



# 2023

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Unaudited)

*(Expressed in Canadian dollars)*





**TREASURY METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS**  
(Expressed In Canadian Dollars) (Unaudited)

(\$)	For the periods ended	
	March 31 2023	March 31 2022
<b>Expenses</b>		
Exploration and evaluation (Note 16)	2,366,188	4,869,650
Administrative, office and shareholder services	281,542	284,341
Professional fees	54,989	64,025
Salary and benefits	964,775	720,862
Amortization (Note 8)	50,234	47,035
Share-based payments (Note 15)	637,762	710,986
Accretion of long-term debt (Note 11 & Note 12)	360,758	80,587
Finance expense	7,858	119,111
Foreign exchange loss (gain)	(16,645)	(76,677)
Gain on debt and derivative liability (Note 11)	40,149	(278,690)
<b>Loss before income tax</b>	<b>(4,747,610)</b>	<b>(6,541,230)</b>
Income from recognition of flow-through premium	—	950,322
<b>Net Loss for the period</b>	<b>(4,747,610)</b>	<b>(5,590,908)</b>
Loss per share - basic and diluted	(0.03)	(0.04)
Weighted average number of shares outstanding	140,181,181	137,879,334

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

**TREASURY METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OTHER COMPREHENSIVE LOSS**  
(Expressed In Canadian Dollars) (Unaudited)

(\$)	For the periods ended	
	March 31, 2023	March 31, 2022
Net loss for the period	<b>(4,747,610)</b>	(5,590,908)
<b>Other comprehensive income (loss)</b>		
<b>Items to be reclassified to profit or loss in subsequent years</b>		
Fair value on equity investments, net of taxes	<b>164,704</b>	74,696
Other comprehensive income (loss) for the period	<b>164,704</b>	74,696
Total comprehensive loss for the period	<b>(4,582,906)</b>	(5,516,212)

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

**TREASURY METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed In Canadian Dollars) (Unaudited)

(\$)	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance, January 1, 2022</b>	<b>137,879,334</b>	<b>209,453,412</b>	<b>24,598,080</b>	<b>(110,294,403)</b>	<b>(995,647)</b>	<b>122,761,442</b>
Share-based payments – compensation	–	–	346,322	–	–	346,322
Share-based payments - restricted share units	–	–	364,664	–	–	364,664
Net income (loss) for the period	–	–	–	(5,590,908)	–	(5,590,908)
Other comprehensive income (loss) for the period	–	–	–	–	74,696	74,696
<b>Balance, March 31, 2022</b>	<b>137,879,334</b>	<b>209,453,412</b>	<b>25,309,066</b>	<b>(115,885,311)</b>	<b>(920,951)</b>	<b>117,956,216</b>
Share-based payments – compensation	–	–	527,398	–	–	527,398
Share-based payments - restricted share units	–	–	408,449	–	–	408,449
Restricted share units redeemed	288,753	142,194	(142,194)	–	–	–
Net income for the period	–	–	–	(14,702,617)	–	(14,702,617)
Other comprehensive income (loss) for the period	–	–	–	–	(104,088)	(104,088)
<b>Balance, December 31, 2022</b>	<b>138,168,087</b>	<b>209,595,606</b>	<b>26,102,719</b>	<b>(130,587,928)</b>	<b>(1,025,039)</b>	<b>104,085,358</b>
Share-based payments - compensation (Note 15)	–	–	65,895	–	–	65,895
Share-based payments - restricted share units (Note 15)	–	–	571,867	–	–	571,867
Restricted share units redeemed (Note 15)	420,271	131,070	(131,070)	–	–	–
Share issued for repayment of SRSR obligation (Note 12)	2,234,858	672,133	–	–	–	672,133
Returned shares	(22)	–	–	–	–	–
Net income (loss) for the period	–	–	–	(4,747,610)	–	(4,747,610)
Other comprehensive income (loss) for the period	–	–	–	–	164,704	164,704
<b>Balance, March 31, 2023</b>	<b>140,823,194</b>	<b>210,398,809</b>	<b>26,609,411</b>	<b>(135,335,538)</b>	<b>(860,335)</b>	<b>100,812,347</b>

