BELO SUN MINING

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2022 and 2021

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Belo Sun Mining Corp.

Opinion

We have audited the consolidated financial statements of Belo Sun Mining Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and 2021 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment indicators on property, plant and equipment (PP&E)

Refer to note 2e – Significant accounting policies – Significant accounting judgments, estimates and assumptions, note 2j – Significant accounting policies – Property, plant and equipment, note 4 – Mineral property development and exploration and development and note 7 - Property, plant and equipment to the consolidated financial statements.

The net book value of PP&E, which includes mine assets under construction, amounted to $16,215,510 as at December 31, 2022. Management assesses at each reporting period-end whether there is an indication that PP&E may be impaired. The determination of whether there are indicators of impairment is a subjective process involving judgment and a number of estimates and interpretations. No impairment indicators were noted.

We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment and the use of a management expert.

How our audit addressed the Key Audit Matter

Our approach to addressing the matter involved the following procedures, among others:

Evaluated management’s assessment of indicators of impairment, which included the following:

- Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company’s PP&E.

- Assessed the status of the Company’s mining rights by inspecting mineral permit status and correspondence with relevant parties involved in licensing matters.

- Evaluated management’s assessment of whether any rights were not expected to be reinstated, including the work of management’s experts, which were used to evaluate the reasonableness of the current status of the Company's efforts to have the suspension of its construction license removed. As a basis for using this work, management’s experts’ competence, capability and objectivity were evaluated, their work was understood and the appropriateness of the experts’ work as audit evidence was evaluated by considering the relevance and reasonableness of their conclusions.

- Assessed whether there has been a significant decline in the market capitalization, which may indicate a decline in value of the Company’s net assets.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 27, 2023
Toronto, Ontario

Belo Sun Mining Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		$ 17,584,792	$ 23,964,791
Prepaid expenses and sundry receivables	3	241,618	309,438
Promissory notes receivable	6	528,880	3,932,695
		18,355,290	28,206,924
Non-current assets			
Long-term deposits	7	1,625,280	1,521,360
Property, plant and equipment	4, 7	16,215,510	18,240,915
Term investment	5	540,099	434,326
Total Assets		$ 36,736,179	$ 48,403,525
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 1,491,327	$ 1,830,236
Current portion of lease liabilities	9	8,921	15,163
		1,500,248	1,845,399
Long-term portion of lease liabilities	9	-	7,922
Total Liabilities		1,500,248	1,853,321
Equity			
Share capital	10	262,771,769	262,771,769
Share-based payments reserve	11	3,402,844	2,461,255
Contributed surplus	12	37,648	60,399
Accumulated other comprehensive income		1,717,884	627,294
Deficit		(232,694,214)	(219,370,513)
Total Equity		35,235,931	46,550,204
Total Liabilities and Equity		$ 36,736,179	$ 48,403,525
Commitments and contingencies	18		

"Carol Fries"
Director

"Mark Eaton"
Director

- See accompanying notes to these consolidated financial statements -

Belo Sun Mining Corp.
Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	2021
Expenses			
Salaries, wages and consulting fees	17	2,633,413	3,057,764
Accounting, audit and tax fees		168,438	108,978
Legal fees		1,073,123	396,070
General and administration		929,672	815,351
Depreciation	7	46,873	59,502
Share-based payments	11, 12	1,044,488	1,973,628
Exploration and evaluation expenses	4	1,264,783	(250,708)
Permitting costs	4	5,537,045	251,977
Foreign exchange loss (gain)		1,371,538	25,843
Loss from operations		(14,069,373)	(6,438,405)
Interest income		720,869	236,670
Interest expense		(1,344)	(2,342)
Net loss for the year		(13,349,848)	(6,204,077)
Other comprehensive income (loss)			
Items that may be reclassified to profit/loss:			
Exchange differences on translating foreign operations		1,090,590	(59,091)
Comprehensive loss for the year		$(12,259,258)	$ (6,263,168)
Loss per share:			
Basic and diluted	14	$ (0.03)	$ (0.01)
Weighted average number of shares outstanding:			
Basic and diluted		455,055,248	455,055,248

