
PROSPER GOLD CORP.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2022 and 2021
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PROSPER GOLD CORP.

Opinion

We have audited the financial statements of Prosper Gold Corp. (the "Company"), which comprise:

- ◆ the statements of financial position as at October 31, 2022 and 2021;
- ◆ the statements of comprehensive loss for the years then ended;
- ◆ the statements of changes in shareholders' equity for the years then ended;
- ◆ the statements of cash flows for the years then ended; and
- ◆ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2022 and 2021, and its financial performance and 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 in our audits 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 financial statements, which indicates that the Company incurred a net loss and comprehensive loss of \$5,523,828 during the year ended October 31, 2022, has not generated revenues or positive cash flows from operations to date and, as of that date, the Company's deficit is \$29,323,381. 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 comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 auditors' report is Kevin Yokichi Nishi.

Chartered Professional Accountants

Smythe LLP

Vancouver, British Columbia
February 2, 2023

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PROSPER GOLD CORP.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	As at	
		October 31, 2022	October 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	12	\$ 224,796	\$ 3,636,299
Amounts receivable		20,053	468,959
Marketable securities	8	265,945	13,000
Prepaid expenses and deposit	12	111,573	319,393
		622,367	4,437,651
Non-current assets			
Reclamation deposits	5	219,000	219,000
Right-of-use asset	6,17	98,419	-
Equipment and leasehold improvements	7, 13(c)	308,125	358,376
Mineral properties	8	869,522	921,266
		1,495,066	1,498,642
		\$ 2,117,433	\$ 5,936,293
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 155,041	\$ 718,627
Current portion of lease liability	6	100,510	-
		255,551	718,627
Non-current liabilities			
Loan payable	9	37,853	37,819
Deferred gain on loan payable	9	2,147	2,181
		40,000	40,000
		295,551	758,627
SHAREHOLDERS' EQUITY			
Share capital	10	24,823,563	24,471,832
Reserves	11	6,321,700	4,505,387
Deficit		(29,323,381)	(23,799,553)
		1,821,882	5,177,666
		\$ 2,117,433	\$ 5,936,293

These financial statements were approved by the Board of Directors and authorized for issue on February 2, 2023. They are signed on behalf of the Board of Directors by:

/s/ "Peter Bernier"

Peter Bernier
Director

/s/ "Jason Hynes"

Jason Hynes
Director

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

PROSPER GOLD CORP.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Years ended	
		October 31, 2022	October 31, 2021
Expenses			
Exploration expenditures	7,8,13	\$3,049,034	\$ 4,891,020
General and administrative	6,7	360,066	562,496
Management salaries and fees	13	461,265	588,132
Professional fees		60,831	93,619
Share-based payments	11(b)(c),13	1,816,313	2,427,844
Transfer agent, listing and filing fees		59,170	51,669
		5,806,679	8,614,780
Other (income) and expense			
Interest income		(5,681)	(16,347)
Gain on sale of mineral properties	8(a)(b)	(580,587)	(14,557)
Write-off of mineral properties	8(a)	-	83,517
Loss on sale of marketable securities	8(a)	106,362	-
Unrealized loss on marketable securities	8(a)(b)	197,055	6,000
		(282,851)	58,613
Net loss and comprehensive loss for year		\$ 5,523,828	\$ 8,673,393
Loss per share			
Basic and diluted		\$ 0.23	\$ 0.42
Weighted average number of common shares outstanding		23,781,681	20,422,864

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

PROSPER GOLD CORP.**Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)****For the year ended October 31, 2021**