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

**TREASURY METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars) (Unaudited)

(\$)	For the periods ended	
	March 31, 2023	March 31, 2022
Cash and cash equivalents (used in) provided by:		
<b>Operating Activities</b>		
Net loss for the period	(4,747,610)	(5,590,908)
Adjustments for:		
Amortization (Note 8)	50,234	47,035
Deferred income tax (recovery) expense	–	(950,322)
Share-based payments (Note 15)	637,762	710,986
Accretion on SRSR Payment obligation (Note 12)	260,148	–
Accretion on long-term debt (Note 11)	100,610	80,587
Loss (gain) on debt and derivative liability (Note 11)	40,149	(278,690)
Foreign exchange (gain) loss	(18,785)	(80,309)
Finance Expense & Income	180,170	130,221
<i>Net change in non-cash working capital items:</i>		
Accounts receivable and prepaid expenses	262,433	(465,655)
Accounts payable and accrued liabilities	(655,289)	1,028,722
<b>Net cash flows used in operating activities</b>	<b>(3,890,178)</b>	<b>(5,368,333)</b>
<b>Financing Activities</b>		
Payment of lease liabilities	(30,877)	(5,393)
<b>Net cash flows provided by (used in) financing activities</b>	<b>(30,877)</b>	<b>(5,393)</b>
<b>Investing Activities</b>		
Acquisition of property and equipment	–	(7,744)
<b>Net cash flows provided by (used in) investing activities</b>	<b>–</b>	<b>(7,744)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,921,055)</b>	<b>(5,381,470)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,020,110</b>	<b>10,090,415</b>
<b>Cash and cash equivalents, end of period</b>	<b>12,099,055</b>	<b>4,708,945</b>
<b>Supplementary cash flow information</b>		
Changes in non-cash activities:		
Payment of debt with shares (Note 12)	672,133	–
Capitalized interest on long-term debt (Note 11)	175,836	124,648

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 15 Toronto Street, Suite 401, Toronto, Ontario, Canada M5C 2E3. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage. The recoverability of the amounts shown on the consolidated statements of financial position for mineral properties is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity), in the near term, to fund the Company's planned operations and development of the Goliath Gold Complex.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has not generated revenue from operations. On March 31, 2023, the Company's working capital was \$4,041,164 (December 31, 2022 – \$7,718,387) excluding the derivative liability. For the period ended March 31, 2023, the Company incurred a net loss of \$4,747,610 (March 31, 2022 – net loss of \$5,590,908), had cash outflows from operations of \$3,890,178 (March 31, 2022 - \$5,368,333), had not yet achieved profitable operations, had accumulated losses of \$135,335,538 (December 31, 2022 – \$130,587,928) and expects to incur further losses in the development of its business. Should the Company be unable to raise sufficient financing to maintain operations, the Company may be unable to realize the carrying value of its net assets. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee which have been consistently applied.

The accounting policies used in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements do not include certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2022.

These consolidated financial statements were approved by the Company's Board of Directors on May 8, 2023.

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of Consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned Canadian subsidiary Goldeye Explorations Ltd.

**Functional and Presentation Currency**

These condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly-owned Canadian subsidiary.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

**Standards and amendments issued but not yet effective or adopted**

*IAS 1, Presentation of Financial Statements.* The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. The amendment is effective for reporting periods beginning on or after 1 January 2024.

**4. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these condensed consolidated interim financial statements, in compliance with IFRS, requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity, or earnings.

The areas which require management to make significant estimates, judgements and assumptions are consistent with those applied and disclosed in the Company's annual financial statements for the year ended December 31, 2022.

**5. CASH AND CASH EQUIVALENTS**

(\$)	<b>March 31 2023</b>	December 31 2022
Cash	<b>5,747,111</b>	9,674,942
Cashable GIC	<b>6,345,139</b>	6,338,363
Funds in trust	<b>6,805</b>	6,805
	<b>12,099,055</b>	16,020,110

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



**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

(\$)	March 31 2023	December 31 2022
Advances to consultants	67,246	294,615
Prepaid expenses	157,412	158,575
Other receivables	151,048	85,755
Harmonized sales tax	226,124	325,318
	<b>610,830</b>	<b>864,263</b>

**7. INVESTMENTS**

The Company's investments are classified as fair value through other comprehensive income ("FVTOCI") and are carried at fair value.

	Number of Shares	March 31 2023 (\$)	Number of Shares	December 31 2022 (\$)
Alaska Energy Metals Corp. – Shares (i)	14,778	4,138	147,778	4,433
Platinex Inc. – Shares	16,500,000	825,000	16,500,000	660,000
		829,138		664,433

- (i) On March 1, 2023 Millrock Resources Inc changed its name to Alaska Energy Metals Corporation and consolidated its outstanding common shares on the basis of one new common share for every ten common shares held.