Belo Sun Mining Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	2021
Cash provided by (used in) operations:			
Net loss		$ (13,349,848)	$ (6,204,077)
Items not involving cash:			
Share-based payments	11, 12	1,044,488	1,973,628
Depreciation	7	46,873	59,502
Interest income		(720,869)	(236,670)
Interest income received		579,574	220,336
Unrealized loss on foreign exchange		(199,147)	208,484
INCRA land transfer		2,982,660	-
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		67,820	(130,808)
Change in accounts payables and accrued liabilities		(338,909)	(1,777,763)
Net cash (used in) operating activities		(9,887,358)	(5,887,368)
Investing activities			
Expenditures on property, plant and equipment	4, 7	(15,340)	(15,156)
Promissory note repayment	6	3,456,022	-
Promissory note interest payment	6	89,088	11,239
Net cash provided by / (used in) investing activities		3,529,770	(3,917)
Financing activities			
Payment of principal portion of lease liability	9	(18,171)	(16,774)
Purchase of shares held in trust for settlement of share-based payments		(99,503)	-
Net cash (used in) financing activities		(117,674)	(16,774)
Change in cash and cash equivalents		(6,475,262)	(5,908,059)
Cash and cash equivalents, beginning of the year		23,964,791	30,007,304
Effect of exchange rate on cash held		95,263	(134,454)
Cash and cash equivalents, end of the year		$ 17,584,792	$ 23,964,791
Cash and cash equivalents are comprised of:			
Cash in bank		$ 15,932,190	$ 22,548,484
Short-term money market instruments		1,652,602	1,416,307
		$ 17,584,792	$ 23,964,791

Belo Sun Mining Corp.
Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2020	455,055,248	$ 262,771,769	$ (48,161)	$ 3,184,507	$ 686,385	$ (215,754,756)	$ 50,839,744
Share-based compensation	-	-	108,560	-	-	-	108,560
Other comprehensive loss	-	-	-	-	(59,091)	-	(59,091)
Stock option expiry	-	-	-	(2,588,320)	-	2,588,320	-
Stock option grant	-	-	-	1,865,068	-	-	1,865,068
Net loss	-	-	-	-	-	(6,204,077)	(6,204,077)
Balance, December 31, 2021	455,055,248	$ 262,771,769	$ 60,399	$ 2,461,255	$ 627,294	$ (219,370,513)	$ 46,550,204
Share-based compensation	-	-	76,752	982,428	-	-	1,059,180
Purchase of shares held in trust for settlement of share-based payments	-	-	(99,503)	-	-	-	(99,503)
Stock option expiry	-	-	-	(26,147)	-	26,147	-
Stock option forfeiture	-	-	-	(14,692)	-	-	(14,692)
Other comprehensive loss	-	-	-	-	1,090,590	-	1,090,590
Net loss	-	-	-	-	-	(13,349,848)	(13,349,848)
Balance, December 31, 2022	455,055,248	$ 262,771,769	$ 37,648	$ 3,402,844	$ 1,717,884	$ (232,694,214)	$ 35,235,931

1. Nature of operations

Belo Sun Mining Corp. ("Belo Sun" or the "Company"), through its subsidiaries, is a gold exploration and development company engaged in the exploration and development of properties located in Brazil. The Volta Grande Gold project moved to the development stage in 2017 (Note 4). The other project is in the exploration and evaluation stage. The Company is a publicly listed company incorporated in the Province of Ontario. The Company's shares are listed on the Toronto Stock Exchange and trade under the symbol "BSX". The Company's shares are also listing on the OTCQX best market and trade under the symbol "BSXGF". The Company's head office is located at 198 Davenport Road, Toronto, Ontario, Canada, M5R 1J2.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

2. Significant accounting policies

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended December 31, 2022. The policies as set out below were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these annual consolidated financial statements for issue on March 27, 2023.

b) Basis of preparation

These consolidated financial statements were prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in Canadian dollars. They have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

2. Significant accounting policies (continued)

c) New and future accounting policies

Certain pronouncements were issued by the IASB that are mandatory for accounting periods on or after January 1, 2023 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following amendments were adopted by the Company on January 1, 2022. The adoption of these amendments had no significant impact on the Company's financial statements.

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

New accounting standards issued but not effective:

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

2. Significant accounting policies (continued)

The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

d) Principals of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company 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.

(ii) Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

e) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, on a prospective basis. The revision may affect current or both current and future periods.

Information about critical judgments and estimates in applying accounting policies, and areas where assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following areas:

2. Significant accounting policies (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

• Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations. When an indication of impairment loss or a reversal of impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

• Recognition of deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company reassesses unrecognized income tax assets at each reporting period.

• Title to land

In assessing the recognition of land acquired with deferred payment terms as an asset, management must make an assumption as to whether the title of the land has passed. Management has determined that the Company has obtained title to the land upon execution of the land purchase agreements as outlined within the agreements themselves.

• Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

• Assessment of the project stage for mineral properties and activities

In determining whether the Company is in the exploration and evaluation stage or the development stage, management must make an assessment as to whether the technical feasibility and commercial viability of extracting the mineral resource are demonstrable. Management assesses several considerations including technical studies performed by consultants and the status of licences to make this assessment. Effective February 2, 2017, management's judgement was that the Company has moved into the development stage on the Volta Grande project as the Company has received its construction licence and has awarded a contract for the first phase of Engineering, Procurement and Construction ("EPC"), despite the interim suspension of the licence (Note 4).

