



**Spanish Mountain
Gold Ltd.**

SPANISH MOUNTAIN GOLD LTD.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Spanish Mountain Gold Ltd. for the interim periods ended September 30, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Smythe LLP, have not performed a review of these unaudited condensed interim consolidated financial statements.

November 24, 2023

SPANISH MOUNTAIN GOLD LTD.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	September 30, 2023	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		4,878,117	2,815,985
Short-term investments		-	250,000
Accounts receivable		72,211	52,712
Prepaid expenses		169,683	29,599
Rent deposit	8	-	6,818
		5,120,011	3,155,114
Mineral property	5, 10	91,638,222	89,740,340
Property and equipment	6	1,083,434	1,156,949
Deposits for reclamation	5	91,000	91,000
Rent deposit	8	10,444	10,444
Total assets		97,943,111	94,153,847
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	114,645	1,151,823
Loan payable	7	40,000	40,000
Current portion of lease liability	8	58,571	46,166
		213,216	1,237,989
Lease liability	8	246,358	290,845
Deferred income tax liabilities		-	204,887
Total liabilities		459,574	1,733,721
SHAREHOLDERS' EQUITY			
Share capital	9(b)	112,624,685	106,275,899
Reserves		846,651	1,301,992
Deficit		(15,987,799)	(15,157,765)
Total shareholders' equity		97,483,537	92,420,126
Total liabilities and shareholders' equity		97,943,111	94,153,847

Nature of operations and going concern (Note 1)
Subsequent event (Note 14)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Richard Oraziotti"
Director

/s/ "Lembit James"
Director

SPANISH MOUNTAIN GOLD LTD.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Expenses					
Depreciation	6	17,946	16,065	57,517	55,934
Investor relations, travel and filing fees		39,303	26,765	121,610	96,410
Legal and accounting		126,495	28,524	308,366	134,899
Office and administrative		200,336	24,825	280,761	89,658
Salaries and wages	10	172,672	97,086	633,851	297,800
Share-based compensation	10	19,798	42,228	102,115	223,267
		576,550	235,493	1,504,220	897,968
Other income (expenses)					
Interest and finance expense		(3,931)	(4,307)	(12,232)	(4,806)
Interest income		54,191	31,806	105,329	49,140
Recovery of doubtful accounts		-	23,809	-	88,571
Net loss before income tax		(526,290)	(184,185)	(1,411,123)	(765,063)
Deferred income tax recovery		-	35,470	204,887	122,225
Net loss and comprehensive loss		(526,290)	(148,715)	(1,206,236)	(642,838)
Loss per share:					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares:					
Basic and diluted		372,934,806	335,121,595	357,609,403	337,036,595

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

SPANISH MOUNTAIN GOLD LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30,	
	2023	2022
	\$	\$
Operating activities		
Net loss and comprehensive loss for the period	(1,206,236)	(642,838)
Items not involving cash:		
Depreciation	57,517	55,934
Share-based compensation	102,115	223,267
Loss on disposal of property and equipment included in office and administrative	-	45
Interest and finance expense	12,232	4,806
Deferred income tax recovery	(204,887)	(122,225)
Changes in non-cash working capital:		
Accounts receivable	(19,499)	125,563
Prepaid expenses	(140,084)	63,278
Rent deposit	6,818	(18,000)
Accounts payable and accrued liabilities	(1,073,888)	(6,511)
Cash used in operating activities	(2,465,912)	(316,681)
Investing activities		
Return on the maturity of short-term investments	250,000	-
Expenditures on mineral property	(1,815,206)	(3,342,894)
Expenditures on property and equipment	(11,205)	(22,559)
Cash used in investing activities	(1,576,411)	(3,365,453)
Financing activities		
Shares issued for cash, net of issue costs	5,909,769	1,138,225
Proceeds from exercise of stock options	239,000	-
Lease payments	(44,314)	(49,495)
Cash provided by financing activities	6,104,455	1,088,730
Changes in cash and cash equivalents	2,062,132	(2,593,404)
Cash and cash equivalents, beginning of the period	2,815,985	6,688,364
Cash and cash equivalents, end of the period	4,878,117	4,094,960
Supplemental cash flow information:		
Expenditures on mineral property included in accounts payable and accrued liabilities	36,710	1,096,684
Depreciation included in mineral property	27,203	29,930
Share-based compensation included in mineral property	18,763	140,137
Cash interest received	105,329	-

