



OMAI GOLD MINES CORP.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Independent auditor's report

To the Shareholders of
Omai Gold Mines Corp.

Opinion

We have audited the consolidated financial statements of **Omai Gold Mines Corp.** and its subsidiaries [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audits 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.

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company has not earned revenue and has an accumulated deficit of \$20.2 million as at December 31, 2021. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information is comprised of 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 in this auditor's report. 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 IFRS, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

Toronto, Canada
April 28, 2022

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Omai Gold Mines Corp.

Consolidated Statements of Financial Position

(Expressed in United States dollars)

As at,	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$3,565,712	\$3,605,289
Accounts receivable and prepayments	6	230,076	218,459
		3,795,788	3,823,748
Non-current assets			
Equipment	5	111,069	18,500
Mineral properties	12	3,896,722	3,896,722
Total assets		\$7,803,579	\$7,738,970
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		\$1,060,225	\$979,616
Loan payable	7	-	33,644
Current portion of long term liability	8	295,000	492,010
Current portion of license payable	12	1,000,000	1,828,336
Total liabilities		2,355,225	3,333,606
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	9	20,549,708	15,510,470
Share-based payments	10	1,642,791	978,422
Warrants	11	3,384,540	878,600
Accumulated other comprehensive loss	14	81,783	-
Accumulated deficit		(20,210,468)	(12,962,128)
Total shareholders' equity (deficit)		5,448,354	4,405,364
Total shareholders' equity (deficit) and liabilities		\$7,803,579	\$7,738,970
Nature of operations and going concern	1		
Commitments and contingencies	19		
Subsequent events	20		

Approved on behalf of the Board:

(signed) "Renaud Adams" Director

(signed) "Lon Shaver" Director

The accompanying notes to the audited consolidated financial statements are an integral part of these statements.

Omai Gold Mines Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

		For the years ended December 31,	
	Notes	2021	2020
Expenses			
Exploration and evaluation expenditures	12	\$4,330,625	\$3,565,888
General and administrative	13	1,865,996	1,204,927
Finance costs	14	250,661	356,144
Listing expense	4	-	1,506,185
Amortization	5	38,310	1,500
Share-based compensation		682,112	922,422
Foreign exchange		80,636	41,729
Net loss before other items		7,248,340	7,598,795
Other items			
Loss on liability settlement, net		-	30,773
Net loss		\$7,248,340	\$7,629,568
Other comprehensive loss			
Items that may be reclassified subsequently to net loss			
Exchange difference on translating foreign operations		(81,783)	-
Total comprehensive loss		\$7,330,123	\$7,629,568
Basic and diluted net loss per share			
	15	\$(0.03)	\$(0.05)
Weighted average number of common shares outstanding		214,450,586	151,142,597

The accompanying notes to the audited consolidated financial statements are an integral part of these statements.

Omai Gold Mines Corp.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

		For the years ended December 31,	
	Note	2021	2020
Cash flow used in operating activities			
Loss for the year		\$(7,248,340)	\$(7,629,568)
Adjustments for:			
Share-based payments		682,112	922,422
Accretion		229,654	349,835
Amortization		38,310	-
Shares issued for exclusivity agreement		-	600,000
Listing expense	4	-	1,506,185
Loss on liability settlement, net		-	30,773
Foreign exchange		80,636	7,281
Net change in non-cash working capital balances:			
Accounts receivable and prepayments		(11,617)	(298,808)
Trade and other payables		80,609	(415,557)
Cash flow used in operating activities		(6,148,636)	(4,927,437)
Financing activities			
Proceeds from sale of shares, net of share issuance costs		7,548,072	11,560,675
(Decrease) increase in promissory notes payable		-	(18,295)
Decrease in other liabilities		-	(496,111)
Repayment of loan payable		(33,644)	(37,479)
Repayment of long-term liability		(255,000)	(500,000)
Net cash provided by financing activities		7,259,428	10,508,790
Investing activities			
Purchase of equipment		(130,878)	(20,000)
Cash acquired on RTO	4	-	41,028
Payment of license payable		(1,000,000)	(2,000,000)
Net cash used in investing activities		(1,130,878)	(1,978,972)
Foreign exchange effect on cash		19,910	-
Net change in cash		(20,086)	3,602,381
Cash at the beginning of the year		3,565,888	2,908
Cash at the end of the year		\$3,565,712	\$3,605,289
Supplemental cash flow information			
Shares issued for liability settlement		\$ -	\$ 142,100
Broker warrants		\$ 206,874	\$ 47,000

The accompanying notes to the audited consolidated financial statements are an integral part of these statements.