2. Significant accounting policies (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

- Valuation of promissory notes receivable
  Estimating the fair value of the promissory notes receivable requires the use of assumptions, the most significant being the discount rate.

- Collectability of promissory notes receivable
  Management makes an assessment of whether the promissory notes receivable are collectable for each recipient based on payment history and financial condition. These estimates are continuously evaluated and updated.

- Determination of functional currency
  Under IFRS, each entity within the Company has its results measured using the currency of the primary economic environment in which the entity operates (the "functional" currency). Judgment is necessary in assessing each entity's functional currency. The Company considers the currency of expenses and outflows, as well as financing activities as part of its decision-making process.

- Contingencies
  Refer to Note 18.

f) Presentation and functional currency

The Company's consolidated financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar. References to R$ refer to the Brazilian Real.

g) Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the historical rate effective on the date of the transactions. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as exchange differences on translating foreign operations in Accumulated Other Comprehensive Income ("AOCI").

2. Significant accounting policies (continued)

h) Cash and cash equivalents

Cash and cash equivalents consist of cash in banks, short-term money market instruments, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without an early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets.

i) Derivative financial instruments

The Company does not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

j) Property, plant and equipment

(i) Assets owned by the Company

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost as well as the costs directly attributable to bring the asset to the location and condition necessary for its use in operations. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

(ii) Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of comprehensive loss as an expense as incurred.

2. Significant accounting policies (continued)

j) Property, plant and equipment (continued)

(iii) Mining assets under construction

When a mining project reaches the development phase, subsequent costs are capitalized to mine development costs in property, plant and equipment. The development expenditures are capitalized.

Mining assets under construction consist of property, plant and equipment costs incurred in the course of development and are not depreciated. On completion of construction or development, costs are transferred to property, plant and equipment and/or mining properties as appropriate based on the following criteria:

- Production capacity achieved;
- Recovery grade;
- Completion of reasonable period of testing of the mine plant and equipment;
- Stage of completion of development work;
- Completion of the planned capital expenditures.

(iv) Depreciation

Depreciation is charged to the statement of comprehensive loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Vehicles 5 years
- Furniture and office equipment 5 to 25 years
- Mining equipment 10 years

k) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral property rights, property option payments and exploration and evaluation activities (including care and maintenance costs).

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved, related development expenditures incurred thereafter are capitalized. This includes costs incurred in preparing the site for mining operations, which are recorded in mining assets under construction in property, plant and equipment.

l) Impairment of non-financial assets

When events or changes in the economic environment indicate a risk of impairment to property, plant and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs of disposal) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

2. Significant accounting policies (continued)

m) Financial instruments

The Company has classified all financial instruments as amortized cost.

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as Fair Value Through Profit or Loss ("FVTPL"):

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and pricing models. Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and Fair Value through Other Comprehensive Income ("FVOCI"). For the impairment of financial assets, a loss allowance for expected credit losses is recognized in Other Comprehensive Income ("OCI") for financial assets measured at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

2. Significant accounting policies (continued)

m) Financial instruments (continued)

Financial liabilities are measured at amortized cost. A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

n) Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

o) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Company also has a deferred share unit ("DSU") plan. The plan allows for the settlement of DSUs in cash or in shares of the Company at the election of the Company. The Company's expectation is the DSUs will be settled in shares. The Company has purchased its own shares which are held in trust to settle DSUs, as a result, there is no present obligation to settle in cash. Therefore, the value of the DSUs are recorded as equity. Any shares purchased and held in treasury for the purposes of settling the DSUs are recorded as a reduction of contributed surplus.

2. Significant accounting policies (continued)

p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

q) Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

As at December 31, 2022 and 2021, there were no provisions recorded.

(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

r) Decommissioning, restoration and similar liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. 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, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and included in profit or loss as extraction progresses.

3. Prepaid expenses and sundry receivables

	December 31, 2022	December 31, 2021
Amounts receivables and other advances	$ 47,238	$ 120,846
Reimbursable court fees pending appeal	43,578	37,869
HST receivable	71,262	81,460
Prepaid insurance	79,540	69,263
	$ 241,618	$ 309,438

The Company has paid fees with respect to appeal proceedings which are expected to be reimbursed. The Company expects to be reimbursed the balance, R$170,094 ($43,578) (December 31, 2021: R$129,002 ($37,869)), upon successful judgment.

4. Mineral property development and exploration and development

The Company has determined that it has moved into the development stage for its Volta Grande Project upon receiving its construction license in February 2017 and awarding a contract for the first phase of EPC, despite the interim suspension of the license received in April 2017. The Company appealed the suspension and, in December 2017, received notice that the suspension would be upheld until an indigenous study was completed in accordance with regulatory guidelines. Since then, the Company's focus has been on completing the indigenous study and limited exploration work. The construction license expired and was to be renewed on February 2, 2020. The Company filed its renewal application in September 2019. The application is pending government approval.

