



**Spanish Mountain
Gold Ltd.**

SPANISH MOUNTAIN GOLD LTD.
(An exploration stage company)

**Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and 2022**
(Expressed in Canadian Dollars)

NOTICE TO READER:

These unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these Financial Statements in accordance with the standards established by the Canadian Chartered Professional Accountants. This notice is being provided in accordance with National Instrument 52-102 – Continuous Disclosure Obligations.

SPANISH MOUNTAIN GOLD LTD.
March 31, 2023

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Spanish Mountain Gold Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	March 31, 2023	December 31, 2022
Assets			
Current Assets			
Cash and cash equivalents	4	\$ 1,327,107	\$ 2,815,985
Short-term investments	4	-	250,000
Accounts receivable	4	56,400	52,712
Prepaid expenses		70,804	29,599
Rent deposit	8	-	6,818
		1,454,311	3,155,114
Mineral Properties	6	90,601,718	89,740,340
Property and Equipment	7	1,125,919	1,156,949
Deposits for Reclamation	6(a)	91,000	91,000
Rent Deposit	8	10,444	10,444
		\$ 93,283,392	\$ 94,153,847
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	12(b)	\$ 832,338	\$ 1,151,823
Current portion of lease liability	8	55,993	46,166
Loan payable	9	40,000	40,000
		928,331	1,237,989
Lease Liability	8	276,583	290,845
Deferred Income Tax Liabilities	11	2,914	204,887
		1,207,828	1,733,721
Shareholders' Equity			
Capital stock	10	106,275,899	106,275,899
Share-based payments reserve	10(b),10(d)	1,362,841	1,301,992
Deficit		(15,563,176)	(15,157,765)
		92,075,564	92,420,126
		\$ 93,283,392	\$ 94,153,847

Approved on behalf of the Board:

"Richard Orazietti"

..... Director

Richard Orazietti

"Lembit Janes"

..... Director

Lembit Janes

See notes to the condensed consolidated interim financial statements

Spanish Mountain Gold Ltd.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

		For the three months ended March 31,	
	Notes	2023	2022
Expenses			
Salaries and wages	12	\$ 350,848	\$ 102,230
Legal and accounting		144,669	40,782
Share based payments	10(b),10(d),12	50,916	110,524
Investor relations, travel and filing fees		29,567	27,957
Office and administrative		23,864	31,740
Depreciation	7	21,745	20,736
Loss Before Other Items		(621,609)	(333,969)
Other Items			
Interest and finance expense	8	(4,197)	(399)
Interest and other income		18,422	10,507
Loss Before Deferred Income Tax		(607,384)	(323,861)
Deferred Income Tax Recovery	11	201,973	38,759
Net Loss and Comprehensive Loss for period		\$ (405,411)	\$ (285,102)
Basic and diluted, loss per share		\$ (0.001)	\$ (0.001)
Weighted Average Number of Common Shares Outstanding		341,815,551	334,447,384

See notes to the condensed consolidated interim financial statements

Spanish Mountain Gold Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock	Share-Based Payments Reserve	Deficit	Total Equity
Balance, December 31, 2021	333,974,051	\$ 105,093,485	\$ 1,047,613	\$ (14,444,887)	\$ 91,696,211
Issued for cash					
Stock option exercise	600,000	96,189	(44,189)	-	52,000
Warrant exercise	-	-	-	-	-
Fair value of forfeited stock options	-	-	(98,667)	98,667	-
Share-based payments	-	-	182,800	-	182,800
Net loss for period	-	-	-	(285,102)	(285,102)
Balance, March 31, 2022	334,574,051	\$ 105,189,674	\$ 1,087,557	\$ (14,631,322)	\$ 91,645,909
Issued for cash					
Warrant exercise	7,241,500	1,086,225	-	-	1,086,225
Fair value of forfeited stock options	-	-	(64,917)	64,917	-
Share-based payments	-	-	279,352	-	279,352
Net loss for period	-	-	-	(591,360)	(591,360)
Balance, December 31, 2022	341,815,551	\$ 106,275,899	\$ 1,301,992	\$ (15,157,765)	\$ 92,420,126
Share-based payments	-	-	60,849	-	60,849
Net loss for period	-	-	-	(405,411)	(405,411)
Balance, March 31, 2023	341,815,551	\$ 106,275,899	\$ 1,362,841	\$ (15,563,176)	\$ 92,075,564