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

SPANISH MOUNTAIN GOLD LTD.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
		\$	\$	\$	\$
Balance, December 31, 2021	333,974,051	105,093,485	1,047,613	(14,444,887)	91,696,211
Shares issued from exercise of stock options	600,000	96,189	(44,189)	-	52,000
Shares issued from exercise of share purchase warrants	7,241,500	1,086,225	-	-	1,086,225
Stock options expired	-	-	(163,584)	163,584	-
Share-based compensation	-	-	363,404	-	363,404
Net loss for the period	-	-	-	(642,838)	(642,838)
Balance, September 30, 2022	341,815,551	106,275,899	1,203,244	(14,924,141)	92,555,002
Share-based compensation	-	-	98,748	-	98,748
Net loss for the period	-	-	-	(233,624)	(233,624)
Balance, December 31, 2022	341,815,551	106,275,899	1,301,992	(15,157,765)	92,420,126
Units issued in private placement	28,571,429	6,000,000	-	-	6,000,000
Unit issuance costs	-	(90,231)	-	-	(90,231)
Shares issued from exercise of stock options	2,550,000	439,017	(200,017)	-	239,000
Fair value of forfeited stock options	-	-	(376,202)	376,202	-
Share-based compensation	-	-	120,878	-	120,878
Net loss for the period	-	-	-	(1,206,236)	(1,206,236)
Balance, September 30, 2023	372,936,980	112,624,685	846,651	(15,987,799)	97,483,537

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

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Spanish Mountain Gold Ltd. (the “Company” or “Spanish Mountain”) 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 is 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. The Company is listed on the TSX Venture Exchange under the symbol “SPA”, on the Frankfurt Stock Exchange under the symbol “S3Y” and on the OTC under the symbol “SPAZF”.

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (“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 three and nine months ended September 30, 2023 and 2022, the Company incurred a net loss before income tax of \$526,290 and \$1,411,123, respectively (2022 - \$184,185 and \$765,063, respectively), and as at September 30, 2023 has an accumulated deficit of \$15,987,799 (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.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on November 24, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the years ended December 31, 2022 and 2021 (the “Annual Financial Statements”).

b) Basis of measurement

The financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS, as well as information presented in the condensed interim consolidated statements of cash flows.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiary. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. These financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Wildrose Resources Ltd. ("Wildrose").

3. SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these financial statements, the Company used the same accounting policies as in the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these financial statements are consistent with those applied and disclosed in the Annual Financial Statements.

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

5. MINERAL PROPERTYSpanish 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. The NSR may be purchased by the Company for \$500,000 per 1% NSR.

In accordance with regulatory requirements, as at September 30, 2023 the Company holds a number of guaranteed investment certificates (“GICs”) aggregating in the sum of \$91,000 (December 31, 2022 - \$91,000) in safekeeping for the Government of British Columbia and is presented as deposits for reclamation in the statements of financial position. The security will be released once the Company performs its obligations pursuant to its mineral exploration permit.

A summary of the Company’s exploration expenditures incurred on its mineral property is as follows:

	\$
Balance, December 31, 2021	85,306,693
Additions during the year:	
Assaying	563,486
Camp materials and supplies	97,585
Contract wages	199,307
Depreciation	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	277,256
Land tenure	31,801
Maps and reports	505,283
Share-based compensation	156,692
Soil sampling	26,298
Travel and accommodation	57,121
Balance, December 31, 2022	89,740,340
Additions during the period:	
Assaying	225,348
Camp materials and supplies	52,672
Contract wages	52,781
Depreciation	27,203
Environmental assessment	757,575
First Nations and community engagement	90,213
Fuel	701
Geological and technical consulting	354,639
Land tenure	6,107
Maps and reports	286,569
Share-based compensation	18,763
Travel and accommodation	25,311
Balance, September 30, 2023	91,638,222

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars, except where noted)

6. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

	Land	Building	Right-of-use assets	Computer equipment	Furniture and equipment	Vehicles and leasehold improvements	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	-	-	-	11,494	-	-	11,494
Adjustments	-	-	-	-	-	(289)	(289)
Balance, September 30, 2023	127,441	1,112,739	346,292	173,893	243,484	123,089	2,126,938
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	-	17,671	44,523	1,619	9,236	11,671	84,720
Balance, September 30, 2023	-	539,130	79,152	157,161	190,345	77,716	1,043,504
Carrying amount							
Balance, December 31, 2022	127,441	591,280	311,663	6,857	62,375	57,333	1,156,949
Balance, September 30, 2023	127,441	573,609	267,140	16,732	53,139	45,373	1,083,434

During the three and nine months ended September 30, 2023, depreciation expense of \$9,023 and \$27,203, respectively (2022 - \$10,101 and \$29,930, respectively), were capitalized to mineral property (Note 5).