	Number of Shares	Reserves			Total	Deficit	Total
		Share Capital	Security Based Compensation	Other			
Balance at October 31, 2020	13,721,801	\$16,382,054	\$1,436,057	\$ 687,963	\$2,124,020	\$(15,279,727)	\$ 3,226,347
Private placement – units (note 10(b))	6,111,111	5,500,000	-	-	-	-	5,500,000
Shares issued for property (notes 8(a), 10(c))	50,000	87,000	-	-	-	-	87,000
Shares issued for warrants exercised	3,313,564	2,804,825	-	-	-	-	2,804,825
Share issue costs (notes 10(b), 10(c))	-	(302,047)	-	107,090	107,090	-	(194,957)
Share-based payments (notes 11(b), 11(c))	-	-	2,427,844	-	2,427,844	-	2,427,844
Stock options forfeited (note 11(b))	-	-	(153,567)	-	(153,567)	153,567	-
Net loss for the year	-	-	-	-	-	(8,673,393)	(8,673,393)
Balance at October 31, 2021	23,196,476	\$24,471,832	\$3,710,334	\$ 795,053	\$4,505,387	\$(23,799,553)	\$ 5,177,666

For the year ended October 31, 2022

	Number of Shares	Reserves			Total	Deficit	Total
		Share Capital	Security Based Compensation	Other			
Balance at October 31, 2021	23,196,476	\$24,471,832	\$3,710,334	\$ 795,053	\$4,505,387	\$(23,799,553)	\$ 5,177,666
Shares issued for property (notes 8(a), 10(c))	800,000	352,000	-	-	-	-	352,000
Share issue costs (note 10(c))	-	(269)	-	-	-	-	(269)
Share-based payments (notes 11(b), 11(c))	-	-	1,816,313	-	1,816,313	-	1,816,313
Net loss for the year	-	-	-	-	-	(5,523,828)	(5,523,828)
Balance at October 31, 2022	23,996,476	\$24,823,563	\$5,526,647	\$ 795,053	\$6,321,700	\$(29,323,381)	\$ 1,821,882

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

PROSPER GOLD CORP.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years ended	
	October 31, 2022	October 31, 2021
Cash provided by (used in):		
Operating activities		
Net loss	\$ (5,523,828)	\$ (8,673,393)
Adjustments for:		
Amortization of equipment and leasehold improvements	87,495	50,167
Amortization of right-of-use asset	49,209	-
Gain on sale of mineral properties	(580,587)	(14,557)
Write-off of mineral properties	-	83,517
Loss on sale of marketable securities	106,362	-
Unrealized loss on marketable securities	197,055	6,000
Share-based payments	1,816,313	2,427,844
Net change in non-cash working capital		
Amounts receivable	448,906	(390,399)
Prepaid expenses and deposit	207,820	(229,939)
Accounts payable and accrued liabilities	(563,586)	437,662
	(3,754,841)	(6,303,098)
Investing activities		
Proceed on sale of marketable securities	98,838	-
Purchase of equipment and leasehold improvements	(37,244)	(384,010)
Acquisition of mineral properties	(42,971)	(130,507)
Proceeds on sale of mineral property	372,102	6,732
	390,725	(507,785)
Financing activities		
Lease liability payments	(47,118)	-
Proceeds from private placement	-	5,500,000
Issuance of shares for warrants exercised	-	2,804,825
Share issue costs	(269)	(204,092)
	(47,387)	8,100,733
Increase (decrease) in cash and cash equivalents	(3,411,503)	1,289,850
Cash and cash equivalents, beginning of year	3,636,299	2,346,449
Cash and cash equivalent, end of year	\$ 224,796	\$ 3,636,299
Non-cash activities		
Shares issued for property	\$ 352,000	\$ 87,000
Fair value of broker warrants for private placement	\$ -	\$ 107,090
Fair value of marketable securities received from sale of mineral property interests	\$ 655,200	\$ 19,000
Right-of-use assets and lease liability	\$ 147,628	\$ -
Cash and cash equivalents consist of:		
Cash	\$ 224,796	\$ 627,966
Term deposits	\$ -	\$ 3,008,333

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

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Prosper Gold Corp. ("Prosper" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on October 11, 2007, continued into British Columbia under the *Business Corporations Act* (British Columbia) and changed its name from Lander Energy Corporation on April 26, 2012. The registered office of the Company is located at Suite 330 – 890 West Pender Street, Vancouver, British Columbia, V6C 1J9. Effective September 3, 2013, the Company's common shares were listed on the TSX Venture Exchange (the "Exchange"), trading under the symbol "PGX". Effective March 18, 2021, the Company has qualified to trade on the OTCQX Best Market in the United States under the symbol "PGXFF".

