



Condensed Consolidated Financial Statements

**FIORE GOLD LTD.**

(unaudited)

For the Three and Six Months Ended March 31, 2021

(Expressed in U.S. Dollars)

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(unaudited, in \$000's of U.S. dollars, except share and per share data)

		<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	11	\$ <b>19,279</b>	\$ 18,956	\$ <b>36,488</b>	\$ <b>32,030</b>
<b>Operating Costs</b>					
Production Costs	12	(9,931)	(11,060)	(17,787)	(19,911)
Royalties		(784)	(765)	(1,474)	(1,284)
Depreciation and Depletion		(1,468)	(1,826)	(2,868)	(3,165)
<b>Total Operating Costs</b>		<b>\$ (12,183)</b>	<b>\$ (13,651)</b>	<b>\$ (22,129)</b>	<b>\$ (24,360)</b>
<b>Mine Operating Income</b>		<b>7,096</b>	<b>5,305</b>	<b>14,359</b>	<b>7,670</b>
<b>Other Operating Expenses</b>					
Project Exploration		(103)	(636)	(208)	(1,339)
General & Administrative	13	(1,808)	(1,153)	(3,651)	(2,367)
<b>Total Other Operating Expenses</b>		<b>(1,911)</b>	<b>(1,789)</b>	<b>(3,859)</b>	<b>(3,706)</b>
<b>Income from Operations</b>		<b>5,185</b>	<b>3,516</b>	<b>10,500</b>	<b>3,964</b>
<b>Other Income / (Expense)</b>					
Accretion	8	(102)	(179)	(196)	(350)
Gain on Change of Environmental Closure Assets	8	367	-	367	-
Loss on Sale of Mineral Property		-	(31)	-	(31)
Unrealized Gain on Derivatives, net	9	-	39	-	438
Other Expense		(32)	(52)	(74)	(87)
<b>Total Other Expense, net</b>		<b>\$ 233</b>	<b>\$ (223)</b>	<b>\$ 97</b>	<b>\$ (30)</b>
<b>Income Before Income Tax</b>		<b>5,418</b>	<b>3,293</b>	<b>10,597</b>	<b>3,934</b>
<b>Income and Mining Tax Expense</b>		<b>(922)</b>	<b>(404)</b>	<b>(1,605)</b>	<b>(456)</b>
<b>Net Income</b>		<b>\$ 4,496</b>	<b>\$ 2,889</b>	<b>\$ 8,992</b>	<b>\$ 3,478</b>
<b>Other Comprehensive Loss for the Period:</b>					
Cumulative Translation Adjustment		(1)	(15)	-	(16)
<b>Comprehensive Income for the Period</b>		<b>\$ 4,495</b>	<b>\$ 2,874</b>	<b>\$ 8,992</b>	<b>\$ 3,462</b>
<b>Earnings Per Share</b>					
Basic	14	\$ <b>0.05</b>	\$ 0.03	\$ <b>0.09</b>	\$ 0.04
Diluted	14	\$ <b>0.04</b>	\$ 0.03	\$ <b>0.09</b>	\$ 0.03
<b>Weighted Average Shares Outstanding</b>					
Basic	14	<b>99,311,439</b>	97,987,606	<b>99,064,828</b>	97,902,620
Diluted	14	<b>105,028,104</b>	101,140,771	<b>105,400,966</b>	101,055,785

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(unaudited, in \$000's of U.S. Dollars)

	<u>Note</u>	<u>March 31, 2021</u>	<u>September 30, 2020</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents		\$ 17,515	\$ 23,207
Inventories	3	31,417	26,256
Prepaid Expenses and Other Current Assets	4	1,494	1,323
Total Current Assets		50,426	50,786
Long Term Assets			
Mineral Property, Plant and Equipment	5	17,934	11,412
Evaluation Assets	6	7,251	4,512
Reclamation Deposits	8	6,520	6,510
Deferred Tax Assets, net		-	814
Other Long Term Assets	4	2,035	1,736
Total Long Term Assets		33,740	24,984
<b>Total Assets</b>		<b>\$ 84,166</b>	<b>\$ 75,770</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable and Accrued Liabilities		\$ 4,554	\$ 5,153
Accrued Income and Mining Taxes		2,583	2,032
Accrued Payroll and Related Benefits		1,390	2,260
Lease Obligation	7	1,254	1,298
Total Current Liabilities		9,781	10,743
Long Term Liabilities			
Accrued Reclamation and Remediation	8	5,791	5,843
Lease Obligation	7	774	1,388
Deferred Tax Liabilities		146	-
Other Long Term Liabilities		20	-
Total Long Term Liabilities		6,731	7,231
<b>Total Liabilities</b>		<b>\$ 16,512</b>	<b>\$ 17,974</b>
<b>EQUITY</b>			
Share Capital	10	\$ 52,272	\$ 51,526
Reserves	10	5,295	5,175
Accumulated Other Comprehensive Loss		(66)	(66)
Retained Earnings		10,153	1,161
<b>Total Equity</b>		<b>67,654</b>	<b>57,796</b>
<b>Total Liabilities and Equity</b>		<b>\$ 84,166</b>	<b>\$ 75,770</b>

Approved on behalf of the Board of Directors and authorized for issue on May 18, 2021:

"Peter T. Hemstead"  
Director (Chair of the Audit Committee)

"Peter C. Tallman"  
Director

"Matthew L. Manson"  
Director

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in \$000's of U.S. dollars)

