



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Three and Nine Months Ended September 30, 2021 and 2020  
(in thousands of Canadian dollars)



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**Interim Consolidated Statements of Financial Position**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

As at	Note	September 30, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		86,719	79,695
Trade and other receivables	4	4,921	4,260
Inventories	5	27,436	20,752
Prepaid expenses		480	1,996
Marketable securities	6	4,094	3,154
		<b>123,650</b>	109,857
<b>Non-current assets</b>			
Property, plant and equipment and mineral property interests	7	274,292	239,044
Other non-current assets	6	20	1,198
<b>Total assets</b>		<b>397,962</b>	350,099
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	35,890	38,523
Current tax liability		31	41
Share incentive plan liabilities		6,623	6,765
Debt	9	2,982	3,031
Lease obligations	10	2,656	1,696
Derivative financial liabilities	11	2,683	2,966
		<b>50,865</b>	53,022
<b>Non-current liabilities</b>			
Debt	9	30,917	32,056
Lease obligations	10	3,003	2,167
Derivative financial liabilities	11	20,528	22,590
Asset retirement obligations	12	30,315	25,430
Deferred tax liability		21,639	7,534
Other non-current liabilities and provisions		66	96
<b>Total liabilities</b>		<b>157,333</b>	142,895
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	306,483	289,483
Contributed surplus		30,911	31,413
Accumulated other comprehensive income		1,657	5,789
Deficit		(98,422)	(119,481)
<b>Total shareholders' equity</b>		<b>240,629</b>	207,204
<b>Total liabilities and shareholders' equity</b>		<b>397,962</b>	350,099

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



## Interim Consolidated Statements of Earnings and Comprehensive Earnings

(Expressed in thousands of Canadian dollars, except per share amounts)  
(Unaudited)

For the periods ended September 30,	Note	Three months ended,		Nine months ended,	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenue		68,360	59,405	197,214	169,787
Cost of operations:					
Production and processing costs		30,508	28,032	89,379	81,093
Royalty expense		4,651	2,983	12,762	12,434
General and administrative: share-based compensation		747	6,702	4,995	8,748
General and administrative: other		4,769	3,386	15,152	11,190
Depreciation and amortization		6,389	5,182	21,390	14,708
Impairment reversal - property, plant and equipment		-	(36,087)	-	(36,087)
Sustainability initiatives		613	-	613	-
Operating earnings		20,683	49,207	52,923	77,701
Other expenses (income)					
Finance expense, net	16	1,104	1,269	3,150	3,019
Loss on derivatives		1,223	1,556	1,277	8,485
Foreign exchange loss (gain)		2,383	(2,295)	11,475	(6,802)
Net impairment loss	6	-	-	-	6,006
Share of loss of associates		-	-	-	425
Unrealized loss (gain) on revaluation of marketable securities		(140)	(1,384)	357	(1,372)
Other expense (income), net		108	(147)	123	(394)
<b>Earnings before income tax</b>		<b>16,005</b>	<b>50,208</b>	<b>36,541</b>	<b>68,334</b>
Income tax recovery (expense) - current		(17)	2,353	(62)	478
Income tax expense - deferred		(5,648)	(17,694)	(15,124)	(23,588)
<b>Net earnings</b>		<b>10,340</b>	<b>34,867</b>	<b>21,355</b>	<b>45,224</b>
Currency translation adjustments		(1,025)	(776)	(4,132)	(1,808)
<b>Comprehensive earnings</b>		<b>9,315</b>	<b>34,091</b>	<b>17,223</b>	<b>43,416</b>
<b>Net earnings attributable to common shareholders per share</b>					
Basic		0.07	0.24	0.15	0.33
Diluted		0.07	0.24	0.14	0.32
<b>Weighted average number of shares</b>					
Basic	17	148,593,430	142,842,112	147,194,673	137,875,428
Diluted	17	153,010,435	147,811,447	152,282,167	140,678,866