**8. PROPERTY AND EQUIPMENT**

(\$)	Land	Buildings <sup>(i)</sup>	Furniture and Equipment	Vehicles <sup>(ii)</sup>	Total
<b>Cost</b>					
At January 1, 2023	1,496,909	1,535,011	518,705	236,962	3,787,587
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
<b>At March 31, 2023</b>	<b>1,496,909</b>	<b>1,535,011</b>	<b>518,705</b>	<b>236,962</b>	<b>3,787,587</b>
<b>Accumulated amortization</b>					
At January 1, 2023	–	(510,221)	(403,963)	(63,974)	(978,158)
Amortization for the period	–	(25,404)	(12,489)	(12,341)	(50,234)
Disposals	–	–	–	–	–
<b>At March 31, 2023</b>	<b>–</b>	<b>(535,625)</b>	<b>(416,452)</b>	<b>(76,316)</b>	<b>(1,028,392)</b>
<b>Net book value March 31, 2023</b>	<b>1,496,909</b>	<b>999,386</b>	<b>102,253</b>	<b>160,647</b>	<b>2,759,195</b>

- (i) Buildings include right-of-use assets with net book value of \$169,970 (December 31, 2022 – \$186,418).  
(ii) Vehicles include right-of-use assets with net book value of \$132,283 (December 31, 2022 – \$141,472).

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**8. PROPERTY AND EQUIPMENT (cont'd)**

(\$)	Land	Buildings <sup>(i)</sup>	Furniture and Equipment	Vehicles <sup>(ii)</sup>	Total
<b>Cost</b>					
At January 1, 2022	1,496,909	1,268,916	470,219	209,213	3,445,257
Additions	–	266,085	48,486	173,930	488,511
Disposals	–	–	–	(146,181)	(146,181)
<b>At December 31, 2022</b>	<b>1,496,909</b>	<b>1,535,011</b>	<b>518,705</b>	<b>236,962</b>	<b>3,787,587</b>
<b>Accumulated amortization</b>					
At January 1, 2022	–	(406,893)	(317,085)	(164,619)	(888,597)
Amortization for the year	–	(103,328)	(86,878)	(45,535)	(235,741)
Disposals	–	–	–	146,180	146,180
At December 31, 2022	–	(510,221)	(403,963)	(63,974)	(978,158)
Net book value at December 31, 2022	1,496,909	1,024,790	114,742	172,988	2,809,429

**9. MINERAL PROPERTIES**

As of March 31, 2023 and December 31, 2022, the accumulated acquisition costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1 2023 (\$)	Additions, net of recoveries and write downs (b) (\$)	Sale of SRSR NSR royalty (a) (\$)	Balance March 31 2023 (\$)
Goliath Gold Project (a)	17,519,860	–	–	17,519,860
Goldlund Gold Project (a)	83,906,996	–	–	83,906,996
Weebigee Project	1,952,352	–	–	1,952,352
	103,379,208	–	–	103,379,208

	Balance January 1 2022 (\$)	Additions, net of recoveries and write downs (b) (\$)	Sale of SRSR NSR royalty (a) (\$)	Balance December 31 2022 (\$)
Goliath Gold Project (a)	24,629,460	–	(7,109,600)	17,519,860
Goldlund Gold Project (a)	91,016,596	–	(7,109,600)	83,906,996
Weebigee Project	1,952,352	–	–	1,952,352
Lara Polymetallic Project	100,000	(100,000)	–	–
	117,698,408	(100,000)	(14,219,200)	103,379,208

**Goliath Gold Project**

The Goliath Gold Project is in the Kenora Mining Division in northwestern Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

**Goldlund Gold Project**

The Goldlund Gold Project is located adjacent to the Goliath Gold Project, in the Kenora Mining Division in northwestern Ontario.

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

---

**9. MINERAL PROPERTIES (cont'd)**

**Goldeye Explorations**

In 2016, Treasury Metals completed the acquisition of all the issued and outstanding common shares of Goldeye Explorations Ltd. ("Goldeye"), a public company that held certain properties.

Goldeye is the Weebigee Project in Northwestern Ontario and all the consideration paid at the time of the Goldeye acquisition was allocated to the Weebigee Project.

**Weebigee Project**

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario.