See notes to the condensed consolidated interim financial statements

Spanish Mountain Gold Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the three months ended March 31,	
	2023	2022
Operating Activities		
Net loss for period	\$ (405,411)	\$ (285,102)
Items not involving cash:		
Depreciation	21,745	20,736
Loss on disposal of fixed asset	-	45
Interest and finance expense	4,197	399
Share-based payments	50,916	110,524
Deferred income tax recovery	(201,973)	(38,759)
	(530,526)	(192,157)
Changes in non-cash working capital:		
Accounts receivable	(3,688)	139,863
Prepaid expenses and deposits	(34,387)	41,981
Accounts payable and accrued liabilities	(18,523)	45,961
	(56,598)	227,805
Cash Provided by (Used in) Operating Activities	(587,124)	35,648
Financing Activity		
Shares issued for cash, net of issue costs	-	52,000
Payment of lease obligations	(8,633)	(24,172)
Cash Provided by (Used in) Financing Activities	(8,633)	27,828
Investing Activities		
Short-term investments	250,000	-
Expenditures on mineral properties	(1,143,410)	(1,495,061)
Purchase of property and equipment	289	-
Cash Used in Investing Activities	(893,121)	(1,495,061)
Decrease in Cash and Cash Equivalents	(1,488,878)	(1,431,585)
Cash and Cash Equivalents, Beginning of year	2,815,985	6,688,364
Cash and Cash Equivalents, End of period	\$ 1,327,107	\$ 5,256,779
Supplemental Cash Flow Information		
Non-cash items:		
Mineral properties included in accounts payable and accrued liabilities	\$ 530,733	\$ 614,697
Depreciation included in mineral properties	\$ 8,997	\$ 9,850
Share-based payments included in mineral properties	\$ 9,933	\$ 72,276

See notes to the condensed consolidated interim financial statements

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)
For the three months ended March 31, 2023 and 2022

1. NATURE OF OPERATIONS AND GOING CONCERN

Spanish Mountain Gold Ltd. (the “Company”) is an exploration stage resource company incorporated under the *Business Corporations Act* (Alberta) and continued into British Columbia under the *Business Corporations Act* (British Columbia). The head office and principal address of the Company are located at 910 - 1111 Melville Street, Vancouver, British Columbia V6E 3V6. The address of the Company’s registered office is 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

These condensed consolidated interim financial statements (“Financial Statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is an exploration stage resource company which does not generate any revenue and has been relying on equity-based financing to fund its operations. While the Company expects to meet its financial obligations in the near term, it will require additional financing to meet its administrative costs and to continue to explore and develop its mineral properties. There is no assurance that future funding will be available to sufficiently conduct further exploration and development of its mineral properties. During the period ended March 31, 2023, the Company incurred a net loss of \$405,411 (2022 - \$285,102) and as at March 31, 2023 has an accumulated deficit of \$15,563,176 (December 31, 2022 - \$15,157,765).

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its on-going obligations. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful as it is dependent on prevailing capital market conditions and the availability of other financing opportunities. These conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Since March 2020, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The Company has put in place measures to mitigate the impact of COVID-19 on its exploration and business operating activities. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these Financial Statements, there may be further significantly adverse impacts on the Company’s financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

2. BASIS OF PREPARATION

(a) Approval of the Financial Statements

The Financial Statements of the Company for the period ended March 31, 2023 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 29, 2023.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

2. BASIS OF PREPARATION (Continued)

(b) Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Certain disclosures included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and these unaudited Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022.

(c) Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these Financial Statements have also been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in note 3 have been applied consistently by the Company and its subsidiary.