Omai Gold Mines Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2021 and 2020

(Expressed in United States dollars)

	Share capital	Share-based payments	Warrants	Other Comprehensive Income	Deficit	Total
Balance at January 1, 2020	\$2,744,460	\$56,000	\$166,000	\$ -	\$(5,332,560)	\$(2,366,100)
Shares issued for liability settlement	142,100	-	-	-	-	142,100
Shares issued for cash	11,995,023	-	-	-	-	11,995,023
Share issuance costs	(481,348)	-	47,000	-	-	(434,348)
Issuance of warrants	(665,600)	-	665,600	-	-	-
Shares issued pursuant to exclusivity agreement	600,000	-	-	-	-	600,000
Shares issued pursuant to RTO closing	1,175,835	-	-	-	-	1,175,835
Share based payments	-	922,422	-	-	-	922,422
Comprehensive loss	-	-	-	-	(7,629,568)	(7,629,568)
Balance at December 31, 2020	15,510,470	978,422	878,600	-	(12,962,128)	4,405,364
Shares issued for cash	7,918,220	-	-	-	-	7,918,220
Share issuance costs	(408,459)	-	-	-	-	(408,459)
Shares issued pursuant to option exercise	35,417	(15,000)	-	-	-	20,417
Issuance of warrants	(2,297,624)	-	2,297,624	-	-	-
Issuance of broker warrants	(208,316)	-	208,316	-	-	-
Share based payments	-	679,369	-	-	-	679,369
Comprehensive loss	-	-	-	81,783	(7,248,340)	(7,166,557)
Balance at December 31, 2021	\$20,549,708	\$1,642,791	\$3,384,540	\$81,783	\$(20,210,468)	\$5,448,354

The accompanying notes to the audited consolidated financial statements are an integral part of these statements.

Omai Gold Mines Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

1. Nature of operations and going concern

Omai Gold Mines Corp. ("Omai" or the "Company") was incorporated under the Business Corporations Act (Ontario) on March 22, 1962 and its activities are directed toward locating exploration and evaluation assets. The primary office of the Company is located at The Exchange Tower, 130 King Street West, Suite 3680, Box 99, Toronto, Ontario M5X 1B1, Canada.

On October 1, 2020, the Company completed a reverse takeover transaction ("RTO") with Avalon Investment Holdings Limited. ("Avalon"), a private Barbados corporation, wherein the Company acquired 100% of the issued and outstanding common shares of Avalon on a one-for-one share basis. While the Company is the legal acquirer, as a result of the former Avalon shareholders holding a majority interest in the Company post-RTO, the accounting acquirer is Avalon and these consolidated financial statements are presented with Avalon as the continuing entity. Concurrent with the RTO, the Company changed its name to Omai Gold Mines Corp. and began trading on the TSX Venture Exchange under the symbol "OMG".

Avalon was incorporated under the Companies Act in Barbados on February 22, 2018 and holds a 100% interest in Avalon Gold Exploration Inc. ("AGE"), a company registered in Guyana. AGE holds a prospecting license to perform mineral exploration in Guyana.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported expenses and the statement of financial position classification used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. To date, the Company has not earned revenue and has an accumulated deficit of \$20,210,468 as at December 31, 2021 (December 31, 2020 - \$12,962,128). As at December 31, 2021, the Company had cash and cash equivalents of \$3,565,712 (December 31, 2020 - \$3,605,289) and working capital of \$1,440,563 (December 31, 2020 - working capital of \$490,142). The Company has historically relied on financings to fund its operations and repay its liabilities; while the Company has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future. These conditions and events may cast significant doubt on the Company's ability to continue as a going concern. Management is actively pursuing financing and alternative funding options and is minimizing discretionary expenditures where prudent.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2021. These consolidated financial statements were approved and authorized for issuance by the Board on April 28, 2022.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3.

Functional currency translation

Omai Gold Mines Corp. (the parent company) changed its functional currency from United States dollars to Canadian dollars as at June 28, 2021. The change in functional currency from United States dollars to Canadian dollars is accounted for prospectively from June 28, 2021. The Company's primary source of funding is in Canadian dollars thus making the Canadian dollar the dominant currency in which the entity operates.

The presentation currency for the consolidated financial statements is United States dollars. The functional currency for its subsidiaries, Avalon and AGE, remain unchanged as United States dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Resulting differences are recorded in the foreign exchange gain or loss in the consolidated statements of comprehensive loss under foreign exchange gain (loss).