		Three Months Ended March 31,		Six Months Ended March 31,	
	Note	2021	2020	2021	2020
OPERATING ACTIVITIES					
Net Income		\$ 4,496	\$ 2,889	\$ 8,992	\$ 3,478
Adjustments for:					
Depreciation and Depletion		1,521	1,883	2,975	3,275
Accretion	8	102	179	196	350
Share-Based Compensation	10	279	29	477	153
Gain on Change of Environmental Closure Assets	8	(367)	-	(367)	-
Gain on Derivatives, net	9	-	(39)	-	(438)
Income and Mining Tax Expense		922	-	1,605	-
Income and Mining Taxes Paid		(170)	-	(170)	-
Loss on Sale of Mineral Property, Plant and Equipment		(7)	31	(7)	31
Other		42	65	90	136
Change in Assets and Liabilities:					
Other Receivables and Contract Asset		11	69	220	154
Inventories		(2,432)	104	(5,731)	(3,277)
Prepaid Expenses and Other Assets		(91)	(8)	(239)	246
Accounts Payable and Accrued Liabilities		(666)	(1,323)	(1,399)	(141)
Net Cash Provided by Operating Activities		\$ 3,640	\$ 3,879	\$ 6,642	\$ 3,967
INVESTING ACTIVITIES					
Additions to Mineral Property, Plant and Equipment	5	(3,972)	(538)	(7,775)	(1,062)
Expenditures on Evaluation Assets		(879)	-	(3,858)	-
Reclamation Deposit		(4)	(18)	(10)	(37)
Advanced Royalties	4	(376)	(328)	(376)	(328)
Net Cash Used in Investing Activities		\$ (5,231)	\$ (884)	\$ (12,019)	\$ (1,427)
FINANCING ACTIVITIES					
Proceeds from Stock Option Exercises	10	243	14	409	39
Repayment of Lease Obligations	7	(317)	(310)	(634)	(608)
Interest Paid		(43)	(65)	(91)	(136)
Net Cash Used in Financing Activities		\$ (117)	\$ (361)	\$ (316)	\$ (705)
Effect of Exchange Rates on Cash		(1)	(4)	1	(4)
Increase in Cash and Cash Equivalents		(1,709)	2,630	(5,692)	1,831
Cash and Cash Equivalents, Beginning of Period		19,224	6,481	23,207	7,280
Cash and Cash Equivalents, End of Period		\$ 17,515	\$ 9,111	\$ 17,515	\$ 9,111
Non-Cash Investing and Financing Activities					
Accounts Payable Change Relating to Capital Additions		(90)	232	1,071	390
Accounts Payable Change Relating to Evaluation Assets		(197)	-	(1,164)	-
Right-of-Use Asset / Liability Additions	5	-	80	-	789
Change in Environmental Closure Assets		204	1,025	119	919
Receivables from Sale of Mineral Property	5	-	155	-	155

# CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in \$000's of U.S. dollars, except share data)

(Note 10)	Share Capital		Reserves		AOCI	Earnings / (Deficit)	Total Equity
	Shares	Amount	Share Based Payments	Warrants			
<b>Balance at October 1, 2019</b>	<b>97,778,128</b>	<b>\$ 50,731</b>	<b>\$ 5,382</b>	<b>\$ 51</b>	<b>\$ (49)</b>	<b>\$ (16,796)</b>	<b>\$ 39,319</b>
Share-Based Compensation	-	-	153	-	-	-	153
Issued on Exercise of Share Options	269,250	270	(231)	-	-	-	39
Other Comprehensive Loss	-	-	-	-	(16)	-	(16)
Net Income	-	-	-	-	-	3,478	3,478
<b>Balance at March 31, 2020</b>	<b>98,047,378</b>	<b>\$ 51,001</b>	<b>\$ 5,304</b>	<b>\$ 51</b>	<b>\$ (65)</b>	<b>\$ (13,318)</b>	<b>\$ 42,973</b>
Share-Based Compensation	-	-	68	-	-	-	68
Issued on Exercise of Share Options	462,750	484	(248)	-	-	-	236
Issues on Exercise of Warrants	31,005	41	-	-	-	-	41
Other Comprehensive Loss	-	-	-	-	(1)	-	(1)
Net Income	-	-	-	-	-	14,479	14,479
<b>Balance at September 30, 2020</b>	<b>98,541,133</b>	<b>\$ 51,526</b>	<b>\$ 5,124</b>	<b>\$ 51</b>	<b>\$ (66)</b>	<b>\$ 1,161</b>	<b>\$ 57,796</b>
Share-Based Compensation	-	-	457	-	-	-	457
Issued on Exercise of Share Options	801,250	746	(337)	-	-	-	409
Other Comprehensive Gain	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	8,992	8,992
<b>Balance at March 31, 2021</b>	<b>99,342,383</b>	<b>\$ 52,272</b>	<b>\$ 5,244</b>	<b>\$ 51</b>	<b>\$ (66)</b>	<b>\$ 10,153</b>	<b>\$ 67,654</b>

**1. Nature of Operations**

Fiore Gold Ltd. (the “Company” or “Fiore Gold”) is an Americas-focused gold producer and explorer with the producing Pan Mine in Nevada, as well as a suite of evaluation and exploration projects in Nevada and Washington. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “F” in Canada and on the OTCQB in the United States under the symbol “FIOGF”. The address of its registered and records office is 400-725 Granville Street, P.O. Box 10325, Vancouver, British Columbia, V7Y 1G5.

Fiore Gold operates the Pan gold mine (“Pan”), which is a heap leach project. The Gold Rock property is an evaluation-stage project and the Golden Eagle property is an exploratory-stage project, both have identified gold mineralization.

These condensed consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the next twelve months. The Company had net income of \$4.50 million and \$8.99 million for the three and six months ended March 31, 2021, respectively (2020 – \$2.89 million and \$3.48 million). As of March 31, 2021, the Company had \$17.52 million in cash and cash equivalents and working capital of \$40.65 million.

The Company considers itself to operate in a single segment, being the production of gold and mineral exploration and development of resources. The Company’s principal product is gold doré produced by Pan in Nevada. The Company’s significant non-current assets as of March 31, 2021 were all within the United States.

The condensed interim consolidated financial statements were approved by the Board of Directors on May 18, 2021.

**2. Basis of Preparation and Significant Accounting Policies***Statement of Compliance*

These condensed consolidated financial statements as of and for the three and six months ending March 31, 2021 are prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). As the condensed interim consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended September 30, 2020.

*Basis of Presentation*

These condensed consolidated financial statements are expressed in U.S. dollars (“USD” or “\$”), unless otherwise noted, rounded to the nearest thousand, and include the accounts of the Company and its wholly-owned subsidiaries. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value through profit or loss. The condensed consolidated financial statements have been prepared based on the Company’s accounting policies set out in Note 2 of the annual audited consolidated financial statements for the year ended September 30, 2020.

*Comparative Figures*

Certain of the comparative figures have been reclassified to conform to the presentation in the current year.

The accompanying consolidated financial statements include the accounts of Fiore Gold Ltd. and its subsidiaries as listed below.