The Volta Grande Gold Project comprises 4 mine concessions submitted, 3 applications for public tender, 14 exploration permits, and 63 exploration permit extensions submitted and to be submitted in 2019, covering a total area of 175,680 hectares; it is located in municipalities including Senador José Porfírio, Anapu, Vitória do Zingu and Pacajá, in the southern region of Pará State in northern Brazil. The Volta Grande Project is located on the Xingu River, north of the Carajás mineral province, approximately 60 km southeast of the city of Altamira. Development costs have been capitalized effective February 2, 2017. The Company continues to incur costs that are not related to the development of the project, and these are expensed to the consolidated statement of comprehensive loss as exploration and evaluation expenses. Exploration and evaluation expenditures expensed immediately in the consolidated statement of comprehensive loss for the year ended December 31, 2022 amounted to $1,264,783 (year ended December 31, 2021: reversal of $250,708). $14,700 was capitalized to property, plant and equipment during the year ended December 31, 2022 ($14,700 during the year ended December 31, 2021) related to development costs. In November 2021, a land concession agreement was signed with Brazilian National Institute of Colonization and Agrarian Reform ("INCRA"), whereby INCRA provided the Company with access to certain INCRA designated lands for mining activities for a period of 20 years from its execution date, with the ability to extend the term. In September 2022 and in accordance with this agreement, the Company transferred land that it owned to INCRA as compensation for a small portion of the Company's mining concessions that overlapped INCRA land designated for rural development. Costs related to this agreement were recorded through permitting costs on the consolidated statement of loss.

5. Term investment

The investment consists of a term deposit with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais ("CPRM"). As at December 31, 2022, the balance in this account was R$2,108,116 ($540,099) (December 31, 2021: R$1,909,125 ($434,326)) and the Company earned 10.42% in interest for the year ended December 31, 2022 (December 31, 2021: 3.81%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM, a Brazilian state-owned company (Note 18 (1)).

6. Promissory notes receivable

In April 2018, certain directors and officers of the Company ("the Supporting Directors") agreed to acquire an aggregate of 29,850,746 common shares of the Company at a price of $0.335 per share by a private purchase from an existing shareholder for the purposes of supporting the Company's share price and further align their interests with those of the Company's shareholders. The Supporting Directors each acquired the number of common shares as follows: Stan Bharti 12,932,835 common shares; Peter Tagliamonte 12,932,835 common shares; Denis Arsenault 2,985,076 common shares; Mark Eaton 1,000,000 common shares.

To facilitate the Supporting Directors with the foregoing purchases, the Company loaned them an aggregate amount of $10,000,000. Unsecured promissory notes have been entered into with each of the Supporting Directors for their respective loans. Under the original terms of the promissory notes, the Company received a per annum interest rate of LIBOR plus 1%, payable on each one-year anniversary of the loans. The principal amount of the loans was due and payable, together with all accrued and unpaid interest thereon, on April 23, 2020. Upon the sale of any shares of the Company acquired with the principal by the recipient, a portion of the principal equal to the amount of the proceeds realized from such sale shall become immediately due. Given the credit worthiness of the recipients, the Company believes credit risk is remote and has not recorded an expected loss.

In May 2019, Mark Eaton repaid his note in full. In September 2019, Denis Arsenault repaid $444,000 of his loan and paid an additional $84,627 in March 2020. In December 2019, Peter Tagliamonte repaid $400,000 of his loan and paid an additional $15,856 in April 2020.

On April 23, 2020, Denis Arsenault and Stan Bharti repaid their loans. Peter Tagliamonte repaid his annual interest owing on April 23, 2020. Peter Tagliamonte's loan repayment date was extended to April 23, 2022 and the loan principal of $3,916,644 remained payable. The interest rate was amended to a per annum interest rate of LIBOR, payable on each one-year anniversary of the loan.

In April 2021, Peter Tagliamonte repaid his annual interest owing of $11,239.

In April 2022, Peter Tagliamonte's loan repayment date was extended to October 23, 2022. The interest rate remains unchanged.

In April 2022, Peter Tagliamonte repaid interest owing of $89,088.

In July 2022, Peter Tagliamonte repaid $2,500,000 of principal owing on the loan, and in August 2022, Peter Tagliamonte repaid $956,022 of principal owing on the loan.

In October 2022, Peter Tagliamonte's loan repayment date was extended to October 23, 2023 with the same terms and the loan principal of $460,622 remained payable.

(Expressed in Canadian dollars unless otherwise noted)

6. Promissory notes receivable (continued)

As at December 31, 2022, the Company recognized a carrying value of $528,880 with respect to these promissory notes (December 31, 2021: $3,932,695). Interest income of $141,295 was recognized for the year ended December 31, 2022 (year ended December 31, 2021: $17,880).