**Sale of Royalty to Sprott Resource Streaming and Royalty (B) Corp**

On April 11, 2022, the Company sold a 2.2% net smelter returns ("NSR") royalty on the properties that comprise of the Goliath Gold Complex, which includes the Goliath Gold Project, the Goldlund Gold Project and the Miller Project, to Sprott Resource Streaming and Royalty (B) Corp. ("SRSR") for gross proceeds of \$25,178,000 (US\$20.0 million). The SRSR NSR applies to sales of precious and base metals from all of the claims which comprise the Goliath Gold Complex.

The Company has an option to buy back 50% of the SRSR NSR based upon the buy-down schedule set out below. Upon the achievement of 1.5 million ounces of gold production, the royalty will automatically reduce by 50% for no additional consideration by the Company. Proceeds will be used to complete ongoing work to deliver a feasibility study for the Goliath Gold Complex and for general corporate and working capital purposes.

The Company has a one-time option (the "Buy-Down Option") to reduce the applicable NSR percentage by 50% and 50% of any remaining minimum payments, by exercising its option and paying the applicable amount below:

- (i) On or before December 31, 2024 – US\$14.0 million
- (ii) From January 1, 2025 until December 31, 2025 – US\$16.0 million
- (iii) From January 1, 2026 until December 31, 2026 – US\$17.0 million
- (iv) From January 1, 2027 until December 31, 2027 – US\$18.25 million
- (v) From January 1, 2028 until December 31, 2028 – US\$19.5 million

The Buy-Down Option is treated as a financial instrument measured at fair value taking into account the likelihood of the Company exercising the option. As of March 31, 2023, in the absence of environmental approvals and financing to build the mine, it is unlikely management will exercise the Buy-Down option, and as such, management has ascribed a \$nil value to it.

The sale of the royalty has been divided into two parts for accounting purposes. The Company determined the fair value of the financial liability, and the residual of the proceeds was allocated to the sale of the portion of the Goliath Gold Complex.

1. Financial liability of \$10,958,800, in accordance with IFRS 9, for the contractual obligation to pay SRSR the minimum payment of US\$500,000 beginning on July 11, 2022, payable quarterly in cash or in common shares, until the earlier of December 31, 2027 and the date that commercial production is declared (Note 12).

Sale of a portion of the Goliath Gold Complex for \$14,219,200 as control over a portion of future gold production is transferred to SRSR for the 2.2% NSR royalty.

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(\$)	March 31 2023	December 31 2022
Trade accounts payable	62,127	523,264
Accrued liabilities	501,956	696,105
	<b>564,083</b>	<b>1,219,369</b>

**11. LONG-TERM DEBT**

The present value of long-term debt at March 31, 2023 and December 31, 2022 is as follows:

(\$)	Convertible Debt (a)	Lease Payable (b)	March 31 2023
Loan amount	7,109,737	359,476	7,469,213
Unaccrued amount	(62,541)	(28,354)	(90,895)
Carrying value of the debt	7,047,196	331,122	7,378,318
Current portion of the debt	(7,047,196)	(107,310)	(7,154,506)
Long-term debt	–	223,812	223,812

(\$)	Convertible Debt (a)	Lease Payable (b)	December 31 2022
Loan amount	6,939,089	390,353	7,329,442
Unaccrued amount	(163,343)	(32,418)	(195,761)
Carrying value of the debt	6,775,746	357,934	7,133,680
Current portion of the debt	(6,775,746)	(106,097)	(6,881,843)
Long-term debt	–	251,837	251,837

**(a) Convertible Debt**

At March 31, 2023, the convertible debt was \$7,109,737 (US\$5.2 million) as per a debt agreement signed in June 2016 with Extract Lending LLC and Extract Capital Master Fund Ltd. (together, "Extract"), in addition to the five amendments signed in the subsequent years of which the last ("the fifth amendment") was signed on April 8, 2022.

Under the fourth amendment, certain terms of the Company's convertible debt were changed such as the extension of the debt maturity by seven months to June 30, 2023 and the addition of the ability, at the Company's option, to pay interest in cash; in kind, capitalizing it to the facility; or by issuing common shares based on the average volume-weighted price of the five consecutive trading days to the interest payment, less a 15% discount. During the period end March 31, 2023, \$175,836 (March 31, 2022 – \$124,648) of interest has been capitalized to the facility. The fifth amendment, signed in 2022, dealt with administrative items, which had no impact of the overall terms of the debt.