Name of Subsidiary	Country of Incorporation	Ownership Interest
Fiore Gold (US) Inc.	USA	100%
Fiore Exploration Ltd.	Canada	100%
GRP Pan, LLC	USA	100%
GRP Gold Rock, LLC	USA	100%
GRP Golden Eagle, LLC	USA	100%
GRP Eland, LLC	USA	100%
GRP Pinyon, LLC	USA	100%
GRP Services, LLC	USA	100%
Fiore Atacama SpA	Chile	100%
Fiore Andes SpA	Chile	100%

All intercompany transactions, balances, revenue and expenses have been eliminated in full on consolidation.

#### *Use of Estimates in the Preparation of Financial Statements*

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the metal content, recovery rates and valuation of ore on leach pads, the determination of impairment of mineral properties, equipment and mine development, the determination of proven and probable reserves, useful lives of assets used for depreciation and depletion, income and mining taxes and the recognition of realizable future tax assets, and the determination of reclamation and environmental obligations. Actual results, as determined by future events, may differ from these estimates.

We consider an accounting estimate to be critical if it requires significant management judgments and assumptions about matters that are highly uncertain at the time the estimate is made and if changes in the estimate that are reasonably possible could materially impact the Company's financial statements.

#### *COVID-19*

Through March 31, 2021, the Company has continued with all efforts to safeguard the health of its employees, while continuing to operate safely and responsibly maintain employment and economic activity. Despite the Company's proactive actions taken to maintain a safe workplace, there still remains the possibility that future developments from the COVID-19 pandemic could negatively impact operations or the supply chain leading to potential actions such as reduced mining and production activities at the Pan Mine. This could have a material adverse impact on our cash flows, earnings, and financial position.

While we have not experienced any significant negative impacts to date, ongoing effects of the COVID-19 pandemic could significantly affect judgements, estimates and assumptions made by management. This includes, but is not limited to, the Company's valuation of inventory, long-term assets, estimation of reclamation provisions, estimation of mineral reserves and resources, and estimation of income and mining taxes.

### 3. Inventories

The following table provides the components of inventories, in thousands:

	March 31, 2021	September 30, 2020
Materials and Supplies	\$ 510	\$ 534
Stockpiles	1,928	1,448
Heap Leach In-Circuit	28,889	24,195
Finished Goods	90	79
Total Inventories	<u>\$ 31,417</u>	<u>\$ 26,256</u>

As of March 31, 2021, and September 30, 2020, all inventories were recorded at cost. As of March 31, 2021, and September 30, 2020, production-related inventories included \$3.83 million and \$4.40 million of capitalized non-cash depreciation costs, respectively.

### 4. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets and other long-term assets consisted of the following, in thousands:

	March 31, 2021	September 30, 2020
Prepaid Expenses and Other Current Assets		
Prepaid Expenses	\$ 1,456	\$ 1,065
Receivables from Sale of Mineral Property, Current	28	58
Amounts Receivable	10	12
Contract Asset	-	188
Total Prepaid Expenses and Other Current Assets	<u>\$ 1,494</u>	<u>\$ 1,323</u>
Other Long Term Assets		
Deposits	\$ 369	\$ 446
Receivables from Sale of Mineral Property, Non-Current	77	77
Advanced Royalties (Gold Rock)	1,589	1,213
Total Other Long Term Assets	<u>\$ 2,035</u>	<u>\$ 1,736</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2021 and 2020  
(unaudited, expressed in U.S. dollars)

## 5. Mineral Property, Plant and Equipment

Mineral property, plant and equipment consisted of the following, in thousands:

<b>For the period ended March 31, 2021</b>	<b>Mineral Properties</b>	<b>Plants &amp; Equipment<sup>1</sup></b>	<b>Mining Properties</b>	<b>Construction in Progress</b>	<b>Total</b>
Opening, Net Book Value	\$ 1,016	\$ 5,450	\$ 4,116	\$ 830	\$ 11,412
Additions	-	364	-	8,401	8,765
Transfers	-	322	-	(322)	-
Change in Environmental Closure Assets	119	-	-	-	119
Depreciation	(477)	(1,246)	(639)	-	(2,362)
Ending, Net Book Value	<u>\$ 658</u>	<u>\$ 4,890</u>	<u>\$ 3,477</u>	<u>\$ 8,909</u>	<u>\$ 17,934</u>
<b>As of March 31, 2021</b>					
Cost	7,413	17,806	6,179	8,909	40,307
Accumulated Depreciation	(6,755)	(12,916)	(2,702)	-	(22,373)
Net Book Value	<u>\$ 658</u>	<u>\$ 4,890</u>	<u>\$ 3,477</u>	<u>\$ 8,909</u>	<u>\$ 17,934</u>
<b>For the year ended September 30, 2020</b>					
Opening, Net Book Value	\$ 7,201	\$ 8,809	\$ 2,439	\$ 315	\$ 18,764
Right of Use Assets	-	790	-	-	790
Additions	-	755	-	3,439	4,194
Transfers	-	264	2,660	(2,924)	-
Disposals	(184)	(189)	-	-	(373)
Change in Environmental Closure Assets	(2,942)	-	-	-	(2,942)
Translation Adjustment	(16)	-	-	-	(16)
Depreciation	(3,043)	(4,979)	(983)	-	(9,005)
Ending, Net Book Value	<u>\$ 1,016</u>	<u>\$ 5,450</u>	<u>\$ 4,116</u>	<u>\$ 830</u>	<u>\$ 11,412</u>
<b>As of September 30, 2020</b>					
Cost	7,294	17,120	6,179	830	31,423
Accumulated Depreciation	(6,278)	(11,670)	(2,063)	-	(20,011)
Net Book Value	<u>\$ 1,016</u>	<u>\$ 5,450</u>	<u>\$ 4,116</u>	<u>\$ 830</u>	<u>\$ 11,412</u>

For the three and six months ended March 31, 2021 and 2020 there were no impairment charges or impairment reversals.

<sup>1</sup> Right of Use ("ROU") Assets – As of March 31, 2021, the Company has \$0.79 million of gross ROU assets within Plants & Equipment. Depreciation includes depreciation for leased ROU assets of \$0.05 million and \$0.10 million during the three and six months ended March 31, 2021, respectively. The net book value of property, plant and equipment includes leased ROU assets with an aggregate net book value of \$0.41 million as of March 31, 2021.