(d) Use of judgments and estimates

The Company’s management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company’s Financial Statements. The significant judgments that the Company’s management has made in the process of applying the Company’s accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- Impairment of property and equipment and mineral properties

Assets or cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s property and equipment and mineral properties.

In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded as there have been no obsolescence or physical damage of the assets, and there are no indications that the value of the assets have declined more than what is expected from the passage of time or from normal use.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral properties as at March 31, 2023 and December 31, 2022.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

2. BASIS OF PREPARATION (Continued)

(d) Use of judgments and estimates (Continued)

- Mining exploration tax credits

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia (the "Province"). Uncertainties exist with respect to the interpretation of tax regulations resulting in certain claimed credits being disallowed by the Province. The calculation of the Company's refundable tax credits involves significant estimates and judgment on items whose tax treatment cannot be verified until a notice of assessment and subsequent payments have been received from the Province. Differences between management's estimates and the final assessment could result in adjustments to the mining exploration tax credit and the future income tax expense.

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Right-of-use assets and lease liability

The Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant areas requiring the use of management estimates include:

- Useful lives of property and equipment

The Company reviews its estimate of the useful lives of property and equipment at each reporting date, based on the expected utilization of the assets. A change in the useful life or residual value will impact the reported carrying value of the property and equipment resulting in a change in related amortization expense.

- Asset retirement and environmental obligations

Amounts recorded for asset retirement obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third-party information and calculations are subject to change over time and may have a material impact on results of operations or financial position.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)
For the three months ended March 31, 2023 and 2022

2. BASIS OF PREPARATION (Continued)

(d) Use of judgments and estimates (Continued)

- Estimate of deferred tax liability

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

- Share-based payments

The value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

- Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations are estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

(a) Principles of consolidation

These Financial Statements include the accounts of the Company and its wholly-owned Canadian subsidiary, Wildrose Resources Ltd. ("Wildrose"). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

(b) Cash, cash equivalents and short-term investments

Cash and cash equivalents comprise cash, bank deposits or highly liquid temporary investments that are readily convertible into known amounts of cash. Term deposits with an original maturity greater than three months and that are non-redeemable are classified as short-term investments.

(c) Presentation currency

The Company's presentation currency is the Canadian dollar, which is also the functional currency for both the Company and its subsidiary, Wildrose.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Mineral properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written off in the period in which a decision to discontinue the project is made.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in net income (loss).

(e) Property and equipment

Property and equipment are recorded at cost and depreciated using the declining-balance basis at the following annual rates:

Building	4%
Computer equipment	30%
Furniture and equipment	20%
Vehicles and other	30%

The office lease, which is recognized as a right-of-use asset, is depreciated on a straight-line basis over the 70-month term of the lease.

Additions during the year are depreciated on a pro-rated basis. Depreciation on property and equipment used directly on exploration projects is capitalized to mineral properties in note 6.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets). The recoverable amount of the asset (or CGU) is the greater of the asset's (or CGU's) fair value less costs to sell and its value in use to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Provision for closure and reclamation

The Company assesses its mine rehabilitation provision at each reporting date. Changes to estimated future costs are recognized in the statements of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*.

The Company records the present value of estimated costs of legal and constructive obligations required to restore mining operations in the period in which the obligation is incurred. The nature of these restoration activities includes: dismantling and removing structures, rehabilitating mine, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and vegetation of affected areas.

Present value is used where the effect of the time value of money is material. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Mining exploration tax recoveries

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(i) Unit issuance

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(j) Share-based payments

The Company has a stock option plan that is described in note 10(b). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related amount originally recorded in share-based payments reserve is transferred to capital stock. For those unexercised options or warrants that expire, the recorded value is transferred to deficit.

(k) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the earnings (loss) available to common shareholders equal the reported earnings (loss). The computation of diluted earnings per share reflects the potential dilution that could occur on the exercise of outstanding options, warrants and similar instruments. The Company uses the treasury stock method to determine the dilutive effect of options, warrants and other dilutive instruments. Under this method, only "in the money" dilutive instruments impact the calculations in computing diluted earnings per share. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, losses carried forward and other tax deductions. Deferred income tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income (loss) in the period in which the change is enacted or substantively enacted. The amount of deferred income tax assets is limited to the amount of the benefit that is probable that the related tax benefit will be realized.