	December 31, 2022	December 31, 2021
Opening balance	$ 3,932,695	$ 3,926,054
Interest accrued	141,295	17,880
Interest repaid	(89,088)	(11,239)
Principal repaid	(3,456,022)	-
Ending balance	$ 528,880	$ 3,932,695

7. Property, plant and equipment

Cost	Vehicles	Furniture & equipment	Mining equipment	Right of use assets	Mine assets under construction	Land	Total
Balance, December 31, 2020	$ 361,413	$ 1,246,644	$ 519,104	$ 131,933	$ 4,364,687	$ 13,230,612	$ 19,854,393
Additions	-	456	-	-	14,700	-	15,156
FX adjustment	(646)	(1,910)	6,335	(236)	(6,812)	(48,235)	(51,504)
Balance, December 31, 2021	360,767	1,245,190	525,439	131,697	4,372,575	13,182,377	19,818,045
Disposal	-	-	-	-	-	(2,982,660)	(2,982,660)
Additions	-	640	-	-	14,700	-	15,340
FX adjustment	224,672	751,982	327,225	82,016	94,565	492,727	1,973,187
Balance, December 31, 2022	$ 585,439	$ 1,997,812	$ 852,664	$ 213,713	$ 4,481,840	$ 10,692,444	$ 18,823,912
Accumulated depreciation and impairment							
Balance, December 31, 2020	$ 361,413	$ 562,412	$ 478,186	$ 74,087	$ -	$ -	$ 1,476,098
Charge for the year	-	34,055	8,549	16,898	-	-	59,502
FX adjustment	(646)	20,073	19,456	2,647	-	-	41,530
Balance, December 31, 2021	360,767	616,540	506,191	93,632	-	-	1,577,130
Charge for the period	-	26,205	5,440	15,228	-	-	46,873
FX adjustment	224,672	439,712	301,366	18,649	-	-	984,399
Balance, December 31, 2022	$ 585,439	$ 1,082,457	$ 812,997	$ 127,509	$ -	$ -	$ 2,608,402
Net book value, December 31, 2021	$ -	$ 628,650	$ 19,248	$ 38,065	$ 4,372,575	$ 13,182,377	$ 18,240,915
Net book value, December 31, 2022	$ -	$ 915,355	$ 39,667	$ 86,204	$ 4,481,840	$ 10,692,444	$ 16,215,510

$14,700 development costs were incurred or capitalized to mine assets under construction during the year ended December 31, 2022 (December 31, 2021: $14,700). Depreciation for the year ended December 31, 2022 was $46,873 (year ended December 31, 2021: $59,502). Since the mining property is in the development stage, the mine assets under construction are not amortized.

During the year ended December 31, 2018, the Company acquired a 3,000 hectare land package for R$7,000,000 ($2,982,660). The Company made payments of R$4,490,949 ($1,913,568) against this purchase in December 2018 and made the final payment of R$2,509,051 ($1,069,092) in August 2022. In September 2022, this land was disposed of and transferred to the Brazilian National Institute of Colonization and Agrarian Reform (“INCRA”) as compensation for a small portion of the Company’s mining concessions that overlapped INCRA land designated for rural development in accordance with an agreement signed with INCRA in November 2021.

(Expressed in Canadian dollars unless otherwise noted)

7. Property, plant and equipment (continued)

During the year ended December 31, 2018, the Company amended its agreement to purchase a Semi-Autogenous Grinding ("SAG") mill and a letter of credit was issued by the vendor. The credit of US$1,200,000 ($1,625,280) will be applied against the purchase of a new SAG mill from the vendor.

8. Accounts payable and accrued liabilities

	December 31, 2022	December 31, 2021
Mineral properties suppliers and contractors	$ 303,052	$ 230,494
Land acquisition costs payable	-	570,809
Property taxes	900,953	694,002
ANM taxes	1,210	1,074
Corporate payables	199,112	256,857
Audit and other accruals	87,000	77,000
	$ 1,491,327	$ 1,830,236

9. Lease liabilities

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated incremental borrowing rate of 7.5% per annum. The following table reflects the lease activity for the periods ended December 31, 2022 and 2021:

December 31, 2020	$ 40,130
Lease payments for the period	(16,774)
Foreign exchange impact	(271)
December 31, 2021	$ 23,085
Lease payments for the period	(18,171)
Foreign exchange impact	4,007
December 31, 2022	$ 8,921
Current portion	$ 8,921
Long-term portion	-
	$ 8,921

Interest expense recognized with respect to these leases was $5,350 for the year ended December 31, 2022 ($2,342 for the year ended December 31, 2021).

The Company's leases consist of premise and equipment leases. The amount of the Company's lease liability that is due within one year is $8,921. The amount of Company's lease liability that is due later than one year and not later than five years is $nil.