On consolidation, the results and financial position of Omai's consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities are translated at the rate of exchange prevailing at the reporting date, revenue and expenses are translated at the average rate for the reporting period and share capital is translated at the rate of exchange prevailing at the date of the transaction. The exchange differences arising on translation are recognised in other comprehensive income (loss). The Company treats specific intercompany balances, which are not intended to be repaid in the foreseeable future, as part of its net investment, whereby the exchange difference on translation is recorded in other comprehensive income (loss).

Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments that are readily convertible into cash and have a remaining maturity of 90 days or less at the time of acquisition. As at December 31, 2021 and 2020, the Company had no short-term investments.

Omai Gold Mines Corp.

Notes to the Consolidated Financial Statements

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Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, borrowing costs directly associated with the item and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rate:

Vehicle	30%	Declining balance
Exploration field equipment	30%	Declining balance

An asset's residual value, useful life and depreciation method are reviewed and adjusted if appropriate on an annual basis.

Mineral exploration and evaluation expenditures

The direct costs of acquiring mining properties and licensing rights are capitalized upon acquisition. Exploration and evaluation expenditures are expensed as incurred. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are netted against the carrying amount of the associated mining property or licensing right and any excess is reflected on the statement of profit and loss. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pre-tax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and 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.

The Company has no obligation for restoration, rehabilitation and environment costs as at December 31, 2021 and 2020.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss per share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents, which is recorded at FVTPL, and accounts receivable, which is classified and subsequently measured at amortized cost.

The Company's financial liabilities trade and other payables, other liabilities, loan from related party, promissory notes payable, license payable and long-term liability, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on

Omai Gold Mines Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The following table shows the levels within the hierarchy of financial assets measured at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,565,712	\$ -	\$ -	\$ 3,565,712

The following table shows the levels within the hierarchy of financial assets measured at fair value at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,605,289	\$ -	\$ -	\$ 3,605,289

New and amended accounting policies

The Company has adopted the following new and revised IFRS standards and amendments, effective January 1, 2021. These changes were made in accordance with the applicable transitional provisions, but their adoption had no impact on the consolidated financial statements of the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Estimates and Errors ("IAS 8")

Effective January 1, 2020, the Company has adopted the amendments in Definition of Material (amendments to IAS 1 and IAS 8). The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and aligns the definition used within the IFRS Standards. The application of the amendments did not have an impact on the Company.

IFRS 3 – Business Combinations ("IFRS 3")

Effective January 1, 2020, the Company has adopted the amendments to IFRS 3 which narrow and clarify the definition of a business and provide for an optional simplified initial assessment of whether an acquired group of assets is a single identifiable group of assets, rather than a business. The application of the amendment has been made on a prospective basis and has not had an impact on the Company.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in United States Dollars, except for shares and per share amounts)

New accounting standards issued but not effective

IAS 16 - Property, Plant and Equipment ("IAS 16")

The IASB issued an amendment to IAS 16 to prohibit the deduction from property, plant and equipment of 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. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 3 – Business Combinations ("IFRS 3")

The IASB has issued an amendment to IFRS 3 adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments ("IFRS 9")

The IASB has issued an amendment to IFRS 9 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. The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 1 – Presentation of Financial Statements ("IAS 1")

The IASB has issued an amendment to IAS 1 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. 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.

3. Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments 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. Actual outcomes could differ from these estimates. 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 and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- The Company recognizes the cost of share-based awards granted to employees, non-employees and directors based on the estimated grant-date fair value of the awards. The Company determines the fair value of stock options and warrants using the Black-Scholes option pricing model, which is impacted by the following assumptions:
 - Fair Value of Common Stock on the Date of the Grant — Prior to the RTO, the Company used the price of the most recent private placements to assess the value of its shares on the date of the grant.
 - Expected Volatility — As the Company's shares do not have a sufficiently long trading history, the volatility is based on a benchmark of comparable companies within the mining industry.

Changes in these assumptions used to determine the fair value of the stock options could have a material impact on the Company's loss and comprehensive loss.

The Company determines the fair value of common shares issued for services based on the most recent private placements.

- The determination of the interest rate used in the calculation of the long-term liability and license payable's discounted value requires judgment. The interest rate is management's best estimate of the cost of borrowing based on comparable entities and historical data.

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the Guyana properties; and
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period; and
- management determination on whether the RTO is an asset acquisition or business combination
- management determination of whether or not a change of a functional currency is required for each legal entity

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4. Reverse take-over

On October 1, 2020, the Company acquired all the issued and outstanding shares of Avalon (see note 1). The acquisition constitutes an asset acquisition as the Company did not meet the definition of a business, as defined in IFRS 3 - Business Combinations. As a result, the RTO is accounted for as a capital transaction with a listing expense recorded as the excess of the fair value of the equity consideration over the net assets acquired.