Under the terms of the debt agreement, the debt may be converted at Extract's and Sprott's option, in part or in full, at any time, into common shares of the Company at \$0.96 per common share and the interest rate is 12-month LIBOR (minimum 200 basis points) plus 6.5%. The debt is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**11. LONG-TERM DEBT (cont'd)**

(\$)	March 31, 2023		December 31, 2022	
	Convertible Debt	Derivative	Convertible Debt	Derivative
Beginning balance	6,775,746	22,738	5,409,515	710,032
Accretion	100,610	–	357,085	–
Change in fair value	–	40,149	–	(687,294)
Capitalized interest	175,836	–	602,981	–
Foreign exchange adjustment	(4,995)	–	406,165	–
Ending balance	7,047,196	62,887	6,775,746	22,738

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a non-cash derivative liability. As at March 31, 2023, the non-cash derivative liability of the debt was assigned a fair value of \$62,887 (December 31, 2022 - \$22,738) using the Black-Scholes option pricing model with the following assumptions: share price \$0.35 (December 31, 2022 - \$0.32), dividend yield 0%, expected volatility based on historical volatility 126.5% (December 31, 2022 – 79.8%), a risk free interest rate of 3.77% (December 31, 2022 – 4.03%) and an expected life of 0.25 years (December 31, 2022 – 0.5 years). The fair value loss of \$40,149 (2022 – gain of \$687,294) has been recognized in the consolidated statements of operations. The effective interest rate of the debt is 15.7%.

**(b) Lease Payable**

During the year ended December 31, 2022, the Company entered into a lease agreement for its corporate office with a commencement date of January 1, 2022. The term of the lease is three years and ten months ending on October 30, 2025. The Company also entered into several four-year lease agreements for vehicles to be used at the project site. As of March 31, 2023, the Company is committed to pay \$359,476 (December 31, 2022 - \$390,353) through monthly payments until the end of the lease agreements.

**12. SRSR PAYMENT OBLIGATION**

(\$)	March 31 2023	December 31 2022
Opening balance	11,276,297	–
Initial recognition	–	10,958,800
Accretion	260,148	829,859
Repayment	(672,133)	(1,337,150)
Foreign exchange revaluation	(13,521)	824,788
Carrying value of the SRSR payment obligation	10,850,791	11,276,297
Current portion of the SRSR payment obligation	(1,770,270)	(1,729,207)
Long-term portion of SRSR payment obligation	9,080,521	9,547,090

**(a) Sprott Resource Streaming and Royalty Corp**

In connection with the sale of royalty to SRSR (see Note 9), the Company is required to make minimum payments of US\$500,000 to SRSR payable quarterly until the earlier of December 31, 2027 and the date that commercial production is declared. The Company may elect to satisfy the payment on the loan in cash

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**12. SRSR PAYMENT OBLIGATION (cont'd)**

or the issuance of common shares of the Company at a price per common share equal to the greater of: (a) a 5% discount to the five-day volume-weighted average price of the five consecutive trading days prior to the date payment is due and (b) the maximum permitted discount by the Toronto Stock Exchange, at the Company's sole discretion. The minimum payments are secured by a general security agreement and is registered against the Company's assets.

During the period the Company made a payment of US\$500,000 (\$672,133) by the issuance of 2,234,858 common shares.

The Company entered into an agreement within the scope of IFRS 9 'Financial Instruments'. The initial fair value of the financial liability was determined using a discount rate of 10.2%. After initial recognition, the SRSR obligation is carried at amortized cost using the effective interest rate method. As at March 31, 2023 (December 31, 2022 - \$11,276,297), the SRSR obligation was \$10,850,791 (US\$8.0 million).

**13. CAPITAL STOCK**

**(a) Authorized**

Unlimited common shares Issued.

	Number of Shares	Stated Value (\$)
<b>COMMON SHARES</b>		
<b>Balance, January 1, 2022</b>	<b>137,879,334</b>	<b>209,453,412</b>
Restricted share units redeemed (Note 15 (b))	288,753	142,194
<b>Balance, December 31, 2022</b>	<b>138,168,087</b>	<b>209,595,606</b>
Issuance of shares for SRSR payment obligation (a)	2,234,858	672,133
Restricted share units redeemed (Note 15)	420,271	131,070
Returned and cancel shares	(22)	-
<b>Balance, March 31, 2023</b>	<b>140,823,194</b>	<b>210,398,809</b>

(a) During the period the company issued 2,234,858 shares to Sprott Resource Streaming and Royalty Corporation in relation to the quarterly repayment obligation of US\$ 500,000 (\$672,133).