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



**Interim Consolidated Statements of Cash Flows**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2021 \$	2020 \$	2021 \$	2020 \$
<b>Cash flow provided by (used in)</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings for the period	10,340	34,867	21,355	45,224
Changes not affecting cash:				
Depreciation and amortization	6,508	4,581	21,600	14,051
Income tax expense	5,665	15,341	15,186	23,110
Share incentive plans	856	6,351	4,306	8,064
Foreign exchange loss (gain)	2,191	(2,551)	11,656	(5,986)
Net change in fair value of derivative instruments	1,223	1,377	1,277	(622)
Share of loss in associates	-	-	-	425
Finance charges, net	1,104	1,549	3,150	3,381
Unrealized loss (gain) on revaluation of marketable securities	(140)	(1,384)	357	(1,372)
Net impairment reversal	-	(36,087)	-	(30,081)
Other non-cash adjustments	126	(250)	126	(151)
	27,873	23,794	79,013	56,043
Changes in non-cash working capital				
Trade and other receivables	(1,041)	(302)	(980)	4,067
Inventories	(6,518)	(100)	(9,301)	(557)
Prepaid expenses	575	522	1,427	1,456
Accounts payable and accrued liabilities	7,047	(2,004)	2,857	(4,567)
	27,936	21,910	73,016	56,442
Income taxes paid	(20)	-	(71)	-
Net cash provided by operating activities	27,916	21,910	72,945	56,442
<b>INVESTING ACTIVITIES</b>				
Property, plant and equipment and mineral property interests	(31,050)	(8,095)	(66,225)	(26,320)
Proceeds of sale of Dumont JV	-	10,700	-	10,700
Proceeds of sale of Orford shares	-	1,013	-	1,013
Royalty transaction	-	(20,420)	-	(20,420)
Spargos transaction	-	(3,818)	-	(3,818)
Investment in marketable securities	-	-	(119)	-
Interest received	31	27	100	132
Net cash used in investing activities	(31,019)	(20,593)	(66,244)	(38,713)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares, net of costs	-	17,730	-	17,730
Share repurchase and cancellation	(201)	-	(814)	-
Repayments of debt	-	(10)	(1,532)	(30)
Debt issue costs	-	-	(55)	-
Proceeds from exercise of options and warrants	10,804	628	12,536	1,858
Payments on leases	(790)	(572)	(2,201)	(1,261)
Settlements in respect of derivative instruments	(716)	-	(2,017)	-
Interest paid	(757)	(1,110)	(2,246)	(2,449)
Net cash provided by financing activities	8,340	16,666	3,671	15,848
Effect of exchange rate changes on cash and cash equivalents	(678)	(851)	(3,348)	(934)
<b>Net increase in cash and cash equivalents</b>	4,559	17,132	7,024	32,643
<b>Cash and cash equivalents, beginning of period</b>	82,160	50,167	79,695	34,656
<b>Cash and cash equivalents, end of period</b>	86,719	67,299	86,719	67,299
Components of cash and cash equivalents:				
Cash	86,502	67,171	86,502	67,171
Cash equivalents	217	128	217	128
	86,719	67,299	86,719	67,299

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

*Comparative figures (note 2(b))*



**Interim Consolidated Statements of Changes in Equity**  
(Expressed in thousands of Canadian dollars, except share numbers)  
(Unaudited)

	Note	Share capital (note 13)		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
		Number	\$				
<b>Balance as at January 1, 2021</b>		<b>146,129,181</b>	<b>289,483</b>	<b>31,413</b>	<b>5,789</b>	<b>(119,481)</b>	<b>207,204</b>
Exercise of restricted share units		455,100	1,639	(988)	-	-	651
Exercise of performance share units		405,938	1,115	(1,115)	-	-	-
Exercise of warrants		5,017,972	12,780	(1,502)	-	-	11,278
Exercise of stock options		937,553	1,984	(726)	-	-	1,258
Share-based payments		-	-	3,829	-	-	3,829
Share repurchase and cancellation	13	(261,000)	(518)	-	-	(296)	(814)
Comprehensive earnings (loss)		-	-	-	(4,132)	21,355	17,223
<b>Balance as at September 30, 2021</b>		<b>152,684,744</b>	<b>306,483</b>	<b>30,911</b>	<b>1,657</b>	<b>(98,422)</b>	<b>240,629</b>