Fair value of net assets acquired

Cash and cash equivalents	\$ 41,028
Accounts receivable and prepayments	10,937
Trade and other payables	(663,485)
Mineral properties	527,098
Loans payable (note 8)	(65,342)
Listing expense	1,506,185
Total	\$ 1,356,421

Consideration given

7,838,902 common shares	\$ 1,175,835
Cash advanced to Anconia pre-RTO	180,586
	\$ 1,356,421

5. Equipment

Cost	Equipment
Balance, December 31, 2019	\$ -
Additions	20,000
Balance, December 31, 2020	20,000
Additions	129,379
Balance, December 31, 2021	\$ 149,379

Accumulated Depreciation	Depreciation
Balance, December 31, 2019	\$ -
Depreciation for the year	1,500
Balance, December 31, 2020	1,500
Depreciation for the year	36,810
Balance, December 31, 2021	\$ 38,310

Carrying Value	Carrying Value
Balance, December 31, 2019	\$ -
Balance, December 31, 2020	18,500
Balance, December 31, 2021	\$ 111,069

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6. Accounts receivable and prepayments

	December 31, 2021	December 31, 2020
Sales tax recoverable and other receivables	\$ 47,573	\$ 22,251
Prepayments	182,503	196,208
	\$ 230,076	\$ 218,459

There was no provision provided for expected losses as at December 31, 2021 and December 31, 2020.

7. Loan payable

As a part of the RTO, the Company assumed a loan payable in the amount of \$31,404 (C\$41,890), which included C\$25,000 of principal amount and C\$16,890 of accrued interest. The loan bears an annual interest rate of 15%. As at December 31, 2021, the balance of the loan is nil (December 31, 2020 \$33,644), with nil accrued interest (December 31, 2020 - \$14,008).

8. Long term liability

The long-term liability is a principal amount of \$2,000,000 owing in respect of a services supply agreement entered into in 2018. The liability is non-interest bearing but accretes interest at an effective interest rate of 12%. The principal amount was payable on December 31, 2021.

During the year ended December 31, 2021, the Company made a repayment of \$255,000 (December 31, 2020 \$500,000) of the principal amount which resulted in a settlement loss of nil (December 31, 2020 - \$82,060). As at December 31, 2021, the principal amount outstanding is \$295,000 (December 31, 2020 - \$550,000). The remaining balance was repaid on January 5, 2022.

Accretion expense for the year ended December 31, 2021 was \$57,990 (December 31, 2020 - \$83,006).

	Amount
Balance, December 31, 2019	826,944
Payment	(500,000)
Accretion expense	83,006
Settlement loss	82,060
Balance, December 31, 2020	492,010
Payment	(255,000)
Accretion expense	57,990
Balance, December 31, 2021	\$ 295,000

9. Share capital

(a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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(b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019	77,498,570	\$ 2,744,460
Shares issued for cash (iii)(iv)(v)	104,950,229	11,995,023
Share issuance costs (iv)	-	(481,348)
Warrant valuation (iv)	-	(665,600)
Shares issued for debt settlement (iv)	1,421,000	142,100
Shares issued pursuant to exclusivity agreement (note 19)	6,000,000	600,000
Shares issued on RTO closing (note 4)	7,838,902	1,175,835
Balance, December 31, 2020	197,708,701	\$ 15,510,470
Units issued for cash (iv)(v)	73,798,729	7,918,220
Share issuance costs (iv)(v)	-	(408,459)
Warrant valuation (iv)(v)	-	(2,297,624)
Broker warrant valuation (iv)(v)	-	(208,316)
Stock options exercised	204,169	35,417
Balance, December 31, 2021	271,711,599	\$ 20,549,708

- (i) On January 10, 2020, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares of the Company at a price of \$0.10 per common share and the Company would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, the Company issued 20,000,000 common shares for gross proceeds of \$2,000,000. As of January 10, 2020, there is no estimated timeline as to when the Royalty will be paid, or if the Company is to pay any royalty distributions at all. Due to these uncertainties, management considered the Royalty to have nominal value.
- (ii) During January to July 2020, the Company completed non-brokered private placements and issued an aggregate of 54,950,229 units at \$0.10 per unit for aggregate gross proceeds of \$5,495,023. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$434,848, issued 1,984,466 broker warrants exercisable for common shares at an exercise price of \$0.10 and expiring two years from the date of closing.