## 6. Evaluation Assets

All evaluation assets are from the Gold Rock project and are not subject to depreciation or depletion. Following is a detailed breakdown of evaluation assets, in thousands:

For the period ended March 31, 2021	October 1, 2020	Additions	March 31, 2021
Assays	\$ 509	\$ 650	\$ 1,159
Depreciation	12	22	34
Drilling	2,602	718	3,320
Field and Administrative Costs	160	122	282
Maintenance and Construction	375	207	582
Metallurgy	28	25	53
Salaries and Benefits	224	394	618
Technical Consulting Services	602	601	1,203
Ending, Book Value	\$ 4,512	\$ 2,739	\$ 7,251

For the year ended September 30, 2020	October 1, 2019	Additions	September 30, 2020
Assays	\$ -	\$ 509	\$ 509
Depreciation	-	12	12
Drilling	-	2,602	2,602
Field and Administrative Costs	-	160	160
Maintenance and Construction	-	375	375
Metallurgy	-	28	28
Salaries and Benefits	-	224	224
Technical Consulting Services	-	602	602
Ending, Book Value	\$ -	\$ 4,512	\$ 4,512

## 7. Lease Obligations

	March 31, 2021	September 30, 2020
<b>Lease Commitments are Payable as Follows:</b>		
Within One Year	\$ 1,362	\$ 1,455
Later than One Year	814	1,470
Minimum Lease Payments	2,176	2,925
Future Finance Charges	(148)	(239)
Lease Liabilities	\$ 2,028	\$ 2,686

### Representing Lease Liabilities:

Current	\$ 1,254	\$ 1,298
Long-Term	774	1,388
Lease Liabilities	\$ 2,028	\$ 2,686

Interest expense on lease obligations for the three and six months ended March 31, 2021 was \$0.04 million and \$0.09 million, respectively (2020 - \$0.07 million and \$0.14 million). Total cash outflow for leases for the three and six months ended March 31, 2021 was \$0.36 million and \$0.73 million, respectively (2020 - \$0.38 million and \$0.74 million). Expenses for short-term and low-dollar value leases are not material. There was no expense relating to variable lease payments not included in the measurement of lease liabilities. All extension options have been included in the measurement of lease obligations if they are reasonably certain to be exercised, where applicable.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended March 31, 2021 and 2020  
(unaudited, expressed in U.S. dollars)

**8. Accrued Reclamation and Remediation**

As of March 31, 2021, \$5.79 million was accrued for reclamation obligations relating to the Company's properties, respectively.

Below is a reconciliation of the Company's accrued reclamation and remediation through March 31, 2021, in thousands.

Balance as of October 1, 2019	\$	8,263
Additions, Changes in Estimates and Other		(2,942)
Liabilities Settled		(66)
Accretion of Liability		588
Balance as of September 30, 2020		5,843
Additions, Changes in Estimates and Other		(248)
Liabilities Settled		-
Accretion of Liability		196
Balance as of March 31, 2021		5,791
Less: Current Accrued Reclamation and Remediation		-
Long-Term Accrued Reclamation and Remediation	\$	5,791

The estimated future value of undiscounted reclamation and abandonment costs of \$10.98 million is split between the Pan Mine of \$10.62 million and the Gold Rock project of \$0.36 million. The Pan Mine costs were discounted using a rate of 12.31% from the time the obligation was incurred to the time the Company expects to pay the retirement obligation on a going concern basis. During the year ended September 30, 2020, the Company revised the estimated undiscounted cash flows with updates in the expected timing of cash flows in respect of the provision based on the estimated life of the mining operations, and updated and revised equipment and labor rates from independent third-party contractors covering the entirety of the reclamation plan for the Pan Mine. Revisions to reduce the Pan Mine environmental closure asset by \$0.37 million during the three and six months ended March 31, 2021 have been recorded within other income of the Statements of Income and Comprehensive Income as the environmental closure asset of the Pan Mine has a nil net book value.

The Company is required to post bonds with the Bureau of Land Management ("BLM") for reclamation of planned mineral exploration and development programs associated with the Company's mineral properties located in the United States. As of March 31, 2021, and September 30, 2020, the Company had surety contracts in place for required reclamation bonds covering the Company's exploration projects.

As a part of the permitting process for the Pan and Gold Rock projects, as of March 31, 2021 the Company continues to be required to have a reclamation bond in place, currently with the value of approximately \$15.98 million for Pan and \$1.28 million for Gold Rock, held with the BLM which is based upon the Nevada Standardized Reclamation Cost Estimator, the Division of Environmental Protection – Bureau of Mining Regulation and Reclamation approved standardized cost estimator. The Company has purchased a surety contract for the reclamation bond, which required collateral to be posted into an escrow account as security for abandonment and remediation obligations. A \$6.52 million reclamation deposit is held within the collateral account, which has been recorded in reclamation deposits on the Consolidated Statements of Financial Position as of March 31, 2021. As of September 30, 2020, the reclamation deposit balance within the collateral account was \$6.51 million.

The Company is required to maintain the reclamation bond, or post adequate cash collateral, until all abandonment and remediation obligations have been completed to the satisfaction of the BLM. The surety contract names the Company and several of its subsidiaries as indemnitors to the surety agreement. The surety may require additional collateral to be placed into the reclamation deposit account at their discretion.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended March 31, 2021 and 2020  
(unaudited, expressed in U.S. dollars)

**9. Derivatives**

The following table lists the net amounts recorded for Unrealized Gain on Derivatives, net, in thousands:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gold Collar	\$ -	\$ -	\$ -	\$ 380
Warrant Derivative Liability	-	39	-	58
Unrealized Gain on Derivatives, net	\$ -	\$ 39	\$ -	\$ 438

**Gold Collar**

The Company had 3,200 outstanding short-term zero cost gold collars for gold ounces as of October 1, 2019. The 3,200 gold collars were for ounce deliveries from October 1, 2019 through November 25, 2019 with a floor of \$1,300 per ounce and a ceiling of \$1,350 per ounce. All call options within the collars were exercised by the counterparty during the year ended September 30, 2020. There are no contracts currently outstanding associated with the gold collars.

**Warrant Derivatives**

There were a total of 22,214,910 warrants of the Company issued as part of the Arrangement Agreement with Fiore Exploration Ltd. and the related financing during Q4 of 2017, which were denominated in the Canadian dollar. During the year ended September 30, 2020, 31,005 warrants were exercised for proceeds of \$0.04 million. The remaining 21,300,970 outstanding warrants expired unexercised during the year ended September 30, 2020.