	Number	\$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
<b>Balance as at January 1, 2020</b>	<b>135,059,766</b>	<b>263,421</b>	<b>30,319</b>	<b>6,051</b>	<b>(207,509)</b>	<b>92,282</b>
Shares issued for consulting services	18,782	38	-	-	-	38
Exercise of restricted share units	84,244	275	-	-	-	275
Exercise of warrants	93,222	313	(120)	-	-	193
Exercise of stock options	1,151,754	2,624	(959)	-	-	1,665
Shares issued - private placements	8,155,554	18,573	-	-	-	18,573
Share issue costs	-	(739)	-	-	-	(739)
Share-based payments	-	-	1,506	-	-	1,506
Comprehensive earnings (loss)	-	-	-	(1,808)	45,224	43,416
<b>Balance as at September 30, 2020</b>	<b>144,563,322</b>	<b>284,505</b>	<b>30,746</b>	<b>4,243</b>	<b>(162,285)</b>	<b>157,209</b>

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



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

## Notes to Financial Statements

### 1. NATURE OF OPERATIONS

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Karora Resources Inc. ("**Karora**" or "**Karora Resources**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the Canada Business Corporations Act. The Corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: KRR) (OTCQX: KRRGF). The Corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and nine month periods ended September 30, 2021 are comprised of Karora, its subsidiaries including its Australian operating subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**") and the group of subsidiaries collectively referred to as Higginsville Gold Operation ("**HGO**"). Collectively, these entities are referred to as the "**Corporation**". The Corporation accounted for its investments in Orford Mining Corporation ("**Orford**") and Sudbury Platinum Corporation ("**SPC**") using the equity method at their respective ownership interests up to the point of the loss of significant influence during the third quarter of 2020 and now accounts for them as marketable securities. The Corporation accounted for its investment in the Magneto Investments Limited Partnership ("**Dumont JV**") using the equity method until its sale in July 2020.

Karora is a multi-asset mineral resource company. The Corporation's main assets are: 1) its 100% interest in the Beta Hunt Mine ("**Beta Hunt**") which is owned by SLM; 2) its 100% interest in the HGO toll processing and gold mining operation; and 3) its 100% interest in the Spargos Reward Gold Project ("**Spargos**") which is owned by HGO and included as a part of that business segment, all of which are located in Western Australia.

In response to the global COVID-19 pandemic, in conjunction with federal and state protocols in the countries where the Corporation operates, the Corporation established policies and practices which mitigated impacts of the pandemic on its operations. All of the Corporation's mines continued production throughout the nine months ended September 30, 2021. The Corporation's ongoing response to the COVID-19 pandemic is to continue to prioritize the safety of its workforce and host communities while mitigating operational impacts.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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#### (a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2020.

The Corporation's presentation currency is Canadian dollars (\$).



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2021 and 2020  
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The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on November 8, 2021.

#### **(b) Basis of preparation**

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2020.

During the nine months ended September 30, 2021, the Corporation made an accounting policy change related to the presentation of cash flows related to finance charges. The cash flows relating to finance charges and finance income are now presented as financing and investing activities, respectively, rather than operating activities. The Corporation has adjusted the presentation in the comparative cash flow statement to conform with the current period presentation. As a result of the change in presentation, for the nine months ended September 30, 2020, cash provided by operating activities increased by \$2.3 million, cash used in investing activities decreased by \$0.1 million and cash provided by financing activities decreased by \$2.4 million. As a result of the change in presentation, for the three months ended September 30, 2020, cash provided by operating activities increased by \$1.1 million and cash provided by financing activities decreased by \$1.1 million.