The Company recorded an adjustment of \$289 during the nine months ended September 30, 2023 to the cost of vehicles and leasehold improvements related to the over-accrued amount of office renovation recorded during the year ended December 31, 2022.

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars, except where noted)

7. LOAN PAYABLE

Due to the global COVID-19 outbreak, the federal government of Canada introduced the Canada Emergency Benefit Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of \$40,000 to eligible businesses. On September 14, 2023, the Government of Canada announced changes to the maturity date which was extended to December 31, 2026. The loan will remain interest free until January 18, 2024 with a rate of 5% per annum being applied from January 19, 2024. Repayment of \$30,000 by January 18, 2024 will result in a \$10,000 loan forgiveness. If the CEBA loan remains outstanding on January 18, 2024 it will convert to a non-amortizing term loan with the full principal repayment due on December 31, 2026. During the nine months ended September 30, 2023, the Company was notified that the payment due date for partial loan forgiveness and interest free period has been extended to January 18, 2024. As at September 30, 2023, the Company has not repaid the loan payable.

8. LEASE LIABILITY

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. As at May 31, 2022, the Company had fulfilled its entire lease obligation and vacated the property, which resulted in the derecognition of the right-of-use asset and extinguishment of the 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. During the year ended December 31, 2022, a deposit of \$6,818 was recovered from the sublandlord upon the commencement of the sublease. Concurrently, the Company entered into a lease extension with the head landlord which begins April 1, 2023 and expires March 31, 2028. The total aggregate lease payments pursuant to the sublease and head lease 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 head landlord upon the execution of the lease extension.

The Company used an estimated incremental borrowing rate of 5% to measure its lease liability upon initial recognition.

A summary of the Company's operating lease commitments to the lease obligation recognized as follows:

	September 30, 2023
	\$
2023	17,841
2024	73,089
2025	75,391
2026	77,693
2027	78,268
2028	19,567
Total future minimum lease payments	341,849
Effect from discounting using the incremental borrowing rate	(36,920)
Total present value of minimum lease payments	304,929

A summary of the Company's lease liability is as follows:

	\$
Balance, December 31, 2021	39,788
Lease liability recognized at execution of lease agreements	346,292
Payments	(58,128)
Finance costs	9,059
Balance, December 31, 2022	337,011
Payments	(44,314)
Finance costs	12,232
Balance, September 30, 2023	304,929
Current portion	58,571
Non-current portion	246,358

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars, except where noted)

9. SHARE CAPITAL**a) Authorized share capital**

- Unlimited number of common voting shares without par value
- Unlimited number of first preferred shares
- 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 September 30, 2023 and December 31, 2022, there are no first or second preferred shares outstanding.

b) Issued and outstanding

During the nine months ended September 30, 2023, the Company had the following share capital transactions:

- On May 12, 2023, the Company completed a private placement of 28,571,429 units priced at \$0.21 per unit for total proceeds of \$6,000,000. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 for a period of 24 months following the closing date of the respective tranche and subject to earlier expiry if the ten-day volume weighted average price exceeds \$0.30 per share. On initial recognition, the warrants had a fair value of \$nil. As a result, proceeds of \$6,000,000 was allocated to share capital. In connection with the private placement, the Company paid unit issuance costs of \$90,231 in cash.
- During the nine months ended September 30, 2023, 2,550,000 stock options were exercised for proceeds of \$239,000 pursuant to the which the Company issued a total of 2,550,000 common shares. As a result, \$200,017 was transferred to share capital from reserves.
- During the nine months ended September 30, 2023, the Company cancelled 1,950,000 stock options. As a result, \$376,202 was transferred to deficit from reserves.

During the year ended December 31, 2022, the Company had the following share capital transactions:

- The Company issued total of 600,000 common shares following the exercise of 600,000 stock options for proceeds of \$52,000. As a result, \$44,189 was transferred to share capital from reserves.
- The Company issued total of 7,241,500 common shares following the exercise of 7,241,500 share purchase warrants for proceeds of \$1,086,225.

c) Share purchase warrants

A summary of the Company's share purchase warrants activity is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2021	67,961,427	0.30
Exercised	(7,241,500)	0.15
Expired	(60,719,927)	0.32
Balance, December 31, 2022	-	-
Issued	14,285,715	0.30
Balance, September 30, 2023	14,285,715	0.30

As at September 30, 2023, the Company's had 14,285,715 share purchase warrants outstanding and exercisable (December 31, 2022 - nil) with an exercise price of \$0.30 and expire on May 12, 2025. As at September 30, 2023, the remaining life of these warrants is 1.62 years.

