incentive stock options was determined to be $171,168 (2021 - $958,784) using the Black-Scholes valuation or $0.37 (2021 - $0.37) per stock option. The fair value of the RSUs was based on the price of the Company's common shares on the date of grant and was $318,000 ($0.37 per share) (2021 - No RSUs granted).

During the year ended December 31, 2022, the Company recognized $788,716 (2021 - $1,206,463) as share-based payments expense in relation to the vesting of these and the previously granted stock options and RSUs, due to the graded vesting of these instruments. During the year ended December 31, 2022, total share-based payments of $199,701 (2021 - $Nil), pertaining to previously recognized grant date fair value of unvested stock options, was reversed due to forfeiture of such stock options.

Share-based payments expense was determined using the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk free interest rate	1.53%	0.89%
Expected life	4.0	4.5
Annualized volatility	139%	75%
Dividend rate	0%	0%

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions

The Company shares office space and personnel with Karus and as a result, any related cost incurred is also shared. For the year ended December 31, 2022, such administrative transactions with Karus amounted to $59,643 (2021 – $141,312).

As at December 31, 2022, the total amount receivable from Karus was $200,955 (2021 - $141,312). This amount is unsecured, non-interest bearing, and due on demand.

During the year ended December 31, 2022, the Company entered into a consulting agreement with the Chief Financial Officer ("CFO") of the Company for a monthly fee of $8,500 through Avisar Everyday Solutions Ltd. ("Avisar"), a company where the CFO is a director and an officer, to provide accounting related services to KORE. For the year ended December 31, 2022, the Company incurred $68,000 (2021 - $Nil) in professional fees to Avisar.

As at December 31, 2022, the total amount payable to Avisar was $18,480 (2021 - $Nil). This amount is unsecured and due on demand.

(Expressed in Canadian dollars unless otherwise noted)

The directors of the Company participated in the Rights Offering and subscribed for a total of 35,628,687 common shares. The directors of the Company were also granted 11,157,937 Standby Commitment Warrants (Note 10)

Key Management Compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Executive Chairman & Chief Executive Officer, Chief Financial Officer and Directors.

The key management compensation was as follows:

		For the year ended December 31, 2022 $		For the year ended December 31, 2021 $
Management fees and salaries	$	**454,477**	$	1,132,055
Share-based compensation		**544,684**		741,667
	$	**999,161**	$	1,873,722

As at December 31, 2022, a total of $42,083 (2021 - $110,860) was payable to key management personnel.

12. MANAGEMENT OF CAPITAL

The Company considers items within equity as capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that is intended to provide sufficient funding for operational and capital expenditure activities. When necessary, the Company may seek to secure funds, through debt funding or equity capital raised. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. (See Note 2).

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's capital management policy during the year ended December 31, 2022.

13. RISK MANAGEMENT

Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and the amount receivable from Karus, a related party.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada. The Company also considers the credit risk related to the amount receivable from Karus as insignificant and expects to collect the amount within one year.

b. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2022, the Company had a working capital of $312,423 but does not have any long-term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at December 31, 2022, the Company had cash of $743,336 to settle current liabilities of $751,194. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

c. Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds its cash and cash equivalents on which it earns variable rates of interest and may therefore be subject to a certain amount of risk, though this risk is immaterial.

The fair value of KORE's reclamation bond is subject to interest rate fluctuations. The management does not believe the fluctuations in the fair value of the reclamation bond would have a significant impact on the Company's financial statements given the overall low value of the reclamation bond.

d. Foreign Currency Risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves in Canadian and United States dollars. The portion of the Company's funds held in US dollars are subject to fluctuations in foreign exchange rates.

As at December 31, 2022, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in a decrease or increase of $39,770 in the Company's net loss.

Fair Values

The carrying values of cash, deposits and other receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature.

(Expressed in Canadian dollars unless otherwise noted)

14. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

		2022		2021
Income (loss) for the year	$	(4,216,603)	$	295,366
Expected income tax (recovery)	$	(1,138,000)	$	80,000
Change in statutory, foreign tax, foreign exchange rates and other		(273,000)		620,000
Permanent differences		156,000		(783,000)
Share issue cost		(110,000)		(183,000)
Change in unrecognized deductible temporary differences		1,365,000		266,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2022	Expiry Date Range		2021	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	1,616,000	No expiry date	$	2,376,000	No expiry date
Property and equipment		(13,000)	No expiry date		(150,000)	No expiry date
Share issue costs		923,000	2044 to 2047		1,009,000	2043 to 2046
Debt with accretion		78,000	No expiry date		15,000	No expiry date
Non-capital losses available for future periods		17,494,000			13,846,000	
Canada		8,630,000	2039 to 2043		6,927,000	2026 to 2041
USA		8,864,000	2038 to no expiry date		6,919,000	2038 to no expiry date

The ability to use U.S. loss carry-forwards in future is subject to certain limitations under provisions of the internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Imperial USA Corp. and the U.S. tax losses related to Imperial USA Corp. may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire unutilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

(Expressed in Canadian dollars unless otherwise noted)

15. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in the United States. The following table shows the geographic breakdown of the Company's non-current assets:

	December 31, 2022		
	Canada	**USA**	**Total**
Mineral properties	$ -	$ 1,878,284	$ 1,878,284
Deposits	114,173	125,160	239,334
Equipment	69,773	$ 70,046	139,820
Total	**$ 183,947**	**$ 2,073,491**	**$ 2,257,438**

	December 31, 2021		
	Canada	**USA**	**Total**
Mineral properties	$ -	$ 1,755,089	$ 1,755,089
Deposits	$ 114,173	$ 116,812	230,985
Equipment	138,374	184,813	323,187
Total	**$ 252,547**	**$ 2,056,714**	**$ 2,309,261**

16. SUBSEQUENT EVENTS

During March 2023, the United States District Court for the Eastern District of California ("USFS") denied a motion by non-governmental organizations ("NGOs") to overturn the authorization granted by the USFS of KORE's proposed drill program at the Long Valley project. KORE had voluntarily limited any work at the Long Valley project pending the outcome of the court case between the NGOs and the USFS. The NGOs have filed an appeal to this decision with the Ninth Circuit, the outcome of which is pending as of the approval date of these consolidated financial statements.