### **3. ACCOUNTING POLICY JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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Many of the amounts included in the consolidated financial statements require management to make accounting policy judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant accounting policy judgment and estimates affecting the amounts recognized in the interim consolidated financial statements for the three and nine months ended September 30, 2021 are consistent with those applied and disclosed in note 3 to the Corporation's audited consolidated financial statements for the year ended December 31, 2020.

### **4. TRADE AND OTHER RECEIVABLES**

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Trade and other receivables consist of the following:

As at	September 30, 2021	December 31, 2020
Trade accounts receivable	\$2,070	\$1,708
Sales taxes and rebates	2,851	2,552
	<b>\$4,921</b>	<b>\$4,260</b>





Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
 For the three and nine months ended September 30, 2021 and 2020  
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

## 5. INVENTORIES

Inventories consist of the following:

As at	September 30, 2021	December 31, 2020
Gold ore	\$19,170	\$10,205
Gold in process	4,601	5,836
Gold - finished goods	-	735
Nickel ore	47	207
Stores, spares and fuel	3,618	3,769
	<b>\$27,436</b>	<b>\$20,752</b>

As at September 30, 2021, \$5.8 million (December 31, 2020 – \$7.0 million) of depreciation and was included in inventory.

## 6. MARKETABLE SECURITIES

The following table reflects the continuity of the Corporation's marketable securities:

For the nine months ended September 30,	2021
As at December 31, 2020	\$3,154
Additions	119
Reclassification from other non-current assets	1,178
Unrealized loss on revaluation of marketable securities	(357)
<b>As at September 30, 2021</b>	<b>\$4,094</b>

The Corporation's marketable securities are traded in an active market on stock exchanges and are therefore considered Level 1 assets under the Corporation's fair value hierarchy. The marketable securities are recorded at fair values which are derived using quoted market prices.

During the nine months ended September 30, 2021, the investment in SPC was reclassified from other non-current assets to marketable securities upon its listing on the TSX Venture exchange. The SPC investment is now classified as a Level 1 financial asset, consistent with all of the Corporation's other marketable securities.

Prior to 2021, the Corporation accounted for Orford and the Dumont JV using the equity method. During 2020, the Corporation divested a portion of its interest in Orford and recorded an impairment charge of \$7.1 million. Orford is now accounted for as a marketable security. The Dumont JV was fully divested in 2020 which resulted in a \$1.1 million partial reversal of an impairment charge recorded prior to 2020. On a combined basis, the impairment of Orford and the impairment reversal for the Dumont JV resulted in a net impairment of charge of \$6.0 million recorded in 2020.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
 For the three and nine months ended September 30, 2021 and 2020  
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

## 7. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following table reflects the continuity of the Corporation's property, plant and equipment and mineral property interests:

	Land & Buildings	Vehicles & Equipment	Mine and Mill Facilities	Mineral Property Interests	Exploration and Evaluation	Total
<b>As at December 31, 2020</b>	<b>\$9,834</b>	<b>\$23,914</b>	<b>\$35,953</b>	<b>\$136,172</b>	<b>\$33,171</b>	<b>\$239,044</b>
Additions	1	18,690	5,145	29,963	13,202	67,001
Adjustment in respect of rehabilitation obligations (note 12)	-	-	-	5,221	1,173	6,394
Transfers	-	631	7,617	(2,436)	(5,812)	-
Disposals	-	(126)	-	-	-	(126)
Change due to foreign exchange translation	(722)	(2,088)	(2,415)	(9,677)	(2,625)	(17,527)
Depreciation	(499)	(3,110)	(5,571)	(11,314)	-	(20,494)
<b>As at September 30, 2021</b>	<b>\$8,614</b>	<b>\$37,911</b>	<b>\$40,729</b>	<b>\$147,929</b>	<b>\$39,109</b>	<b>\$274,292</b>
<b>As at September 30, 2021</b>						
Cost	\$10,438	\$48,186	\$62,915	\$183,187	\$39,109	\$343,835
Accumulated depreciation	(1,824)	(10,275)	(22,186)	(35,258)	-	(69,543)
<b>Net book value</b>	<b>\$8,614</b>	<b>\$37,911</b>	<b>\$40,729</b>	<b>\$147,929</b>	<b>\$39,109</b>	<b>\$274,292</b>
<b>As at December 31, 2020</b>						
Cost	\$11,132	\$31,890	\$54,054	\$161,875	33,171	\$292,122
Accumulated depreciation	(1,298)	(7,976)	(18,101)	(25,703)	-	(53,078)
<b>Net book value</b>	<b>\$9,834</b>	<b>\$23,914</b>	<b>\$35,953</b>	<b>\$136,172</b>	<b>\$33,171</b>	<b>\$239,044</b>