**10. Equity**
**(a) Authorized and Issued**

The Company is authorized to issue an unlimited number of common shares and preferred shares without nominal or par value. The Company had 99,342,383 common shares issued and outstanding as of March 31, 2021 and 98,541,133 common shares issued and outstanding as of September 30, 2020.

**(b) Common Share Issuances**

- i. During the six months ended March 31, 2021, the Company issued 801,250 common shares pursuant to the exercise of stock options.
- ii. During the year ended September 30, 2020, the Company issued 732,000 common shares pursuant to the exercise of stock options.
- iii. During the year ended September 30, 2020, the Company issued 31,005 common shares pursuant to the exercise of warrants.

**(c) Stock Options**

The Company has a Stock and Incentive Plan (the “Plan”) administered by the Compensation Committee of the Board of Directors of the Company for its employees, officers, advisors and non-employee directors. The plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company at any one time. Such options are exercisable for a period of up to 10 years from the date of grant with the exercise price not less than the closing price of the Company’s shares on date of grant provided that since 2018 the Compensation Committee’s practice has been to grant awards with an expiry date no greater than five (5) years. The Company currently has options granted under the plan denominated in \$CAD and \$USD.

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**Canadian Dollar Denominated Options (all amounts herein are denominated in \$CAD, unless otherwise noted)**

The continuity of \$CAD denominated stock options issued and outstanding is as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price (CAD)</b>	<b>Aggregate Intrinsic Value</b>
Balances, October 1, 2019	4,787,050	\$ 0.91	\$ 124,790
Granted	1,750,331	0.38	-
Exercised	(526,834)	0.28	-
Forfeited / Expired	(1,119,999)	1.11	-
Balances, September 30, 2020	4,890,548	\$ 0.74	\$ 4,241,403
Granted	-	-	-
Exercised	(434,250)	0.34	-
Forfeited / Expired	(116,250)	1.78	-
Balances, March 31, 2021	4,340,048	\$ 0.75	\$ 2,099,509
Exercisable at March 31, 2021	3,962,183	\$ 0.79	\$ 1,818,310

No options were granted during the six months ended March 31, 2021.

On March 23, 2020, the Company granted 110,000 stock options to certain employees of the Company with an exercise price of CAD\$0.42, exercisable until March 23, 2025. Using the Black-Scholes option pricing model, the grant date fair value was CAD\$0.20 per share. The following assumptions were used to fair value the options on the grant date: expected life – 3.5 years, weighted average expected volatility – 70.49%, expected dividend yield – 0.0%, risk free interest rate – 0.31%, share price - CAD\$0.42.

On October 22, 2019, the Company granted 854,831 stock options to certain officers, directors and employees of the Company with an exercise price of CAD\$0.38, exercisable until October 22, 2024. Using the Black-Scholes option pricing model, the grant date fair value was CAD\$0.19 per share. The following assumptions were used to fair value the options on the grant date: expected life – 3.5 years, weighted average expected volatility – 67.43%, expected dividend yield – 0.0%, risk free interest rate – 1.59%, share price - CAD\$0.38.

On October 22, 2019, the Company repriced a total of 785,500 stock options to an exercise price of CAD\$0.38 held by employees and which specifically excluded executives and directors. There were 196,500 outstanding \$CAD denominated stock options previously exercisable at CAD\$1.15 repriced to CAD\$0.38. The remaining 589,000 repriced options were \$US dollar denominated options, included within the U.S. Dollar Options table below, previously exercisable at \$0.80. Expiration dates from the original grants were not changed. Using the Black-Scholes options pricing model, the Company calculated the fair value of the option grants immediately before and after the modification using the assumptions shown in the table below:

	<b>CAD\$1.15</b>		<b>US\$0.80</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
Exercise Price	\$ 1.15	\$ 0.38	\$ US 0.80	\$ 0.38
Risk-Free Interest Rate	1.60 %	1.60 %	1.60 %	1.60 %
Expected Life (in Years)	3.97	3.97	1.31	1.31
Annualized Volatility	68.84 %	68.84 %	70.86 %	70.86 %
Dividend Rate	0.00 %	0.00 %	0.00 %	0.00 %
Fair Value	\$ 0.10	\$ 0.20	\$ US 0.02	\$ 0.12

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Exercise Prices (CAD)	Options Outstanding			Options Exercisable		
	Number of Shares	Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD)	Number Exercisable	Weighted Average Exercise Price (CAD)	Aggregate Intrinsic Value (CAD)
\$0.19	26,500	5.1	\$ 0.19	26,500	\$ 0.19	\$ 24,910
\$0.33	795,000	2.5	0.33	795,000	0.33	636,000
\$0.38	1,310,998	3.2	0.38	988,133	0.38	741,100
\$0.40	175,000	1.2	0.40	175,000	0.40	127,750
\$0.42	110,000	4.0	0.42	55,000	0.42	39,050
\$0.52	300,000	7.1	0.52	300,000	0.52	183,000
\$0.75	175,000	6.7	0.75	175,000	0.75	66,500
\$1.15	475,000	6.5	1.15	475,000	1.15	-
\$1.32	463,750	5.2	1.32	463,750	1.32	-
\$1.62	106,000	5.8	1.62	106,000	1.62	-
\$1.92	402,800	5.3	1.92	402,800	1.92	-
	<u>4,340,048</u>	<u>4.3</u>	<u>\$ 0.75</u>	<u>3,962,183</u>	<u>\$ 0.79</u>	<u>\$ 1,818,310</u>

**U.S. Dollar Denominated Options**

The continuity of \$US dollar denominated stock options issued and outstanding is as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balances, October 1, 2019	<u>3,767,500</u>	<u>\$ 0.80</u>	<u>\$ -</u>
Granted	-	-	-
Exercised	(205,166)	0.80	-
Forfeited / Expired	(846,167) <sup>1</sup>	0.80	-
Balances, September 30, 2020	<u>2,716,167</u>	<u>\$ 0.81</u>	<u>\$ -</u>
Granted	-	-	-
Exercised	(367,000)	0.80	-
Forfeited / Expired	-	-	-
Balances, March 31, 2021	<u>2,349,167</u>	<u>\$ 0.81</u>	<u>\$ 243,408</u>
Exercisable at March 31, 2021	<u>2,349,167</u>	<u>\$ 0.81</u>	<u>\$ 243,408</u>

<sup>1</sup>Inclusive of the 589,000 stock options repriced into \$CAD denominated stock options.