The Company also issued an aggregate of 1,421,000 units to settle \$142,100 of liabilities owed by the Company.

The 28,135,614 warrants and 1,984,466 broker warrants issued were assigned values of \$665,600 and \$47,000, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return ranging from 0.29% to 1.65%, and an expected life of 2 years.

- (iii) On July 23, 2020, the Company issued 30,000,000 shares at \$0.15 per share for gross proceeds of \$4,500,000.
- (iv) On June 28, 2021, the Company completed a non-brokered private placement and issued 29,411,757 units at C\$0.17 per unit for aggregate gross proceeds of \$4,098,051 (C\$4,999,999). Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of C\$0.23 and expires three years from the date of closing. As a part of the financing, the Company incurred cash share issue costs totaling C\$230,783 and issued

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1,182,752 broker warrants exercisable for common shares at an exercise price of C\$0.17 and expiring three years from the date of closing.

The 14,705,879 warrants and 1,182,752 broker warrants issued were assigned values of C\$1,951,854 and C\$163,030, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: share price of C\$0.17, expected dividend yield of 0%, expected volatility of 151%, risk-free rate of return of 0.63%, and an expected life of 3 years.

- (v) On December 17, 2021, the Company completed a non-brokered private placement and issued 44,386,972 units at C\$0.11 per unit for aggregate gross proceeds of \$3,820,169 (C\$4,882,567). Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of C\$0.20 and expires two years from the date of closing. As a part of the financing, the Company incurred cash share issue costs totaling C\$164,203 and issued 1,708,842 broker warrants exercisable for common shares at an exercise price of C\$0.11 which expire in two years from the date of closing.

The 22,193,486 warrants and 1,708,842 broker warrants issued were assigned values of C\$923,787 and C\$98,128, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: share price of C\$0.11, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.32%, and an expected life of 2 years.

10. Stock options

	Number of stock options	Weighted average exercise price (\$CAD)
Balance, December 31, 2019	1,050,008	\$ 0.13
Granted (i)(ii)(iii)(iv)	13,666,668	0.19
Balance, December 31, 2020	14,716,676	0.19
Granted (v)(vi)(vii)(viii)(ix)	6,120,000	0.14
Exercised	(204,169)	0.13
Forfeited	(3,876,675)	0.17
Balance, December 31, 2021	16,755,832	\$ 0.14

(i) On March 12, 2020, the Company issued 5,500,000 stock options to certain consultants of the Company with an exercise price of C\$0.13 and expiring five years from the date of issuance. The stock options vested immediately. The options granted were assigned values of \$407,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.13, share price of C\$0.13, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.52%, and an expected life of 5 years.

(ii) On April 29, 2020, the Company issued 204,169 stock options to a consultant of the Company with an exercise price of C\$0.13 and expiring five years from the date of issuance. The stock options vested immediately. The options granted were assigned values of \$15,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.13, share price of C\$0.13, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.41%, and an expected life of 5 years. The options were exercised on June 30, 2021.

(iii) On June 1, 2020, the Company issued 1,987,499 stock options to certain consultants of the Company with an exercise price of C\$0.13 and expiring five years from the date of issuance. The stock options vested immediately. The options granted were assigned values of \$147,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.13, share price of C\$0.13, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.39%, and an expected life of 5 years.

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(iv) On December 3, 2020, the Company issued 5,975,000 stock options to employees, consultants and directors of the Company with an exercise price of C\$0.22 and expiring five years from the date of issuance. The options vest 1/3 on each of December 3, 2020, December 31, 2021 and December 3, 2022. The options granted were assigned values of \$741,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.22, share price of C\$0.22, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.46%, and an expected life of 5 years.

(v) On March 18, 2021, the Company issued 1,150,000 stock options to consultants and directors of the Company with an exercise price of C\$0.19 and expiring five years from the date of issuance. The options vest 1/3 on each of March 18, 2021, March 18, 2022 and March 18, 2023. The options granted were assigned values of C\$167,352 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.19, share price of C\$0.195, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.99%, and an expected life of 5 years.

(vi) On July 20, 2021, the Company issued 1,000,000 stock options to an officer of the Company with an exercise price of C\$0.14 and expiring five years from the date of issuance. The options vest 1/2 on each of July 20, 2021, and July 30, 2022. The options granted were assigned values of C\$103,817 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.14, share price of C\$0.14, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.78%, and an expected life of 5 years.