(m) Financial instruments

Financial assets

i. Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

ii. Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Company's accounts receivable and deposits are measured at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases. The Company does not have any financial assets measured at FVTOCI.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

Financial assets (Continued)

ii. Classification of financial assets (Continued)

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company's cash and cash equivalents and short-term investments are measured at FVTPL.

iii. Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

i. Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

ii. Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. The Company's accounts payable and accrued liabilities, lease liability, returnable security deposit and loan payable are measured at amortized cost.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred.

Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company does not have any financial liabilities measured at fair value through profit or loss.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (Continued)

Financial liabilities (Continued)

iii. Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss).

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(n) Leases

Lease recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (Continued)

Lease recognition (Continued)

If a contract is assessed to contain a lease, a lease liability is initially recognized at the present value of the lease payments that are unpaid at the commencement date, and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease obligation is measured at amortized cost using the effective interest method. The Company also recognizes a right-of-use ("ROU") asset that will generally be equal to the lease obligation at adoption. The ROU asset is subsequently amortized over the life of the contract.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in 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.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash and cash equivalents, short-term investments, accounts receivable, rent deposit, accounts payable and accrued liabilities, loans payable and returnable security deposits, as their carrying values approximate their fair values due to the short-term maturity. The carrying value of deposits for reclamation approximates fair value since amounts held earn interest at market rates. The lease liability is classified as Level 3.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents, short-term investments and accounts receivable. The Company manages credit risk in respect of cash and cash equivalents and short-term investments by holding these at a major Canadian financial institution with strong investment-grade ratings by a recognized agency.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and short-term investments, as all amounts are held at a major Canadian financial institution. The Company's cash, cash equivalents and short-term investments at March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Cash held in bank accounts	\$ 63,464	\$ 275,677
Term deposits	1,263,643	2,540,308
Short-term investments	-	250,000
	\$ 1,327,107	\$ 3,065,985

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4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

As at March 31, 2023, the Company had \$Nil (December 31, 2022 - \$250,000) invested in non-redeemable GICs with original maturity greater than three months. Interest is accrued during the GIC term. The weighted average interest rate earned on the Company's cash, cash equivalents and short-term investments at March 31, 2023 is 4.38% (December 31, 2022 – 3.67%).

At March 31, 2023 and December 31, 2022, the Company's accounts receivable balance consists of the following:

	March 31, 2023	December 31, 2022
Tax credit receivable	\$ 50,667	\$ 43,469
Accrued interest receivable	5,733	9,243
	\$ 56,400	\$ 52,712

During the year ended December 31, 2022, the Company entered a settlement agreement with its former subtenant with respect to unpaid rent resulting a net recovery of \$88,571.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash, cash equivalents and short-term investments at March 31, 2023 of \$1,327,107 (December 31, 2022 - \$3,065,985), in order to meet short-term liabilities. At March 31, 2023 the Company had accounts payable and accrued liabilities of \$832,338 (December 31, 2022 - \$1,151,823), which have contractual maturities of 90 days or less, current lease liabilities of \$55,993 (December 31, 2022 - \$46,166), and a \$40,000 interest-free, business account of which \$10,000 of the loan is forgivable if paid by December 31, 2023. The amount of the Company's remaining undiscounted contractual maturities for the lease liability is approximately \$306,166 (December 31, 2022 - \$324,007) which are due between one to five years.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to interest rate risk, foreign currency risk and other price risk as follows:

(i) Interest rate risk

The Company's cash and cash equivalents and short-term investments are held in bank accounts and earn interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values or cash flows as of March 31, 2023 and 2022.

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4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars, and accordingly, the Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

5. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of capital stock. Other than the loan payable referred to in Note 9, the Company does not use other sources of financing that require fixed payments of interest and principal, and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet strategic goals.