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars, except where noted)

9. SHARE CAPITAL (continued)**d) Stock options**

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

A summary of the Company's stock option activity is as follows:

	Number of stock options	Weighted average exercise price
	#	\$
Balance, December 31, 2021	7,200,000	0.19
Granted	3,950,000	0.18
Exercised	(600,000)	0.09
Expired	(800,000)	0.27
Balance, December 31, 2022	9,750,000	0.19
Exercised	(2,550,000)	0.09
Cancelled	(1,950,000)	0.25
Balance, September 30, 2023	5,250,000	0.21

During the nine months ended September 30, 2023, the weighted average share price on the date of exercise of the stock options was \$0.20 per share.

A summary of the Company's stock options outstanding and exercisable as at September 30, 2023 is as follows:

Date of expiry	Exercise price	Number of options	Number of options exercisable	Weighted average remaining life
	\$	#	#	years
July 3, 2024	0.08	650,000	650,000	0.76
December 16, 2025	0.36	1,400,000	1,400,000	2.21
January 24, 2027	0.21	1,700,000	1,700,000	3.32
September 13, 2027	0.15	300,000	225,000	3.96
October 12, 2027	0.14	600,000	300,000	4.04
October 19, 2027	0.13	600,000	300,000	4.05
		5,250,000	4,575,000	2.91

The weighted average remaining contractual life of outstanding stock options as at September 30, 2023 is 2.91 years (December 31, 2022 - 2.78 years). During the three and nine months ended September 30, 2023, share-based compensation of \$2,208 and \$18,763, respectively (2022 - \$23,177 and \$140,137, respectively), was capitalized to mineral property.

e) Share-based compensation

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 their respective grant dates will vest in accordance with the Company's Option Plan and have an estimated aggregate fair value of \$548,713 at their respective grant dates.

In accordance with the vesting schedule for these and previously granted incentive stock options, \$22,005 and \$120,878 of share-based compensation was recognized during the three and nine months ended September 30, 2023, respectively (2022 - \$65,405 and \$363,404, respectively).

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars, except where noted)

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of directors and executive officers of the Company.

A summary of the Company's compensation for key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and wages ⁽¹⁾	114,138	94,303	545,753	282,959
Share-based compensation ⁽²⁾	19,908	43,386	103,054	230,628
Consulting fees ⁽³⁾	-	39,380	58,500	118,158
	134,046	177,069	707,307	631,745

1. During the three and nine months ended September 30, 2023, the Company paid contractual termination benefits totaling \$nil and \$240,000, respectively (2022 - \$nil and \$nil, respectively), to key management personnel.
2. During the three and nine months ended September 30, 2023, share-based compensation of \$2,208 and \$18,763, respectively (2022 - \$23,177 and \$140,137, respectively), was capitalized to mineral property (Note 9).
3. Consulting fees were capitalized to mineral property as geological and technical consulting (Note 5).

As at September 30, 2023, the accounts payable and accrued liabilities included a total of \$13,431 (December 31, 2022 - \$137,421) owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill 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.

SPANISH MOUNTAIN GOLD LTD.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited - Expressed in Canadian Dollars, except where noted)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A summary of the Company's cash and cash equivalents as well as short-term investments is as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Cash held in bank accounts	339,208	275,677
Term deposits	4,538,909	2,540,308
Short-term investments	-	250,000
	4,878,117	3,065,985

As at September 30, 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 September 30, 2023 is 4.40% (December 31, 2022 - 3.67%).

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its 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 September 30, 2023 of \$4,878,117 (December 31, 2022 - \$3,065,985) in order to meet its current liabilities. As at September 30, 2023 the Company had accounts payable and accrued liabilities of \$114,645 (December 31, 2022 - \$1,151,823), which have contractual maturities of 90 days or less, interest free loan payable of \$40,000 (December 31, 2022 - \$40,000), of which \$10,000 is forgivable if paid by January 18, 2024 and a current portion of lease liability of \$58,571 (December 31, 2022 - \$46,166). The amount of the Company's remaining undiscounted contractual maturities for the lease liability is approximately \$269,334 (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 and foreign currency risk as follows:

Interest rate risk

The Company's cash and cash equivalents and short-term investments are held in bank accounts earning 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 as at September 30, 2023.

SPANISH MOUNTAIN GOLD LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars, except where noted)

13. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of share capital. Other than the loan payable referred to in Note 7, 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 nine months ended September 30, 2023.

14. SUBSEQUENT EVENT

Subsequent to September 30, 2023, a cash or shares-for-debt consulting agreement was signed to complete an enterprise optimization on the Spanish Mountain Gold project to assist the Company in determining the optimal scale and net present value, range of solutions and minimizing carbon intensity footprint for project advancement. The value of the agreement is approximately US\$600,000.