(vii) On September 3, 2021, the Company issued 1,650,000 stock options to consultants and an officer of the Company with an exercise price of C\$0.13 and expiring five years from the date of issuance. The options vest 1/3 on each of September 3, 2021, September 3, 2022 and September 3, 2023. The options granted were assigned values of C\$159,520 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.13, share price of C\$0.13, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.11%, and an expected life of 5 years.

(viii) On October 19, 2021, the Company issued 2,000,000 stock options to consultants and directors of the Company with an exercise price of C\$0.12 and expiring five years from the date of issuance. The options vest 1/3 on each of October 19, 2021, October 19, 2022 and October 19, 2023. The options granted were assigned values of C\$152,902 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.12, share price of C\$0.105, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.42%, and an expected life of 5 years.

(ix) On November 29, 2021, the Company issued 320,000 stock options to consultants of the Company with an exercise price of C\$0.11 and expiring five years from the date of issuance. The options vest 1/3 on each of November 29, 2021, November 29, 2022 and November 29, 2023. The options granted were assigned values of C\$24,882 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of C\$0.11, share price of C\$0.105, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.56%, and an expected life of 5 years.

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The following table reflects the stock options issued and outstanding as of December 31, 2021:

Expiry date	Exercise price (\$CAD)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
March 12, 2025	0.19	3.20	5,000,000	5,000,000
June 1, 2025	0.13	3.42	1,787,499	1,787,499
December 3, 2025	0.22	3.93	4,483,333	4,483,333
March 18, 2026	0.19	4.21	575,000	191,667
March 19, 2026	0.14	4.55	1,000,000	333,333
September 3, 2026	0.13	4.68	1,590,000	530,000
October 19, 2026	0.12	4.80	2,000,000	666,667
November 29, 2026	0.11	4.92	320,000	106,667
	0.17	3.90	16,755,832	13,099,165

11. Warrants

	Number of warrants	Weighted average exercise price (\$CAD)
Balance, December 31, 2019	6,807,685	\$ 0.46
Issued (note 9)	30,120,080	0.46
Balance, December 31, 2020	36,927,765	0.46
Broker warrants	2,891,594	0.13
Issued (note 9)	36,899,365	0.19
Balance, December 31, 2021	76,718,724	\$ 0.32

During the year ended December 31, 2020, the expiry dates of all issued and outstanding warrants prior to December 31, 2021 (36,899,365 warrants) were extended to July 3, 2022.

12. Mineral properties

	Omai Mines	Kaburi South	Grenfell	Total
Balance, December 31, 2019	\$ 3,259,624	\$ 110,000	\$ -	\$ 3,369,624
Acquisition costs	-	-	527,098	527,098
Balance, December 31, 2021 and 2020	\$ 3,259,624	\$ 110,000	\$ 527,098	\$ 3,896,722

Omai Mines

The Company, through AGE, holds a 100% interest in the Omai prospecting license (the "Prospecting License") in the Potaro Mining District in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine. The Prospecting License provides for an exclusive right of occupation and exploration for gold, precious minerals and precious stones and to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

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The Guyana Geology & Mines Commission (“GGMC”) granted the Prospecting License to AGE on April 26, 2019. The license was set to expire on April 25, 2022 and may be renewed for an additional two one-year periods. The Company received confirmation of a one-year renewal of the Omai Prospecting License prior to the expiry date. The Company is permitted to renew the license for an additional one-year period in 2023. In consideration for the license, AGE agreed to pay the GGMC \$1.0 million during the first year (paid in 2020, included in trade and other payables as at December 31, 2019), \$1.0 million during the second year (paid during 2020) and \$2.0 million during the third year. The amounts have been recorded as a licensing payable and are noninterest bearing and are being accreted to their principal amounts at an effective interest rate of 12%. In addition, the Company pays annual license rental fees to GGMC of approximately \$5,000.

On January 10, 2020, the Company granted Sandstorm a 1% net smelter returns royalty with respect to the sale of all economic marketable material on the Omai Gold Project of which the Company has the option to purchase back 0.5% net smelter return royalty for \$4.0 million if the option is exercised by July 10, 2022.

In April 2020, the date for the \$2.0 million GGMC payment was extended to October 1, 2021. As a result, the Company recorded a gain on liability settlement of \$51,287, which was netted against a loss on liability settlement in the consolidated statement of loss and comprehensive loss. On August 27, 2021, the payment date for \$1,000,000 of the amount due October 1, 2021 was extended to January 31, 2022 which resulted in an insignificant settlement gain. The remaining \$1,000,000 was paid during the year ended December 31, 2021. The Company paid \$500,000 in January 2022 and, as agreed with the Government of Guyana, the remaining \$500,000 in April 2022. In order to defer the remaining payment to April 2022, the Company was required to pay accrued interest of \$8,000 at the time of the final payment.