The table below summarizes the balances in respect of right-of-use assets which are included in the table above:

	Land & Buildings	Vehicles & Equipment	Total
<b>As at December 31, 2020</b>	<b>\$601</b>	<b>\$4,231</b>	<b>\$4,832</b>
Additions	-	4,120	4,120
Depreciation	(268)	(772)	(1,040)
Change due to foreign exchange translation	(4)	(401)	(405)
<b>As at September 30, 2021</b>	<b>\$329</b>	<b>\$7,178</b>	<b>\$7,507</b>



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
 For the three and nine months ended September 30, 2021 and 2020  
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## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2021	December 31, 2020
Trade accounts payable	\$4,826	\$6,056
Royalty accrual	5,340	6,015
Maverix accrual	-	3,183
Spargos accrual	1,374	1,964
Employee related accruals	8,422	6,083
Accrued liabilities	15,928	15,222
	<b>\$35,890</b>	<b>\$38,523</b>

Accounts payable and accrued liabilities includes \$3.7 million (December 31, 2020 - \$6.9 million) in respect of property, plant and equipment and mineral property interests.

## 9. DEBT

Long-term debts consist of the following:

For the nine months ended September 30, 2021	Bridge	Morgan Stanley	Total
	(i)	Installments (ii)	
As at December 31, 2020	\$29,300	\$5,787	\$35,087
Extension fee	(55)	-	(55)
Repayments	-	(1,532)	(1,532)
Accretion expense	318	257	575
Change due to foreign exchange translation	-	(176)	(176)
<b>As at September 30, 2021</b>	<b>29,563</b>	<b>4,336</b>	<b>33,899</b>
Less current portion	-	2,982	2,982
Non-current portion	\$29,563	\$1,354	\$30,917

### (i) Bridge

The Corporation has an outstanding bridge facility in the amount of \$30 million (“**Bridge**”). The Bridge was initiated in June 2019. During the second quarter of 2021, the term was extended. The Bridge was also amended at that time such that the Corporation has, at its option, the right to extend the term by two additional periods of six months which would result in a maturity date during December 2022 and consequently the loan is classified as non-current on the statement of financial position. All other significant terms and conditions were not changed. The facility does not require repayment of principal until the maturity date and bears interest at a rate of 10% per annum paid monthly. Total issue costs of \$1.9 million are included in the amortized cost of the loan and expensed on an effective interest rate basis over the term of the Bridge.

### (ii) Morgan Stanley Installments

As part of a royalty buyback arrangement with Morgan Stanley, the Corporation agreed to pay USD\$6.3 million comprising 5 installments of US\$1.26 million each starting on November 18, 2020 and payable each six months thereafter until fully paid. The Corporation calculated the net present value of these payments using a 10% discount rate.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
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## 10. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the nine month period ended September 30, 2021:

For the nine months ended September 30,	<b>2021</b>
As at December 31, 2020	\$3,863
Additions	4,120
Accretion	187
Cash payments	(2,201)
Change due to foreign exchange translation	(310)
<b>As at September 30, 2021</b>	<b>5,659</b>
Less current portion	2,656
Non-current portion	\$3,003

During the nine months ended September 30, 2021, \$48.2 million (2020 - \$28.4 million) was expended in respect of short-term leases not included above.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included as a Level 2 measurement. As the discount rate is not an observable input, the Morgan Stanley participation royalty derivative liability is classified within Level 3 of the fair value hierarchy.