In accordance with its investment policy, the Company periodically invests its capital in liquid investments to obtain returns that are considered reasonable under prevailing market conditions. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurances that it will continue into the future.

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

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6. MINERAL PROPERTIES

Acquisition and exploration expenditures incurred on mineral properties are as follows:

	Notes	Spanish Mountain Gold Project
Balance, December 31, 2021		\$ 85,306,693
Additions during the year		
Deferred exploration costs:		
Assaying		563,486
Camp materials and supplies		97,585
Contract wages		199,307
Depreciation	7	40,172
Drilling		279,351
Environmental assessment		1,827,750
Field supplies and services		177,244
First Nations and community engagement		190,678
Fuel		3,623
Geological and technical consulting	12	277,256
Land tenure		31,801
Maps and reports		505,283
Share-based payments	10(b),10(d)	156,692
Soil Sampling		26,298
Travel and accommodation		57,121
Total additions during the year		4,433,647
Balance, December 31, 2022		\$ 89,740,340
Additions during the period		
Deferred exploration costs:		
Assaying		153,731
Camp materials and supplies		20,006
Contract wages		40,229
Depreciation	7	8,997
Environmental assessment		468,738
First Nations and community engagement		40,970
Fuel		493
Geological and technical consulting	12	53,649
Maps and reports	10(b),10(d)	57,115
Share-based payments		9,933
Travel and accommodation		7,517
Total additions during the period		861,378
Balance, March 31, 2023		\$ 90,601,718

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6. MINERAL PROPERTIES (Continued)

(a) Spanish Mountain Property, British Columbia

The property is subject to various net smelter returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1.0% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of \$1,000,000 to the vendors.

On June 15, 2010, the Company acquired a 100% undivided interest in the Cedar Creek property, which is contiguous to the Spanish Mountain property. The wholly owned property is subject to a 2.5% NSR in favour of a third party. The NSR may be purchased by the Company for \$500,000 per 1.0% NSR. On May 23, 2011, the Company acquired two additional mineral claims that are adjacent to the Cedar Creek property for \$110,000 cash. The claims are subject to a 3.0% NSR, 2.5% of which may be purchased for \$1,000,000.

On August 21, 2012, the Company completed the acquisition of a 100% undivided interest in an additional group of mineral claims for consideration of \$500,000 in cash and 2,000,000 common shares with a fair value of \$740,000. The property is subject to an aggregate 4.0% NSR. The Company has the option to reduce the NSR to 2.0% by paying a one-time cash payment of \$2,000,000 to the royalty holders.

In accordance with regulatory requirements, at March 31, 2023 the Company holds a number of GICs aggregating in the sum of \$91,000 (December 31, 2022 - \$91,000), in safekeeping for the Government of British Columbia. The security will be released once the Company performs its obligations pursuant to its Mineral Exploration Permit.

(b) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(d) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental issues related to any of its current or former properties that may result in material liability to the Company.

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6. MINERAL PROPERTIES (Continued)

(d) Environmental (Continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. PROPERTY AND EQUIPMENT

	Land	Building	ROU Asset	Computer Equipment	Furniture and Equipment	Vehicles and Other	Total
Cost							
Balance, December 31, 2021	\$ 127,441	\$ 1,112,739	\$ 277,317	\$ 159,126	\$ 240,033	\$ 92,190	\$ 2,008,846
Additions	-	-	346,292	3,273	3,451	57,151	410,167
Disposals	-	-	(277,317)	-	-	(25,963)	(303,280)
Balance, December 31, 2022	127,441	1,112,739	346,292	162,399	243,484	123,378	2,115,733
Additions	-	-	-	-	-	(289)	(289)
Balance, March 31, 2023	\$ 127,441	\$ 1,112,739	\$ 346,292	\$ 162,399	\$ 243,484	\$ 123,089	\$ 2,115,444
Accumulated Depreciation							
Balance, December 31, 2021	\$ -	\$ 496,822	\$ 243,498	\$ 153,754	\$ 166,171	\$ 89,443	\$ 1,149,688
Additions	-	24,637	68,448	1,788	14,938	2,520	112,331
Disposals	-	-	(277,317)	-	-	(25,918)	(303,235)
Balance, December 31, 2022	-	521,459	34,629	155,542	181,109	66,045	958,784
Additions	-	5,856	14,841	501	3,042	6,501	30,741
Balance, March 31, 2023	\$ -	\$ 527,315	\$ 49,470	\$ 156,043	\$ 184,151	\$ 72,546	\$ 989,525
Carrying Amounts							
At December 31, 2022	\$ 127,441	\$ 591,280	\$ 311,663	\$ 6,857	\$ 62,375	\$ 57,333	\$ 1,156,949
Balance, March 31, 2023	\$ 127,441	\$ 585,424	\$ 296,822	\$ 6,356	\$ 59,333	\$ 50,543	\$ 1,125,919