As of March 31, 2021, the following \$US dollar denominated options were outstanding and exercisable:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares	Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$0.80	2,099,167	1.2	\$ 0.80	2,099,167	\$ 0.80	\$ 230,908
\$0.86	250,000	1.2	0.86	250,000	0.86	12,500
	<u>2,349,167</u>	<u>1.2</u>	<u>\$ 0.81</u>	<u>2,349,167</u>	<u>\$ 0.81</u>	<u>\$ 243,408</u>

During the three and six months ended March 31, 2021, the Company recognized \$0.01 million and \$0.03 million of share-based compensation expense on the vesting of stock options, respectively. During the three and six months ended March 31, 2020, the Company recognized \$0.03 million and \$0.15 million of share-based compensation expense on the vesting of stock options, respectively.

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(d) Restricted Stock Units (RSUs) and Deferred Stock Units (DSUs) (*all amounts herein are denominated in \$CAD, unless otherwise noted*)

Under the Plan, selected employees are granted RSUs which each RSU has a value equal to one common share of the Company. RSUs generally vest over a three-year period and are settled in common shares of the Company, with the option to settle as a cash payment equal to the fair market value of the common shares.

The Company also has the ability to grant Deferred Stock Units to non-employee Directors under the Plan. DSUs generally vest over a three-year period and are settled in common shares of the Company upon redemption.

The continuity of RSUs and DSUs issued and outstanding is as follows:

	<b>Number of Shares</b>	<b>Weighted Average Market Price (CAD)</b>	<b>Remaining Contractual Life (years)</b>
Balance, October 1, 2019	-	\$ -	-
Granted	100,000	1.47	-
Vested	-	-	-
Forfeited / Expired	-	-	-
Balance, September 30, 2020	100,000	\$ 1.47	2.8
Granted	1,350,731	1.59	-
Vested	-	-	-
Forfeited / Expired	-	-	-
Balance, March 31, 2021	1,450,731	\$ 1.58	2.6

On March 22, 2021, the Company granted 50,000 RSUs to an employee of the Company to vest over a three year period. The fair value at grant date was \$1.16 based upon the closing price of the Company's shares on the date of grant.

On November 5, 2020, the Company granted 1,112,731 RSUs to certain officers and employees of the Company to vest over a three year period. The fair value at grant date was \$1.61 based upon the closing price of the Company's shares on the date of grant.

On November 5, 2020, the Company granted 188,000 DSUs to non-employee Directors of the Company to vest over a three year period. The fair value at grant date was \$1.61 based upon the closing price of the Company's shares on the date of grant.

On July 21, 2020, the Company granted 100,000 RSUs to an employee of the Company to vest over a three year period. The fair value at grant date was \$1.47 based upon the closing price of the Company's shares on the date of grant.

Following is a summary of the RSUs and DSUs as of March 31, 2021:

<b>Grant Date</b>	<b>Grant Type</b>	<b>Number of RSUs/DSUs</b>	<b>Fair Value at Grant Date (CAD)</b>	<b>Compensation Cost Over Vesting Term (CAD)</b>	<b>Unrecognized Portion of Compensation Cost (CAD)</b>
July 21, 2020	RSU	100,000	\$ 1.47	\$ 147,000	\$ 84,651
November 5, 2020	RSU	1,112,731	1.61	1,791,497	1,353,468
November 5, 2020	DSU	188,000	1.61	302,680	228,673
March 22, 2021	RSU	50,000	1.16	57,750	56,790
		1,450,731	\$ 1.58	\$ 2,298,927	\$ 1,723,582

During the three and six months ended March 31, 2021, the Company recognized \$0.26 million and \$0.43 million of share-based compensation expense related to RSUs and DSUs (2020 – none).

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**(e) Stock Appreciation Rights (SARs)**

The Plan provides for stock appreciation rights payable in cash. A SAR is the right to receive an amount equal to the Spread with respect to a share of the Company's common stock upon the exercise of the SAR. The "Spread" is the difference between the exercise price per share specified in a SAR agreement on the date of grant and the fair market value per share on the date of exercise of the SAR. The exercise price per share will not be less than 100% of the fair market value of the Company's common stock on the date of grant of the SAR.

On October 27, 2020, the Company granted, pursuant to the Plan, 250,000 SARs to selected employees of the Company. The exercise price of each such SAR is CAD\$1.61, which was the closing price of the Company's common stock on the date of grant. The SARs become exercisable in three installments on each of the first, second and third anniversaries of the grant date, subject, in each case, to the applicable SAR holder being continuous employed by the Company on the applicable vesting date. The SARs expire three months after the final vesting and may be settled only in cash.

The Company recognizes compensation expense and a corresponding liability for the fair value of the SARs over the requisite service period for each SAR award. The SAR's are revalued at each reporting date and any changes in fair value are reflected in income as of the applicable reporting date.

The fair value of SAR awards was estimated using the Black-Scholes model with the following assumptions as of March 31, 2021:

	<b>March 31, 2021</b>
Risk-Free Interest Rate	0.35 %
Expected Life (in Years)	2.91
Annualized Volatility	77.85 %
Dividend Rate	0.00 %

The continuity of Stock Appreciation Rights issued and outstanding is as follows:

	<b>SARs</b>	<b>Weighted Average Exercise Price (CAD)</b>	<b>Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value</b>
Balances, September 30, 2020	-	\$ -		\$ -
Granted	250,000	1.61	2.8	-
Exercised	-	-	-	-
Forfeited / Expired	(30,000)	1.61	-	-
Balances, March 31, 2021	220,000	\$ 1.61	2.8	\$ -
Exercisable at March 31, 2021	-	\$ -	-	\$ -

During the three and six months ended March 31, 2021, the Company recognized \$0.01 million and \$0.02 million of expense related to SARs. At March 31, 2021, there was \$0.06 million of unrecognized share-based compensation expense related to unvested SARs with a weighted average remaining recognition period of 2.8 years.

**(f) Warrants**

There were no outstanding warrants as of March 31, 2021 or September 30, 2020.