	Amount
Balance, December 31, 2019	3,612,794
Payment	(2,000,000)
Accretion expense	266,829
Gain on liability settlement	(51,287)
Balance, December 31, 2020	1,828,336
Payment	(1,000,000)
Accretion expense	171,664
Balance, December 31, 2021	\$ 1,000,000

Kaburi South

On December 24, 2018, Avalon entered into an option deed and prospecting agreement (the “Option Agreement”) with certain vendors for five (5) prospecting permits owned by the vendors in the Mazruni Mining District No. 3, Guyana. The option period expires on December 23, 2028. Avalon issued an aggregate of 600,000 common shares to the vendors (valued at \$60,000) and paid a further \$50,000 on execution of the Option Agreement. Avalon has the sole right to explore and prospect on the five prospecting permits. Avalon may exercise its rights to acquire one or more of the five prospecting permits at any time during the option period by paying the consideration of \$1.00 per prospecting permit.

Eastern Flats

On July 13, 2020, the Company entered into an exclusivity agreement with Guyana Sunrise Mining Inc. (“Sunrise”), whereby the Company obtained the exclusive right to perform due diligence on the property located adjacent to the Omai Gold Mine with a view to potentially acquire the property in the future (the “Exclusivity Agreement”). Pursuant to the terms of the Exclusivity Agreement, the Company issued 6,000,000 common shares valued at \$600,000 which were included as an exploration and evaluation expense. The Company entered into a prospecting and license management agreement dated April 16, 2021 to acquire the prospecting and mining rights on the Eastern Flats property in exchange

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for a further cash payment of US\$1. The transaction closed upon approval by the TSX Venture Exchange on December 22, 2021.

Grenfell Property

The Company has a 100% ownership interest in the Grenfell Gold property in Kirkland Lake, Ontario that was acquired as a part of the RTO.

13. Administrative expenses

	2021	2020
Management fees	\$ 506,853	\$ 340,520
Legal and professional fees	529,509	381,185
Consultancy fees	402,155	90,099
General expenses	146,988	173,620
Travel	20,509	33,740
Advertising	35,283	96,629
Investor relations	59,201	44,231
Meals and entertainment	2,349	5,757
Reporting issuer costs	136,311	34,521
Insurance	26,838	4,625
	\$ 1,865,996	\$ 1,204,927

14. Finance costs

	2021	2020
Accretion (notes 8 and 12)	\$ 229,654	\$ 349,835
Interest, banking fees and other financing costs	21,007	6,309
	\$ 250,661	\$ 356,144

15. Net loss per share

The calculation of basic and diluted loss per share for the years ended December 31, 2021 was based on the loss attributable to common shareholders of \$7,248,340 (December 31, 2020 – 7,629,568) and the weighted average number of common shares outstanding of 214,450,586 (December 31, 2020 – 151,142,597). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

16. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operating decisions or by virtue of common ownership. Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with IAS 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executives and non-executive) of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company are:

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<u>Name</u>	<u>Designation</u>
Renaud Adams	Non-Executive Chairman of the Board, Director
Elaine Ellingham	Director, Chief Executive Officer ("CEO")
Nadine Miller	Director
Lon Shaver	Director
Denis Clement	Director
John Ross	CFO
Jason Brewster	VP Operations
Mario Stifano	Former CEO and Director

<u>Name</u>	<u>Relationship to the Company</u>
Darscom	The Owner is deemed to be related to Denis Clement
Excel Logistics & Management Services Ltd. ("Excel Logistics")	The Former CEO/Director and COO are controlling partners

On October 1, 2019, the Company entered into a service agreement with Excel Logistics to provide project management and administrative services in Guyana for a period of 3 years. The management fee paid to Excel Logistics includes a \$25,000 monthly fee and 15% mark-up on the expenses it incurs in the normal course of providing support to the exploration activities carried out by the Company and is included in exploration and evaluation expenditures. Excel Logistics is owned by two prior officers of the Company.

<u>As of December 31,</u>	<u>2021</u>	<u>2020</u>
Director fees and management fees (post-RTO)	\$ 989,035	\$ 201,000
Director fees and management fees (pre-RTO)	-	1,188,480
Share-based compensation	408,117	751,965
Management fees paid to Excel Logistics	477,881	481,510
Share-based compensation (Excel Logistics)	-	148,000
	\$ 1,875,033	\$ 2,770,955

As at December 31, 2021, the Company owed \$142,010 (December 31, 2020 - \$296,741) to the Company's key management personnel or related companies identified above.