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8. LEASE OBLIGATIONS

In February 2017, the Company signed an extension agreement to renew the lease of its former office premises. The agreement commenced June 1, 2017 and expired May 31, 2022. At December 31, 2021, the remaining lease liability was \$39,788. Upon the expiration date of May 31, 2022, the Company had fulfilled its entire lease obligation and vacated the property thus terminating its lease and resulting in a \$Nil balance related to this ROU Asset and its corresponding lease liability.

During March 2022, the Company entered into an agreement to sublease new office premises. The term of the sublease begins June 1, 2022 and expires March 31, 2023. Concurrently, the Company also entered into a lease extension with the direct landlord which begins April 1, 2023 and expires March 31, 2028. The total aggregate lease payments pursuant to the agreements are \$404,001. Additionally, operating costs are estimated at \$253,124 over the same period. The Company paid a deposit of \$13,636 to its sublandlord upon the execution of the sublease agreement and a deposit of \$10,444 to its direct landlord upon the execution of the lease extension. During the period ended March 31, 2023, a deposit of \$6,818 (December 31, 2022 – \$6,818) was recovered from the sublandlord upon the completion of the sublease.

The following table reconciles the Company's operating lease commitments at June 1, 2022 to the lease obligation recognized. When measuring the value of the lease liabilities, the Company discounted lease payments using its estimated incremental borrowing rate of 5%.

	June 1, 2022
Operating lease commitment	\$ 404,001
Effect from discounting using the incremental borrowing rate	(57,709)
Lease liability recognized at execution of lease	\$ 346,292

As at March 31, 2023 and December 31, 2022, the Company's discounted lease liability for the remainder of its lease term consisted of the following:

	March 31, 2023	December 31, 2022
Lease liability recognized at beginning of year	\$ 337,011	\$ 39,788
Lease liability recognized at beginning of contract	-	346,292
Lease payments	(8,634)	(58,128)
Lease interest	4,199	9,059
Lease liability - discounted	\$ 332,576	\$ 337,011

	March 31, 2022	December 31, 2022
Current	\$ 55,993	\$ 46,166
Non-current	276,583	290,845
Lease liabilities - discounted	\$ 332,576	\$ 337,011

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9. LOANS PAYABLE

On April 30, 2020, the Company obtained an interest-free, forgivable business account totaling \$40,000 under a government program. Under the original terms, the funds are interest free until December 31, 2022 and 25% of the balance is forgivable if repaid by such date. If the loan is extended past December 31, 2022, it will carry an interest rate of 5% per annum beginning January 1, 2023 until the loan is repaid in full or the maximum maturity date of December 31, 2025. During the year ended December 31, 2022, the Company was notified that the payment due date for partial loan forgiveness and interest free period has been extended to December 31, 2023.

10. CAPITAL STOCK

(a) Authorized

- (i) Unlimited number of common voting shares without par value
- (ii) Unlimited number of first preferred shares
- (iii) Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. As at March 31, 2023 and December 31, 2022, there are no preferred shares outstanding.