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**11. Revenues**

The Company's primary source of revenue is the sale of gold from the production of gold doré. Gold doré is unrefined gold bullion buttons usually consisting of 80% to 90% gold that is refined to pure gold bullion prior to sale to our customers. The Company has contracts with two customers for its gold doré sales and a third customer for gold bearing material sales. For sales of metals from refined doré, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of control of the agreed-upon metal quantities to the customer by the refiner.

All of the Company's sales are considered to occur in one demographic market, the United States.

The Company's contract asset balance related to contracts with customers was nil as of March 31, 2021 and \$0.19 million as of September 30, 2020. Below is a breakdown of revenues, in thousands:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gold Sales	\$ 19,268	\$ 18,956	\$ 36,477	\$ 32,027
Silver Sales	11	-	11	3
Total	\$ 19,279	\$ 18,956	\$ 36,488	\$ 32,030

**Revenues by Customer**

Customer A	4%	11%	4%	11%
Customer B	94%	89%	95%	88%
Customer C	2%	0%	1%	1%

**12. Production Costs**

Below is a detailed breakdown of production costs, in thousands:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Mining	\$ 7,557	\$ 7,155	\$ 13,877	\$ 15,292
Processing	3,781	2,812	7,400	5,729
Mine General and Administrative	1,043	836	2,106	1,980
Share Based Compensation	50	4	94	47
Selling Expenses	37	31	65	63
Inventory Movements	(2,537)	222	(5,755)	(3,200)
Total Production Costs	\$ 9,931	\$ 11,060	\$ 17,787	\$ 19,911

Total salaries and benefits expense included within production costs was \$1.51 million and \$2.72 million for the three and six months ended March 31, 2021, respectively (2020 - \$1.49 million and 2.64 million).

### 13. General and Administrative Expenses

Below is a detailed breakdown of general and administrative expenses, in thousands:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
Salaries and Benefits	\$ 972	\$ 724	\$ 1,945	\$ 1,463
Share Based Compensation	229	25	383	106
Accounting and Legal	56	87	200	165
Administrative and Other	551	317	1,123	633
Total General and Administrative	<u>\$ 1,808</u>	<u>\$ 1,153</u>	<u>\$ 3,651</u>	<u>\$ 2,367</u>

### 14. Earnings Per Share

Below is a reconciliation of basic and diluted earnings per share, in thousands, except share and per share data:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
<b>Basic Earnings Per Share:</b>				
Net Income	\$ 4,496	\$ 2,889	\$ 8,992	\$ 3,478
Weighted-Average Shares Outstanding	99,311,439	97,987,606	99,064,828	97,902,620
Basic Earnings Per Share	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.09</u>	<u>\$ 0.04</u>
<b>Diluted Earnings Per Share:</b>				
Net Income	\$ 4,496	\$ 2,889	\$ 8,992	\$ 3,478
Weighted-Average Shares Outstanding	99,311,439	97,987,606	99,064,828	97,902,620
Dilutive Securities:				
Stock Options / RSUs	5,716,665	3,153,165	6,336,138	3,153,165
Total Shares	<u>105,028,104</u>	<u>101,140,771</u>	<u>105,400,966</u>	<u>101,055,785</u>
Diluted Earnings Per Share	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.09</u>	<u>\$ 0.03</u>

The determination of weighted average shares outstanding for the three and six months ended March 31, 2021 for the purpose of calculating dilutive earnings per share excludes 2.42 million and 1.80 million shares, respectively, as the effects of inclusion would have been anti-dilutive as the underlying exercise prices exceeded the average market price for the three and six months ended March 31, 2021.

The determination of weighted average shares outstanding for the three and six months ended March 31, 2020 for the purpose of calculating dilutive earnings per share excludes 28.83 million shares as the effects of inclusion would have been anti-dilutive as the underlying exercise prices exceeded the average market price for the three and six months ended March 31, 2020.

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**15. Related Parties**

Key management comprises directors and executive officers. The compensation and short-term benefits to key management, which is determined by the compensation committee of the Board of Directors, was as follows, in thousands:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Director Fees	\$ 62	\$ 37	\$ 124	\$ 37
Senior Management	520	431	1,021	797
Share-Based Payment	-	-	1,026	103
Total	<u>\$ 582</u>	<u>\$ 468</u>	<u>\$ 2,171</u>	<u>\$ 937</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Amounts due to key management and directors as of March 31, 2021 and September 30, 2020 was \$0.47 million and \$0.94 million, respectively.

**16. Commitments and Contingencies**

<b>(\$000's)</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>Thereafter</b>	<b>Total</b>
Lease Obligations	640	1,133	112	122	21	-	2,028
Interest on Lease Obligations	66	60	16	6	-	-	148
Mining Claim Assessments <sup>(i)</sup>	461	461	461	461	461	461	2,766
Project Commitments <sup>(ii)</sup>	-	170	170	170	170	785	1,465
Advance Royalties <sup>(ii)</sup>	-	707	707	707	707	3,205	6,033
Total Contractual Obligations	<u>1,167</u>	<u>2,531</u>	<u>1,466</u>	<u>1,466</u>	<u>1,359</u>	<u>4,451</u>	<u>12,440</u>

(i) The Company currently holds mining claims on which it has an annual assessment obligation. In order to maintain the claims in good standing, there is an annual fee of approximately \$0.46 million. The Company is committed to this annual obligation for the indefinite future in order to maintain title to these claims.

(ii) *Pan* - On or before January 5<sup>th</sup> of each year, the Company must pay an advance minimum royalty of the greater of \$0.06 million or the dollar equivalent of 174 ounces of gold valued by the average of the London afternoon fixing price for the third calendar quarter preceding January 1 of the year in which the payment is due, calculated above at \$1,909 per ounce. The Company must incur a minimum of \$0.08 million per year for work expenditures, including claim maintenance fees, during the term of the mining lease.