The participation royalty obligation was estimated using a forward contract valuation approach model. The key inputs used in the valuation include:

- the gold forward price curve based on the COMEX futures curve, extrapolated where necessary;
- USD/AUD foreign exchange rates based on forward curves;
- discount rates incorporating the Corporation's estimated credit spread of 4.3 % as at September 30, 2021;
- a current risk-free rate based on the Australian dollar swaps curve; and
- the Corporation's estimated gold ounce delivery into the participation royalty.

The following table summarizes the quantitative information about significant unobservable inputs used in Level 3 fair value measurements:

As at September 30, 2021	Fair value	Unobservable Inputs	Range of Inputs	Relationship of unobservable inputs on fair value
Morgan Stanley Participation Royalty	23,211	Discount rate	3% - 5%	An increase or decrease in the discount rate of 1% would decrease or increase fair value by \$1.1 million or \$1.2 million respectively.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
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The table below summarizes the movements in the derivative liability for the nine months ended September 30, 2021:

<b>For the nine months ended September 30, 2021</b>	<b>Morgan Stanley Participation Royalty</b>
As at December 31, 2020	\$25,556
Settlements	(2,017)
Net change in fair value	1,277
Change due to foreign exchange translation	(1,605)
<b>As at September 30, 2021</b>	<b>23,211</b>
Less current portion	2,683
Non-current portion	\$20,528

## **12. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS**

The asset rehabilitation and environmental obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's mine and mill operations. The obligations consist of costs associated with reclamation, environmental monitoring and the removal of tangible assets. As at September 30, 2021, the discount rate used was 1.3 % (December 31, 2020 – 0.9%) and the inflation rate was 3.1 % (December 31, 2020 – 1.5%).

The following table reflects the continuity of asset, rehabilitation and environmental obligations for the nine months ended September 30, 2021:

<b>For the nine months ended September 30,</b>	<b>2021</b>
As at December 31, 2020	\$25,430
Accretion expense	242
Additions	2,706
Change in discount and inflation rates	3,688
Change due to foreign exchange translation	(1,751)
<b>As at September 30, 2021</b>	<b>\$30,315</b>

## **13. SHARE CAPITAL**

The Corporation is authorized to issue an unlimited amount of common shares.

During the nine months ended September 30, 2021, 261,000 shares were repurchased and cancelled under the Corporation's normal course issuer bid. The shares were purchased at an average price of \$3.10 per share for a total of \$0.8 million. The book value of the cancelled shares was \$0.5 million and the excess of \$0.3 million was charged directly to deficit.



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#### 14. WARRANTS

The following table reflects the continuity of share purchase warrants for the nine month period ended September 30, 2021:

	Number of warrants	Convertible into Common Shares	Weighted Average Exercise Price
As at December 31, 2020	23,490,421	5,220,081	\$2.25
Exercised	(22,580,930)	(5,017,972)	2.25
Expired	(909,491)	(202,109)	2.24
<b>As at September 30, 2021</b>	<b>-</b>	<b>-</b>	<b>\$-</b>

Four and a half (4.5) warrants were exercisable for one common share.

#### 15. SHARE INCENTIVE PLANS

##### Share Purchase Options

The following table reflects the continuity of share purchase options for the nine months ended September 30, 2021:

	Number of options	Weighted Average Exercise Price
As at December 31, 2020	4,429,393	\$1.68
Exercised	(937,553)	1.34
Forfeited	(4,444)	2.14
Expired	(30,000)	5.13
<b>As at September 30, 2021</b>	<b>3,457,396</b>	<b>\$1.74</b>

As at September 30, 2021, the Corporation had the following share purchase options outstanding:

Exercise Price Range	Number of Options	Options Outstanding		Number of Options	Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.40-\$1.14	948,882	1.4	\$0.95	948,882	1.4	\$0.95
\$1.15-\$1.28	806,662	0.2	\$1.22	806,662	0.2	\$1.22
\$1.29-\$1.97	558,402	3.0	\$1.63	257,664	2.8	\$1.67
\$1.98-\$2.75	438,896	2.1	\$2.39	404,462	2.1	\$2.41
\$2.76-\$3.95	704,554	2.6	\$3.07	429,894	2.5	\$3.03
	<b>3,457,396</b>	<b>1.7</b>	<b>\$1.74</b>	<b>2,847,564</b>	<b>1.5</b>	<b>\$1.61</b>

During the nine-month period ended September 30, 2021, the Corporation recorded share-based payments expense related to share options of \$0.4 million (2020 - \$0.8 million).