(b) Stock options

The Company's incentive stock option plan authorizes the issuance of options up to a maximum of 20% of the Company's issued shares. The maximum number of options issuable has been fixed at 17,401,903 by a special resolution of shareholders since 2009. The exercise price of any option granted shall not be less than the fair market value of the shares at the time of the grant. The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Unless stipulated by the Board of Directors, options granted generally vest 25% on the date of grant and a further 25% vest every six months and expire after five years.

Changes in the Company's stock options during the years ended March 31, 2023 and December 31, 2022 are summarized as follows:

	March 31, 2023		December 31, 2022	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise Price		Exercise Price
Outstanding, beginning of year	9,750,000	\$ 0.19	7,200,000	\$ 0.19
Granted	-	\$ -	3,950,000	\$ 0.18
Exercised	-	\$ -	(600,000)	\$ 0.09
Forfeited	-	\$ -	(800,000)	\$ 0.27
Outstanding, end of period	9,750,000	\$ 0.19	9,750,000	\$ 0.19

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10. CAPITAL STOCK (Continued)**(b) Stock options (continued)**

A summary of the Company's stock options outstanding and exercisable at March 31, 2023 and December 31, 2022 is as follows:

Expiry Date	March 31, 2023			December 31, 2022		
	Exercise Price	Number of Options	Number of Options exercisable	Exercise Price	Number of Options	Number of Options exercisable
July 3, 2023	\$ 0.10	1,950,000	1,950,000	\$ 0.10	1,950,000	1,950,000
July 3, 2024	\$ 0.08	1,650,000	1,650,000	\$ 0.08	1,650,000	1,650,000
December 16, 2025	\$ 0.36	2,200,000	2,200,000	\$ 0.36	2,200,000	2,200,000
January 24, 2027	\$ 0.21	2,450,000	1,837,500	\$ 0.21	2,450,000	1,225,000
September 13, 2027	\$ 0.15	300,000	150,000	\$ 0.15	300,000	75,000
October 12, 2027	\$ 0.14	600,000	150,000	\$ 0.14	600,000	150,000
October 19, 2027	\$ 0.13	600,000	150,000	\$ 0.13	600,000	150,000
Outstanding, end of period		9,750,000	8,087,500		9,750,000	7,400,000

The weighted average remaining contractual life of outstanding options as at March 31, 2023 is 2.53 (December 31, 2022 - 2.78) years. The weighted average share price on the date of exercise for options exercised during the period ended March 31, 2023 was \$Nil (December 31, 2022 - \$0.21). During the period ended March 31, 2023, \$9,933 (December 31, 2022 - \$156,692) of SBC expense was capitalized to Mineral Properties.

(c) Share purchase warrants

Changes in the Company's share purchase warrants during the periods ended March 31, 2023 and December 31, 2022 are summarized as follows:

	March 31, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	67,961,427	\$ 0.30
Exercised	-	-	(7,241,500)	\$ 0.15
Expired	-	-	(60,719,927)	\$ 0.32
Outstanding, end of period	-	\$ -	-	\$ -

The weighted average share price on the date of exercise for warrants exercised during the period ended March 31, 2023 was \$Nil (December 31, 2022 - \$0.17).

The Company's had Nil share purchase warrants outstanding and exercisable at March 31, 2023 and December 31, 2022.

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10. CAPITAL STOCK (Continued)

(d) Share-based payments

When the Company issues stock options, it records a share-based payment compensation (“SBC”) expense in the year or period which the options are granted and/or vested. SBC expense is estimated using the following assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company’s common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options’ expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common stock. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 3% in determining the expense recorded in the accompanying consolidated statements of operations and comprehensive loss.

During the year ended December 31, 2022, the Company granted an aggregate of 3,950,000 incentive stock options with a weighted average exercise price of \$0.18 per share to certain employees and directors of the Company. The stock options expire five years from the grant date and will be vested in accordance with the Company’s Incentive Stock Option Plan and have an aggregate fair value calculated at \$548,713 at the date of issuance.

In accordance with the vesting schedule for these and previously granted options, \$60,849 of SBC expense has been recognized during the period ended March 31, 2023 (December 31, 2022 - \$462,152).