**Gold Rock**

- Annually the Company must pay an advance minimum royalty of the greater of \$0.06 million or dollar equivalent of 108.05 ounces of gold valued by the average of the London afternoon fixing for the third calendar quarter proceeding January 1 of the year in which the payment is due, calculated above at \$1,909 per ounce. Osisko Mining (USA) Inc. has the right to receive these payments. The Company must incur a minimum of \$0.06 million per year for work expenditures, including claim maintenance fees, during the term of the mining lease.
- Anchor Minerals Inc.* - Annually the Company must pay an advanced minimum royalty of approximately \$0.07 million, which is the "gold equivalent price" determined by dividing \$0.03 million over the closing price of gold on January 15, 2007 and multiplying the result by the closing price of gold on the last business day of December 2010. The Company must incur a minimum of \$0.03 million per year for work expenditures, including claim maintenance fees, during the term of the mining lease.
- Messers. Peart, Pankow and Jordan of Nevada* - The Company is required to make annual minimum royalty payments of \$0.10 million for year 2019 and thereafter.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Pan Mine Sage Grouse Mitigation

The Mitigation Plan included in the Final Environmental Impact Statement for the Pan Mine provides for the certain mitigation of actual impacts of the project to sage grouse habitat. As part of its mitigation measures, the Pan Mine provided funding to the United States Geological Survey (“USGS”) for five years of sage grouse study. The Company is allowed to credit its funded portion of the USGS sage grouse study up to 50% of any applicable offsite compensatory mitigation for sage grouse habitat. Consistent with the Mitigation Plan, a wildlife working group consisting of the Bureau of Land Management, Nevada Division of Wildlife and the Company was formed following completion of the USGS study to determine any specific off-site mitigation. The wildlife working group remains in discussions regarding these matters. The Company cannot measure the obligation, if any, with sufficient reliability relating to this matter because, among other reasons, the wildlife working group has not yet determined the sage grouse habitat directly impacted by the Pan Mine.

### 17. Management of Financial Risk

The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments. Information regarding the Company’s exposure to each of these risks, the Company’s objectives, policies and processes for measuring and managing each risk is below. Risk management is the responsibility of the Company’s management team, while the Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. As of March 31, 2021, the Company’s exposure to financial risks and instruments have not been significantly impacted by the COVID-19 pandemic.

#### a) Fair Value of Financial Instruments

##### Fair Value

Cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities, and accrued payroll and related benefits approximate their fair value due to their short-term nature. The Company’s financial instruments consist of cash and cash equivalents, prepaid expenses and other current assets, other long-term assets, reclamation deposits, accounts payable and accrued liabilities, accrued payroll and related benefits, lease liabilities, accrued reclamation and remediation and derivatives (when applicable). Cash and cash equivalents, prepaid expenses and other current assets, other long-term assets and reclamation deposits are designated as financial assets at amortized cost. Accounts payable and accrued liabilities, accrued payroll and related benefits, accrued reclamation and remediation and lease obligations are designated as financial liabilities at amortized cost. Derivatives are designated as fair value through profit or loss. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

During the three and six months ended March 31, 2021 and year ended September 30, 2020 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

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For the three and six months ended March 31, 2021 and 2020  
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**b) Credit Risk**

Credit risk is the risk of potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and cash equivalents, restricted cash and gold option collars. Cash and cash equivalents are held by Canadian chartered banks and American financial entities. Gold option collars, when outstanding, are held with one of our Customers. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

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

**c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. Management has concluded that the Company has adequate financial resources to settle obligations as of March 31, 2021.

The Company's significant undiscounted commitments as of March 31, 2021 and September 30, 2020 are as follows, in thousands:

				<b>March 31,</b>	<b>September 30,</b>
				<b>2021</b>	<b>2020</b>
	<b>1 Year</b>	<b>2 - 5 Years</b>	<b>5+ Years</b>	<b>Total</b>	<b>Total</b>
Accounts Payable and Accrued Liabilities	\$ 4,554	\$ -	\$ -	\$ 4,554	\$ 5,153
Accrued Payroll and Related Benefits	1,390	-	-	1,390	2,260
Accrued Reclamation and Remediation	-	1,319	9,664	10,983	10,751
Lease Commitments	706	1,470	-	2,176	2,925
	<u>\$ 6,650</u>	<u>\$ 2,789</u>	<u>\$ 9,664</u>	<u>\$ 19,103</u>	<u>\$ 21,089</u>

**d) Market Risk**
**i. Foreign Currency Risk**

The Company's functional and reporting currency is the U.S. dollar with the majority of major purchases transacted in the U.S. dollar. However, the Company operates in more than one country, as a result, a portion of the Company's financial assets and liabilities are denominated in Canadian dollars or Chilean pesos. The Company monitors this exposure, but has no contractual hedge positions. Financial assets and liabilities as of March 31, 2021 in Canadian dollars or Chilean pesos are as follows, stated in thousands of U.S. dollars:

	<b>Chilean Peso</b>	<b>Canadian Dollar</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 18	\$ 216	\$ 234
Prepaid Expenses and Other Assets	1	18	19
Accrued Liabilities	(5)	(323)	(328)
Total	<u>\$ 14</u>	<u>\$ (89)</u>	<u>\$ (75)</u>

Based on the Company's currency exposures relating to foreign currency denominated monetary items, as of March 31, 2021, a 5% appreciation of the U.S. dollar against the Chilean peso would have resulted in less than a \$0.01 million loss and a 5% appreciation of the U.S. dollar against the Canadian dollar would have resulted in a \$0.01 million gain.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended March 31, 2021 and 2020  
(unaudited, expressed in U.S. dollars)

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**ii. Other Price Risk**

Management has concluded that the Company's greatest price risk exposure is fluctuations in precious metal prices, particularly gold. The volatility of precious metal prices represents a substantial risk, which no amount of planning or technical expertise can fully eliminate. In the event gold prices decline or remain low for prolonged periods of time, the Company may be unable to develop its properties, which could adversely affect the Company's results of operations, financial performance and cash flows. A 5% decrease in the market price of gold would have resulted in a decrease in the Company's revenue during the three and six months ended March 31, 2021 of approximately \$0.96 million and \$1.82 million, respectively.

**18. Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to support its normal operating requirements, continue the operations, development, exploration, and evaluation of its mineral properties, support any expansionary plans and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages and adjusts its capital structure based on available funds to support operations and the exploration and development of its mineral properties. The Company manages the capital structure and adjusts considering changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The annual budget is approved by the Board of Directors. The Company may finance acquisition, development and exploration activity through cash flows from operations, joint ventures, by taking on debt or share capital when market conditions are suitable. Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable.

The capital structure of the Company consists of components of equity, lease obligations, long-term debt, when applicable, and cash and cash equivalents. There were no changes in the Company's approach to capital management during the three and six months ended March 31, 2021.