(Expressed in Canadian dollars unless otherwise noted)

10. Share capital

As at December 31, 2022 and 2021, the Company's authorized number of common shares was unlimited without par value and an unlimited number of special shares. The special shares have the same features as the common shares with the exception that the special shares take preference over the common shares in the event of liquidation, dissolution or winding up of the Company. The special shares are entitled to the same dividend rights as common shares. No special shares are outstanding.

The Company had 455,055,248 shares outstanding at December 31, 2022, recorded at $262,771,769 (December 31, 2021 - 455,055,248 shares outstanding recorded $262,771,769).

11. Share-based payments reserve

Stock options

The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent to up to 10% of the issued and outstanding shares of the Company. In accordance with the terms of the Plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the Board of Directors.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

	Number of Options	Weighted average exercise prices	Carrying amount
December 31, 2020	9,615,000	$0.81	$ 3,184,507
Granted	2,500,000	$0.97	1,865,068
Expired/cancelled	(4,565,000)	$0.85	(2,588,320)
December 31, 2021	7,550,000	$0.84	$ 2,461,255
Vested	-	-	982,428
Expired/cancelled	(50,000)	$0.80	(26,147)
Forfeited	(50,000)	$0.80	(14,692)
December 31, 2022	**7,450,000**	**$0.84**	**$ 3,402,844**

(Expressed in Canadian dollars unless otherwise noted)

11. Share-based payments reserve (continued)

The following stock options were outstanding as at December 31, 2022:

					Black-Scholes inputs			
Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
200,000	200,000	15-Jun-18	15-Jun-23	$ 0.23	75%	5	0%	2.08%
4,750,000	2,375,000	27-Jul-20	27-Jul-25	$ 0.80	84%	5	0%	0.35%
2,500,000	625,000	4-Jan-21	4-Jan-26	$ 0.97	84%	5	0%	0.39%
7,450,000	3,200,000			$ 0.84				

During the year ended December 31, 2022, no stock options were granted. The Company recorded $967,736 in stock-based compensation expense for the year ended December 31, 2022 (year ended December 31, 2021: 2,500,000 options were granted, and $1,865,068 in stock-based compensation expense was recorded). The weighted average life of the outstanding options at December 31, 2022 is 2.66 years (December 31, 2021: 3.66 years). The unvested stock options vest in four equal installments annually on the anniversary of the grant, with the first tranche vesting 12 months from the grant date.

12. Contributed surplus

Deferred Share Unit Incentive Plan

In 2016, the Company approved and adopted a Deferred Share Unit (“DSU”) incentive plan. In accordance with the terms of the plan, officers, directors and employees of the Company may be granted DSUs. Each vested DSU held shall be redeemed by the Company at the time that the holder ceases to be an officer, director or employee of the Company. The DSUs can be redeemed, at the election of the Company, in cash or in shares of the Company, either held in treasury (subject to shareholder approval) or purchased in the secondary market by a trustee. If the holder of a DSU ceases to be an officer, director or employee of the Company prior to vesting, other than in the event of a change of control, the DSUs shall be deemed cancelled. In the event of a change of control, or termination without cause, each DSU shall automatically vest and be redeemed.

As at December 31, 2022, 16,739,750 DSU’s were outstanding (December 31, 2021: 17,064,750).

As at December 31, 2022, 16,508,250 shares are held in trust with an independent trustee at a total recorded cost of $6,229,900 (December 31, 2021: 16,814,750 shares at a cost of $6,343,386) which is included in contributed surplus. The Company is the beneficiary of the shares held and the Company has full control of these shares. Vesting charges are applied against contributed surplus.

On February 10, 2020, 250,000 DSUs were granted to a director of the Company, where one-third vested immediately on grant, one-third vested on February 10, 2021, and the final third vested on February 10, 2022.

(Expressed in Canadian dollars unless otherwise noted)

12. Contributed surplus (continued)

On August 14, 2020, 250,000 DSUs were granted to a director of the Company with a value per DSU of $0.94, where one-third vested immediately on grant, one-third vested on August 14, 2021, and the final third vested on August 14, 2022.

On August 3, 2022, 250,000 DSUs were granted to a director of the Company with a value per DSU of $0.38, where one-third vested immediately on grant, one-third vests on August 3, 2023, and the final third vests on August 3, 2024.

The following table displays the vesting activity for outstanding DSUs:

	Vested	Unvested	Total
December 31, 2020	16,692,416	372,334	17,064,750
Vested, previously granted DSUs	205,667	(205,667)	-
December 31, 2021	16,898,083	166,667	17,064,750
Vested, previously granted DSUs	166,667	(166,667)	-
Paid out	(575,000)	-	(575,000)
Granted	83,333	166,667	250,000
December 31, 2022	**16,573,083**	**166,667**	**16,739,750**

Anticipated future vesting:	
August 3, 2023	83,333
August 3, 2024	83,334

During the year ended December 31, 2022, $76,752, was recorded as share-based compensation expense related to vested DSUs on the consolidated statements of comprehensive loss (year ended December 31, 2021: $108,560).