The fair value of stock options granted during the year ended December 31, 2022 is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022
Risk-free interest rate	2.38%
Expected dividend yield	-
Expected stock price volatility	107.88%
Expected life in years	5.00
Expected forfeitures	3.00%

11. INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate to income tax recovery is as follows:

	For the three months ended March 31	
	2023	2022
Loss before tax	\$ 607,384	\$ 323,861
Statutory income tax rate	27%	27%
Expected income tax recovery	163,994	87,442
Items non-deductible for income tax purposes	(13,908)	(30,109)
Changes in timing differences	51,887	(18,574)
Deferred income tax recovery	\$ 201,973	\$ 38,759

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11. INCOME TAXES (Continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at March 31, 2023 and December 31, 2022 are presented below:

	March 31, 2023	December 31, 2022
Deferred income tax assets		
Property and equipment	\$ 296,017	\$ 288,663
Non-refundable mining income tax credit	2,177,833	2,177,833
Share issue costs	19,475	22,384
Non-capital loss carried forward	5,860,666	5,660,665
	<u>8,353,991</u>	<u>8,149,545</u>
Deferred income tax liabilities		
Mineral properties	(8,356,905)	(8,354,432)
Deferred income tax liability, net	\$ (2,914)	\$ (204,887)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate taxable income to utilize its deferred tax assets.

The Company is eligible for British Columbia mining exploration tax credits ("BC METC"), based on qualified mineral exploration expenditures incurred for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred to the extent such expenditures are not renounced or committed with respect to issued flow-through shares, if any. The filing for the BC METC is subject to an assessment process, which may include an audit by the taxation authorities. The amount ultimately recoverable may be different from the amount claimed.

As at March 31, 2023, the Company has Canadian non-capital losses of \$20,935,500 that may be applied to reduce future Canadian taxable income purposes, expiring as follows:

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11. INCOME TAXES (Continued)

	Spanish Mountain	Wildrose	Total
Non-capital losses, expiring as follows:			
2026	723,138	33,219	756,357
2027	861,641	-	861,641
2028	1,723,029	155,937	1,878,966
2029	1,410,811	55,965	1,466,776
2030	2,341,901	47,730	2,389,631
2031	2,399,357	25,888	2,425,245
2032	2,828,492	3,415	2,831,907
2033	1,763,239	1,000	1,764,239
2034	1,067,246	1,367	1,068,613
2035	774,116	1,570	775,686
2036	480,330	1,600	481,930
2037	650,564	426	650,990
2038	653,714	839	654,553
2039	601,488	541	602,029
2040	653,696	-	653,696
2041	829,917	-	829,917
2042	843,324	-	843,324
	\$ 20,606,003	\$ 329,497	\$ 20,935,500

12. KEY MANAGEMENT COMPENSATION

- (a) Key management comprises directors and executive officers of the Company. Compensation of key management personnel for the years ended March 31, 2023 and 2022 are summarized as follows:

		For the three months ended Mach 31,	
	Note	2023	2022
Salary and benefits		101,227	94,328
Consulting fees	6	39,376	39,389
Share-based payments		51,413	114,315
		\$ 192,016	\$ 248,032

During the period ended March 31, 2023, the Company paid contractual termination benefits totalling \$240,000 (December 31, 2022 - \$Nil) to key management personnel.

- (b) Accounts payable and accrued liabilities at March 31, 2023 totalling \$27,269 (December 31, 2022 - \$137,421) were owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2023 and 2022

13. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration, and all of its long-term assets are located in Canada.

14. SUBSEQUENT EVENTS

On May 12, 2023 the Company completed a non-brokered private placement and issued 28,571,429 common share units ("Unit") at a price of \$0.21 per Unit for gross proceeds of \$6,000,000. Each Unit consists of one common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at a price of \$0.25 per common share for a period of 24 months, subject to earlier expiry if the ten-day volume weighted average price exceeds \$0.30 per common share.

Subsequent to March 31, 2023 the Company issued 1 million common shares from the exercise of stock purchase options ranging in price between \$0.08 to \$0.10 per share.