During the year ended December 31, 2021, a total of 3,900,000 (December 31, 2020 – 13,387,499) stock options were granted to the key management personnel or companies of the Company identified above.

17. Risk management

Currency fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in United States dollars and the majority of its funds are held in Canadian dollars accounts. The majority of the Company's costs to date are in United States dollars. Therefore, the Company has exposure to fluctuations in the United States dollar against the Canadian dollar.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company monitors its liquidity risk by considering the maturity of its financial assets and projected cash flows from operations. Where possible the Company utilizes surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Company also utilizes available credit facilities such as loans

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and other financing options where required.

December 31, 2021	Up to 1 year	1 to 5 years	>5 years	Total
Trade and other payables	\$ 1,060,225	\$ -	\$ -	\$ 1,060,225
Loans from related parties	-	-	-	-
Other liabilities	295,000	-	-	295,000
License payable	1,000,000	-	-	1,000,000
	\$ 2,355,225	\$ -	\$ -	\$ 2,355,225

December 31, 2020	Up to 1 year	1 to 5 years	>5 years	Total
Trade and other payables	\$ 979,616	\$ -	\$ -	\$ 979,616
Loans from related parties	33,644	-	-	33,644
Other liabilities	492,010	-	-	550,000
License payable	1,828,336	-	-	1,828,336
	\$ 3,333,606	\$ -	\$ -	\$ 3,333,606

Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company raises sufficient funds in order to execute its business designed to maximize shareholder value.

When managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, the objectives of the Company are:

- To safeguard the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

There have been no changes in the Company's capital management when compared to the prior period.

18. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2020 - 26.5%) to the net loss. The reasons for the differences are a result of the following:

	2021	2020
Net loss before income tax	\$ (7,248,340)	\$ (7,629,568)
Statutory tax rate	26.5%	26.5%
Expected tax recovery at statutory rates	1,920,810	2,021,836
Tax effects of:		
Change in unrecognized deductible temporary differences	(1,740,050)	(2,021,836)
Non-deductible expenses	(180,760)	-
Actual income tax expense	\$ -	\$ -

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The Company has not recognized a deferred tax asset in respect of the following deductible income tax temporary differences:

	2021	2020
Non-capital losses	\$ 9,961,037	\$ 3,717,808
Exploration and evaluation	555,107	555,107
	\$ 10,516,144	\$ 4,272,915

The Canadian non-capital losses were incurred between 2006 and 2021 and expire between 2026 and 2041. The operating losses in Guyana have no expiry date.

19. Commitments and contingencies

	Total	2022	2023	There-after
Operating purchase commitments (Excel Logistics)	\$225,000	\$225,000	-	-

In addition to the amounts included in the table above, subsequent to the year-end, the Company entered into the following commitments:

- a) In January 2021, the Company entered into an equipment lease agreement with a vendor in Guyana to lease one excavator with one qualified operator for one year at a cost of approximately \$14,300 each month. The lessor is responsible for all machine maintenance and repair costs, as well as getting the equipment to and from the Company's site and whereas the Company will provide all fuel.
- b) In January 2021, the Company entered into a drilling service agreement with a service provider in Guyana for a minimum drill program of 5,000 meters at a variable cost per meter drilled and to be recognized as a preferred vendor for a long-term drill program through December 31, 2022.

20. Subsequent events

- a) On April 14, 2022 the Company announced the close of a non-brokered private placement. The Company raised C\$2,000,000 by issuing 16,666,666 units at a price of C\$0.12 per unit. Each unit consists of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder to acquire one Common Share at an exercise price of C\$0.17 for a period of 24 months from the closing date. The Company paid a cash finders' fees of 6% and issued 960,000 warrants (the "Finders' Warrants") to certain finders. Each Finders' Warrant entitles the holder to acquire one common share of the Company at a price of C\$0.12 for a period of 24 months from the date of issuance.
- b) On April 27, 2022 the Company announced the close of a non-brokered private placement. The Company raised C\$608,000 by issuing 5,066,667 units at a price of C\$0.12 per unit. Each unit consists of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder to acquire one Common Share at an exercise price of C\$0.17 for a period of 24 months from the closing date. The Company paid a cash finders' fees of 6% and issued 156,000 the Finders' Warrants to certain finders. Each Finders' Warrant entitles the holder to acquire one common share of the Company at a price of C\$0.12 for a period of 24 months from the date of issuance.

The company paid a total of \$133,920 in cash finders' fees for the two non-brokered private placements.