13. Operating segments

Geographical information

The Company operates in Canada where its head office is located and in Brazil where its exploration and development properties are located. Information about the Company's assets by geographical location is detailed below.

	Current assets	Property, plant and equipment	Other non-current assets	Total Assets
December 31, 2021				
Canada	$ 26,415,261	$ 19,985	$ 1,521,360	$ 27,956,606
Brazil	1,791,663	18,220,930	434,326	20,446,919
	$ 28,206,924	$ 18,240,915	$ 1,955,686	$ 48,403,525
December 31, 2022				
Canada	$ 15,968,290	$ 19,985	$ 1,625,280	$ 17,613,555
Brazil	2,387,000	16,195,525	540,099	19,122,624
	$ 18,355,290	$ 16,215,510	$ 2,165,379	$ 36,736,179

(Expressed in Canadian dollars unless otherwise noted)

13. Operating segments (continued)

In the year ended December 31, 2022, net losses of $3,664,346 and $9,685,502 were attributed to Canada and Brazil, respectively.

14. Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options, warrants and contracts to be settled in shares, in the weighted average number of common shares outstanding during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options, warrants and contracts to be settled in shares would be anti-dilutive.

15. Financial instruments

Financial assets and financial liabilities as at December 31, 2022 and 2021 were classified as follows:

December 31, 2021	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	$ 23,964,791	$ -	$ 23,964,791
Promissory notes receivable	3,932,695	-	3,932,695
Term investment	434,326	-	434,326
Accounts payable and accrued liabilities	-	(1,830,236)	(1,830,236)
Lease liabilities, current and long-term	-	(23,085)	(23,085)

December 31, 2022	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	$ 17,584,792	$ -	$ 17,584,792
Promissory notes receivable	528,880	-	528,880
Term investment	540,099	-	540,099
Accounts payable and accrued liabilities	-	(1,491,327)	(1,491,327)
Lease liabilities, current and long-term	-	(8,921)	(8,921)

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

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 or indirectly
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and lease liabilities approximates fair value due to their short-term nature.

15. Financial instruments (continued)

The carrying values of promissory notes receivable and the term investment are calculated at amortized cost by applying market interest rates at the inception of the financial instrument.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended December 31, 2022.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company’s primary counterparties related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company’s promissory notes are held by directors of the Company. Management has assessed the credit risk associated with these promissory notes and based on the credit-worthiness of the parties involved, the Company has assessed the chance of loss as remote.

The Company’s maximum exposure to credit risk at the statement of financial position date is the carrying value of cash and cash equivalents, promissory notes receivable and term investments.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at December 31, 2022, the Company had current assets of $18,355,290 to settle current liabilities of $1,500,248. Approximately $589,000 of the Company's financial liabilities as at December 31, 2022 have contractual maturities of less than 30 days and are subject to normal trade terms. Of these current liabilities, approximately $902,000 has been payable for over 180 days.

Market risk

(a) Interest rate risk

The Company’s cash and cash equivalents, term investments, and promissory note are subject to interest rate cash flow risk as they carry variable rates of interest. The Company’s interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on cash and cash equivalents, term deposit and promissory note balances on hand at December 31, 2022, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately $18,700 (December 31, 2021 - $27,900).

15. Financial instruments (continued)

(b) Currency risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's currency risk arises primarily with respect to the United States dollar and Brazilian Real. Fluctuations in the exchange rates between these currencies and the Canadian dollar could materially affect the Company's business, financial condition, and results of operations. The Company does not mitigate this risk with hedging activity.

A strengthening of $0.01 in the United States dollar against the Brazilian Real would have increased net loss by approximately $11,000 for the year ended December 31, 2022 (year ended December 31, 2021 - $3,500). A strengthening of $0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately $2,100 for the year ended December 31, 2022 (year ended December 31, 2021 - $600).

16. Capital management

The Company includes equity, comprised of issued common shares, share-based payment reserve, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's Volta Grande property is in the development stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned engineering, test work, advancement and development of the mining projects, and pay for administrative costs, the Company will spend working capital and expects to raise the additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars unless otherwise noted)

17. Related party disclosures

The consolidated financial statements include the financial statements of the Company and the subsidiaries at their respective ownership listed in the following table.