**14. WARRANTS**

The following table reflects the continuity of warrants for the period and year ended March 31, 2023 and December 31, 2022, respectively:

	Number of Warrants at March 31 2023	Number of Warrants at December 31 2022	Weighted Average Exercise Price 2023 (\$)	Weighted Average Exercise Price 2022 (\$)
Balance, beginning of period	18,433,000	24,592,635	1.48	1.54
Exercised	-	-	-	-
Expired	-	(6,159,635)	-	1.71
Balance, end of the period	18,433,000	18,433,000	1.48	1.48

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**14. WARRANTS (cont'd)**

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Number of Warrants at March 31 2023	Number of Warrants at December 31 2022	Exercise Price (\$)
June 6, 2023	Warrants	2,798,082	2,798,082	0.96
June 25, 2023	Warrants	3,968,253	3,968,253	1.80
August 7, 2023	Warrants	11,666,665	11,666,665	1.50
		<b>18,433,000</b>	<b>18,433,000</b>	

The weighted average life of the outstanding warrants at March 31, 2023 is 0.30 years (December 31, 2022 – 0.55 years).

**15. SHARE-BASED PAYMENTS**

On June 29, 2021, Company's shareholders approved the Omnibus Equity Incentive Plan (the "Incentive Plan"), replacing the previous Stock Option Plan (the "Legacy Plan"). The Legacy Plan continues to be authorized for the sole purpose of facilitating the vesting and exercise of existing awards previously granted under the Legacy Plan; no further awards will be granted under the Legacy Plan. Once the existing awards granted under the Legacy Plan are exercised or terminated, the Legacy Plan will terminate and be of no further force or effect.

The Incentive plan provides flexibility to the Company to grant equity-based incentive awards in the form of stock options and restricted share units ("RSUs"). The Incentive Plan is a "rolling" plan which, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of common shares), provides that the maximum aggregate number of common shares reserved by the Company for issuance and which may be purchased upon the exercise of all stock options or RSUs (and including awards granted under the Legacy Plan) shall not exceed 9.9% of the issued and outstanding common shares from time to time. Limits have also been set in respect of the maximum number of awards that may be issued to Company insiders in any one-year period. As at March 31, 2023, the Company had an additional 2,121,086 (December 31, 2022 – 5,692,327) securities available for issuance under the plan.

For the period ended March 31, 2023 the Company recognized share-based payments related to the stock options (\$65,895) and the vesting of RSUs (\$571,867) totaling \$637,762 (2022 - \$710,986).

**(a) Options**

	Number of Stock Options at March 31, 2023	Number of Stock Options at December 31, 2022	Weighted Average Exercise Price 2023	Weighted Average Exercise Price 2022
			(\$)	(\$)
Balance, at beginning of period	6,688,109	5,585,325	0.95	1.16
Options granted	445,000	3,418,675	0.32	0.64
Exercised	–	–	–	–
Forfeited	(495,361)	(2,315,891)	0.86	0.99
Balance at end of the period	<b>6,637,748</b>	<b>6,688,109</b>	<b>0.92</b>	<b>0.95</b>

The weighted average life of the outstanding options at March 31, 2023 is 1.44 years (December 31, 2022 – 1.59 years).

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**15. SHARE-BASED PAYMENTS (cont'd)**

The outstanding stock options are comprised as follows:

Grant Date	Expiry Date	Number of Options at March 31 2023	Number of Options at December 31 2021	Exercise Price (\$)
November 10, 2020	November 10, 2023	1,808,000	1,808,000	1.35
February 5, 2021	November 10, 2023	138,000	198,000	1.35
February 5, 2021	December 7, 2023	600,000	600,000	1.35
March 8, 2021	March 8, 2024	300,000	300,000	0.95
May 31, 2021	May 31, 2024	150,000	150,000	0.97
June 28, 2021	June 28, 2024	250,000	250,000	0.90
September 7, 2021	September 7, 2024	-	324,754	0.87
February 18, 2022	February 18, 2025	2,256,202	2,366,809	0.70
June 28, 2022	June 28, 2025	390,546	390,546	0.41
July 13, 2022	July 13, 2025	150,000	150,000	0.38
December 19, 2022	December 19, 2025	150,000	150,000	0.32
March 10, 2023	March 10, 2026	445,000	-	0.32
		<b>6,637,748</b>	<b>6,688,109</b>	

On March 31, 2023, 5,474,098 of the outstanding stock options were fully vested and exercisable (December 31, 2022 – 4,534,172).