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### Deferred Share Units

The following table reflects the continuity of deferred share units for the nine months ended September 30, 2021:

	Number of Deferred Share Units
As at December 31, 2020	289,998
Granted	104,770
<b>As at September 30, 2021</b>	<b>394,768</b>

As at September 30, 2021, all 394,768 deferred share units were vested.

The Corporation has a liability of \$1.3 million (December 31, 2020 - \$1.1 million) to recognize the estimated fair value as at September 30, 2021 in share incentive plan obligations in the Consolidated Statement of Financial Position.

### Restricted Share Units

The following table reflects the continuity of restricted share units for nine months ended September 30, 2021:

	Number of Restricted Share Units
As at December 31, 2020	3,299,769
Granted	1,056,054
Settled for shares	(455,100)
Settled for cash	(178,412)
Forfeited	(43,629)
<b>As at September 30, 2021</b>	<b>3,678,682</b>

Included in the 3,678,682 restricted share units outstanding as at September 30, 2021, are 1,396,983 units that can only be settled for cash.

As at September 30, 2021, the weighted average remaining contractual life of the outstanding restricted share units was 1.8 years and 721,824 restricted share units were vested with a remaining contractual life of 1.1 years.

With respect to the restricted share units which can be settled in cash or for cash or shares at the option of the holder, the Corporation has a liability of \$5.3 million (December 31, 2020 - \$5.7 million) to recognize the estimated fair value as at September 30, 2021 of the restricted share units in share incentive plan obligations on the statement of financial position.



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With respect to the restricted share units which can only be settled for shares, during the nine months ended September 30, 2021, the Corporation recorded share-based payments expense of \$1.7 million (2020 - \$0.4 million).

### Performance Share Units

The following table reflects the continuity of performance share units for nine months ended September 30, 2021:

	Number of Performance Share Units
As at December 31, 2020	889,298
Granted	973,654
Additional units due to performance	135,318
Settled for shares	(405,938)
Forfeited	(32,592)
<b>As at September 30, 2021</b>	<b>1,559,740</b>

The fair value of the PSU grants was determined using a Monte Carlo simulation approach. This approach uses random numbers, together with various market assumptions to generate potential future outcomes for share prices using Geometric Brownian Motion which is an industry standard method for simulating the expected future path of share prices. The following assumptions were used:

	August 11, 2021
Share price	\$3.45
Risk free interest rate	1.1%
Expected life	3 years
Expected volatility	92.0%
Expected dividends	nil
Index share price	\$53.37
Correlation coefficient	0.25
Expected volatility - market index	41.9%

As at September 30, 2021, the weighted average remaining contractual life of the outstanding share appreciation rights is 2.5 years and no awards were vested.

With respect to the performance share units which can only be settled for shares, during the nine months ended September 30, 2021, the Corporation recorded share-based payments expense of \$1.7 million (2020 - \$0.4).





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## 16. FINANCE EXPENSE, NET

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2021	2020	2021	2020
Interest expense	<b>\$757</b>	\$1,112	<b>\$2,246</b>	\$2,449
Accretion	<b>378</b>	188	<b>1,004</b>	702
Interest income	<b>(31)</b>	(31)	<b>(100)</b>	(132)
	<b>\$1,104</b>	\$1,269	<b>\$3,150</b>	\$3,019

## 17. NET EARNINGS PER SHARE

Basic net earnings per share has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the period. Share purchase options are reflected in diluted earnings per share by application of the treasury stock method. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following years:

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2021	2020	2021	2020
Weighted average common shares - basic	<b>148,593,430</b>	142,842,112	<b>147,194,673</b>	137,875,428
Adjustments for dilutive instruments:				
Share purchase options	<b>1,689,123</b>	2,482,222	<b>1,978,285</b>	1,893,626
Restricted share units	<b>985,146</b>	633,025	<b>1,009,166</b>	491,332
Deferred share units	<b>361,551</b>	-	<b>310,417</b>	-
Warrants	<b>1,381,185</b>	1,854,088	<b>1,789,626</b>	418,480
Weighted average common shares - diluted	<b>153,010,435</b>	147,811,447	<b>152,282,167</b>	140,678,866

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).



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The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. With respect to long-term debt balances (note 9), carrying values and fair values are as follows:

As at	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bridge loan (level 2)	\$29,563	\$30,000	\$29,300	\$30,000
Morgan Stanley Installments (level 3)	\$4,336	\$4,816	\$5,787	\$6,417

## 19. SEGMENTED INFORMATION

Each individual operating mine or asset group is considered to be a reportable operating segment for financial reporting purposes. Results of operating segments are reviewed by the Corporation's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance.

The Corporation has production and exploration and evaluation activities from its two operating segments in Australia. The following is a summary of the reported amounts by segment:

For the three months ended September 30, 2021

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$49,722	\$24,279	\$(5,641)	\$-	\$68,360
Production and processing costs	18,486	17,663	(5,641)	-	30,508
Royalty expense	4,168	483	-	-	4,651
General and administrative: share-based payments	223	223	-	301	747
General and administrative: other	1,120	1,081	-	2,568	4,769
Depreciation and amortization	3,501	2,888	-	-	6,389
Sustainability initiatives	-	-	-	613	613
Operating earnings (loss)	\$22,224	\$1,941	-	\$(3,482)	\$20,683

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the nine months ended September 30, 2021

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$146,596	\$69,325	\$(18,707)	\$-	\$197,214
Production and processing costs	58,633	49,453	(18,707)	-	89,379
Royalty expense	11,105	1,657	-	-	12,762
General and administrative: share-based payments	793	793	-	3,409	4,995
General and administrative: other	3,378	3,603	-	8,171	15,152
Depreciation and amortization	11,513	9,877	-	-	21,390
Sustainability initiatives	-	-	-	613	613
Operating earnings (loss)	\$61,174	\$3,942	-	\$(12,193)	\$52,923

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.



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As at September 30, 2021

Property, plant and equipment and mineral property interests	\$111,175	\$162,783	\$-	\$334	\$274,292
Total assets	132,060	221,793	-	44,109	397,962

As at December 31, 2020

Property, plant and equipment and mineral property interests	\$107,664	\$130,837	\$-	\$543	\$239,044
Total assets	117,280	189,966	-	42,853	350,099

For the three months ended September 30, 2020

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$38,108	\$28,220	\$(6,923)	\$-	\$59,405
Production and processing costs	18,526	16,429	(6,923)	-	28,032
Royalty expense	2,781	202	-	-	2,983
General and administrative: share-based payments	423	408	-	5,871	6,702
General and administrative: other	872	705	-	1,809	3,386
Depreciation and amortization	2,065	3,117	-	-	5,182
Impairment reversal	(36,087)	-	-	-	(36,087)
Operating earnings (loss)	\$49,528	\$7,359	-	(\$7,680)	\$49,207

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the nine months ended September 30, 2020

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$115,290	\$74,103	\$(19,606)	\$-	\$169,787
Production and processing costs	55,358	45,341	(19,606)	-	81,093
Royalty expense	10,015	2,419	-	-	12,434
General and administrative: share-based payments	595	554	-	7,599	8,748
General and administrative: other	2,634	2,188	-	6,368	11,190
Depreciation and amortization	5,773	8,935	-	-	14,708
Impairment reversal	(36,087)	-	-	-	(36,087)
Operating earnings (loss)	\$77,002	\$14,666	-	(\$13,967)	\$77,701

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.