	Country of incorporation	% equity interest
Belo Sun Mineracao Ltda	Brazil	100
Intergemas Mineracao e Industrailizacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98
Oca Mineracao Ltda	Brazil	100
Sun Exploracao Mineral Ltda.	Brazil	100

During the year ended December 31, 2022 and 2021, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods/services Year ended December 31, 2022	Purchases of goods/services Year ended December 31, 2021
2227929 Ontario Inc.	$ 61,014	$ 300,000
Directors' promissory notes interest	141,295	17,880

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly fee of $5,000. Costs paid to 2227929 Ontario Inc. are recorded in general and administrative expenses on the consolidated statement of loss.

The following balances included in the Company's accounts were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Directors and officers of the Company	$ 528,880	$ 3,932,695	$ 50,700	$ 35,959

Amounts owed by related parties reflect the promissory notes entered into with directors of the Company in April 2018.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for expected credit loss in respect of the amounts owed by related parties.

(Expressed in Canadian dollars unless otherwise noted)

17. Related party disclosures (continued)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Short-term benefits	$1,909,400	$ 2,253,733
Share-based payments	899,916	1,702,004
DSU expense	76,752	108,560
	$2,886,068	$ 4,064,297

In accordance with IAS 24 Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

18. Commitments and contingencies

1. Under a renegotiated agreement with CPRM in March 2008, the Company maintains an interest-bearing term deposit to cover the future debt obligation plus applicable interest. In July 2021, the Company again renegotiated its agreement with CPRM. As a result of this renegotiation, the Company paid R$1,800,000 ($444,060) to CPRM in 2021 and it was agreed that the Company would pay CPRM R$6,871,711 ($1,695,251) upon the issuance of its mining license. The Company had not received its mining license as at December 31, 2022 and as such, no amounts were accrued at year end for this contingent liability. The amounts previously accrued by the Company under the prior superseded agreement with CPRM have been reversed in 2021 in the exploration and evaluation expenses on the consolidated statement of comprehensive loss.

2. Minimum commitments relating to management contracts to be made for termination without cause were approximately $4,678,000. These contracts require that additional payments of up to $8,478,000 be made upon the occurrence of certain events such as a change of control of the Company. The change of control commitment includes a component based on the Company's current share price. As a result of this inclusion, the change of control commitment reported increases or decreases in relation to the change in share price during the period.

3. The Company has agreed with INCRA to provide 60 months of support for any resettled citizens resulting from the Company's mining activities at its Volta Grande Project. The Company's obligation is contingent on resettlement of citizens. No resettlement has occurred to date and as such, no payments have been made nor any expenses accrued in relation to this agreement.

4. The Federal Constitution of Brazil has established that the States, municipalities, federal district and certain agencies of the federal administration are entitled to receive royalties for the exploitation of mineral resources by holders of mining concessions (including extraction permits). The royalty rate for gold is currently 1.5% - Federal law 13,540/17 - arising from the sale of the mineral product, less the sales taxes of the mineral product. No royalties are currently due.

(Expressed in Canadian dollars unless otherwise noted)

18. Commitments and contingencies (continued)

5. The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2022, no amounts have been accrued related to such matters.

6. The Company's mining, exploration and development activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public safety, health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

19. Income taxes

The following table reconciles income taxes calculated at a combined Canadian federal and provincial tax rate with income tax expense in these audited annual consolidated financial statements.

	2022	2021
Loss before income taxes	**13,349,848**	6,204,077
Statutory rate	**26.5%**	26.5%
Expected income tax recovery	**3,537,710**	1,644,080
Change in unrecognized deferred tax assets	**(6,435,800)**	358,900
Non-deductible expenses and permanent differences	**(278,413)**	(449,569)
Change in foreign exchange rates	**2,337,725**	(1,541,890)
Effect of foreign tax rates and other	**838,778**	(11,521)
Income tax expense	**-**	-

(Expressed in Canadian dollars unless otherwise noted)

19. Income taxes (continued)

The significant components of the Company's deferred income tax assets are as follows:

	2022	2021
Deferred income tax assets and liabilities:		
Capital and non-capital tax losses carried forward	**27,367,700**	17,726,300
Capital assets	**(2,288,800)**	(1,896,100)
Unusued foreign exploration and evaluation expenses	**13,103,300**	12,223,600
Share issue costs	**-**	
Net deferred income tax assets and liabilities	**38,182,200**	28,053,800
Unrecognized deferred tax assets	**(38,182,200)**	(28,053,800)
Deferred income tax asset (liability)	**-**	-

As at December 31, 2022, the Company has Canadian non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $59,291,400 expiring as follows:

2026	$	481,900
2027		1,083,600
2028		869,700
2029		664,700
2030		2,166,200
2031		2,778,900
2032		5,485,200
2033		6,917,700
2034		4,899,500
2035		5,893,000
2036		5,559,400
2037		5,330,900
2038		3,619,100
2039		4,184,600
2040		4,182,100
2041		2,581,000
2042		2,593,900
		59,291,400