On March 10, 2023, the Company granted 445,000 stock options to employees to buy common shares at an exercise price of \$0.32, each expiring on March 10, 2026. The stock options granted to employees vest 33.3% on date of grant, 33.3% on March 10, 2024 and the remaining balance of 33.4% on March 10, 2025. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.32, dividend yield 0%, expected volatility 60.68% based on historical volatility, a risk-free interest rate of 3.53% and an expected life of 3.00 years. As a result, the fair value of the stock options was estimated at \$61,594 and will be recognized in the statement of operations over the periods the stock options vest.

**(b) Restricted Share Units (“RSUs”)**

For the three months ended March 31, 2023 and March 31, 2022, the Company recognized share-based payment expense related to the vesting of RSUs amounting to \$571,867 (March 31, 2022 - \$364,664) being charged to stock-based compensation expense. RSU's are exercisable once the RSU's have vested; as at March 31, 2023, 1,756,700 had vested (March 31, 2022 – 445,830).

	Number of Units at March 31, 2023	Number of Units at December 31, 2022	Weighted Fair Value at March 31, 2023 (\$)	Weighted Fair Value at December 31, 2022 (\$)
Balance, at beginning of period	1,296,293	-	0.68	-
Granted	4,340,434	1,623,669	0.32	0.64
Redeemed	(420,271)	(288,752)	0.31	0.49
Forfeited	(33,791)	(38,624)	-	0.70
Balance at end of the period	<b>5,182,665</b>	<b>1,296,293</b>	<b>0.41</b>	<b>0.68</b>

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



**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**15. SHARE-BASED PAYMENTS (cont'd)**

On March 10, 2023, the Company granted 4,340,434 RSUs to directors, officers and certain employees that have an expiry date of December 31, 2026. The RSUs vest in accordance with the following schedule: (i) 33.34% on the grant date; (ii) 33.33% one year from the grant date; and (iii) 33.33% two years from the grant date. On any date that falls on or after the vesting date but on or before November 30, 2026, the holder may deliver a written conversion notice specifying that the holder elects to receive common shares on the basis of one (1) common share for one (1) RSU; the RSUs cannot be settled in whole or in part for cash. The fair value assigned to the RSUs was estimated using the volume-weighted average price of the common shares on the TSX for the five trading days immediately preceding the grant date and recognized over the vesting period.

**16. EXPLORATION AND EVALUATION COSTS**

Exploration and evaluation costs comprised of the following costs during the year:

(\$)	Three months ended	
	March 31 2023	March 31 2022
Drilling	536,022	1,428,473
Field programs	384,918	205,635
Salaries and benefits	602,316	581,584
Environmental studies	382,542	632,801
Prefeasibility studies	239,424	1,172,541
Vehicle expenses	27,657	39,933
Site costs and utilities	29,610	60,839
Community relations	24,709	65,384
Legal and other fees	34,262	578,023
Royalty payments	104,728	104,437
	<b>2,366,188</b>	<b>4,869,650</b>

**17. RELATED PARTY DISCLOSURES**

Transactions with related parties were conducted in the normal course of business and are measured at the exchange amounts.

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**18. KEY MANAGEMENT COMPENSATION**

Key management includes the Chief Executive Officer, Chief Financial Officer and members of the Board of Directors of the Company.

The compensation payable to key management is shown below:

(\$)	Periods ended March 31	
	2023	2022
Salaries	136,890	412,729
Director fees (ii)	70,380	61,000
Other cash compensation	405,350	–
Share based compensation (RSU)	491,820	–
Share-based compensation, at fair value (i)	–	180,896
	<b>1,104,440</b>	<b>654,625</b>

- (i) Stock Option compensation is disclosed at fair value.  
(ii) Directors' fees outstanding at March 31, 2023 is \$70,383 (December 31, 2022 - \$62,500).

**19. COMMITMENTS AND CONTRACTUAL OBLIGATIONS AND CONTINGENCIES**

An audit was commenced by the Canada Revenue Agency (the "CRA") in December 2016 of the flow-through expenditures incurred by the Company on the Goliath Gold Project, pursuant to the flow-through share financings completed on December 6, 2011, September 21, 2012, May 1, 2013 and December 20, 2013. On March 7, 2018, the Company was advised by the CRA that out of the total of \$12.5 million the Company raised through the flow-through share financings and renounced to subscribers, that the CRA had reclassified approximately \$1.8 million of CEE to operating expenses and a further \$2.2 million of CEE to Canadian Development Expenses ("CDE"). In addition, pursuant to the audit, the CRA notified the Company that it is liable for Part XII.6 tax in the amount of \$477,726 in connection with the shortfall from the disallowed CEE.

Subsequently on July 2, 2021, the CRA issued a Notice of Reassessment that reduced the amount of the unpaid Part XII.6 tax to \$430,689.

On September 30, 2021, the Company commenced an appeal to the Tax Court of Canada to dispute the CRA's reclassification of expenses from CEE (Canadian exploration expenses) to CDE (Canadian development expenses) or operating expenses. The Department of Justice filed its Reply pleading on behalf of the Crown on February 9, 2022, and the current litigation timetable requires the parties to proceed with litigation discovery in 2023. Due to the uncertainty of the outcome, no liability has been recorded in the consolidated financial statements.

**20. FINANCIAL RISK FACTORS**

**(a) Capital Management**

The Company manages its capital structure and makes appropriate adjustments, based on the funds available to the Company, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

---

**20. FINANCIAL RISK FACTORS (cont'd)**

At March 31, 2023, the Company has a working capital of \$4,031,166 excluding the flow-through share premium liability and derivative liability (December 31, 2022 - \$7,718,387); Capital stock and contributed surplus total \$237,008,220 (December 31, 2022 - \$235,698,325).

To effectively manage the Company's capital requirements, management has put in place a rigorous planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, considering its anticipated cash flow from operations and its holding of cash and cash equivalents and marketable securities.

At March 31, 2023, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans.

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. To carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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.

There were no changes in the Company's approach to capital management during the period ended March 31, 2023.

**(b) Risk Disclosures**

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

**(c) Credit Risk**

As at March 31, 2023, the Company had a cash and cash equivalents balance of \$12,099,055 (December 31, 2022 - \$16,020,110). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk in respect of receivables.

**(d) Interest Rate Risk**

The Company has exposure to interest rate risk since its long-term debt has an interest rate based on 12-month LIBOR, subject to an interest floor.

**(e) Market Price Risk**

The Company has convertible debt and minimum payment obligations denominated in U.S. dollars. The convertible feature of the convertible debt has been classified as a derivative liability. Among other variables, the fair value of the derivative liability is affected by changes in the market price of the Company shares.

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

---

**20. FINANCIAL RISK FACTORS (cont'd)**

**(f) Foreign Currency Risk**

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the US dollar. The balance of net monetary liabilities in such currency as of March 31, 2023 was \$16,646,995 (December 31, 2022 - \$16,804,266).

**(g) Liquidity Risk**

The Company is exposed to liquidity risk primarily because of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2023, the Company had a cash and cash equivalents balance of \$12,099,055 (December 31, 2022 - \$16,020,110) to settle current liabilities of \$9,488,859 (December 31, 2022 - \$9,830,419), excluding the flow-through share premium liability and derivative liability. All the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

**(h) Sensitivity Analysis**

As at March 31, 2023 and December 31, 2022, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

- (i) The Company is exposed to interest rate risk on LIBOR fluctuations for its convertible debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately \$71,097 (December 31, 2022 - \$69,391).
- (ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, short-term and long-term debt. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by \$1,664,699 (December 31, 2022 - \$1,680,427).
- (iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their March 31, 2023 fair market value positions, the comprehensive loss would have varied by \$82,914 (December 31, 2022 - \$66,443).

**(i) Fair Value Hierarchy**

The Company has designated its investments as FVTOCI, which are measured at fair value. The non-cash derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statements of operations.

Accounts payable and accrued liabilities, short-term and long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time

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

**TREASURY METALS INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2023 and 2022**  
(Expressed in Canadian Dollars) (Unaudited)

**20. FINANCIAL RISK FACTORS (cont'd)**

estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

<b>March 31, 2023</b>	<b>Level One</b>	<b>Level Two</b>	<b>Level Three</b>
	(\$)	(\$)	(\$)
Investments	829,138	-	-
Derivative liability	-	(62,887)	-
	<b>829,138</b>	<b>(62,887)</b>	<b>-</b>

<b>December 31, 2022</b>	<b>Level One</b>	<b>Level Two</b>	<b>Level Three</b>
	(\$)	(\$)	(\$)
Investments	664,433	-	-
Derivative liability	-	(22,738)	-
	<b>664,433</b>	<b>(22,738)</b>	<b>-</b>

There have been no transfers between levels 1, 2, or 3 during the periods.

**21. Subsequent Events**

On April 14, 2023, Extract and Sprott Private Resource Lending II ("Sprott") signed a debt assignment agreement by which Sprott assigned, transferred, and sold to Extract US\$2.6 million owed to Sprott by the Company together with all the rights and obligations under the debt agreement.