The principal business activity of the Company is the acquisition, exploration and development of mineral properties. These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. The Company has not yet generated any revenues, has incurred losses of \$5,523,828 (2021 - \$8,673,393) for the year ended October 31, 2022, negative cash flows from operations since inception and has a deficit of \$29,323,381 as at October 31, 2022 (2021 - \$23,799,553). At October 31, 2022, the Company had cash of \$224,796 (2021 - cash and cash equivalents of \$3,636,299) and working capital of \$366,816 (2021 - \$3,719,024). The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to complete financing to meet administrative overhead and to complete the exploration and development of its mineral property interest, attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interest. However, there is no guarantee that the Company will establish economically recoverable reserves, profitable operations or positive cash flows from operations. The Company will continue to raise funding through equity financing to continue operations and has been successful to date, but there can be no assurance that adequate financing will be available in the future, or available on terms acceptable to the Company and, therefore, a material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Since January 2020, the continuing outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. This may impact the Company's ability to obtain additional financing to support exploration activities.

Russia's invasion of Ukraine has injected a new uncertainty into the global economy with the impact to rising interest and inflation rates. The continuing conflict has contributed to increase in oil and commodity prices and caused downturn to global markets. The outcome and longevity are both difficult to assess at this time.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

(d) Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these financial statements and other major sources of measurement uncertainty are discussed in note 4.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are as follows:

(a) Financial instruments

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition, except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payable and accrued liabilities are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

Fair Value Hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

(b) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization and impairment charges. Amortization is recorded using the declining-balance method at a rate of 55% for computer equipment, 20% for office furniture and field equipment and 30% for vehicles. Leasehold improvements are amortized over the term of the lease using the straight-line method. Management reviews the estimated useful life and amortization method on an annual basis. Changes to the useful life or amortization method resulting from such review are accounted for prospectively.

(c) Mineral properties

The costs of exploration and evaluation assets acquired through a business combination or an asset acquisition are capitalized, as are costs to acquire rights to a mineral property, including land and surface rights. Acquisition costs include cash consideration and the fair value of common shares and other equity instruments issued as consideration.

Mineral property is recorded at cost, less accumulated depletion and depreciation, and impairment losses. Capitalized acquisition costs are depleted when commercial production begins using the unit-of-production method. Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverability of the carrying amount of mineral property is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the amounts capitalized are written down to management's estimate of the net recoverable amount.

Although the Company has taken steps to verify title to the mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(d) Exploration and evaluation expenditures

Exploration and evaluation expenditures, other than for exploration and evaluation assets acquired through a business combination or an asset acquisition, or for the acquisition of land and surface rights, are expensed as incurred. The exploration and evaluation expenditures incurred prior to the Company obtaining the legal rights to explore an area of interest are recorded as property investigation costs, and expenditures from the date legal rights are obtained and approved by the Exchange are recorded as exploration expenditures.

(e) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, to which the asset belongs.

An asset or cash-generating unit's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or group of assets is reduced to its recoverable amount and an impairment loss is recognized in profit or loss. The allocation of an impairment loss for a group of assets is based on the relative carrying amounts of those assets at the date of impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or group of assets in prior years. A reversal of an impairment loss is recognized in profit or loss in the period the reversal occurs.

(f) Decommissioning provision

An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs, discounted to their net present value, are provided for and recorded as a liability with a corresponding amount capitalized and included in the carrying amount of the asset, when the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money is used to calculate the net present value. The capitalized costs are charged to profit or loss over the economic life of the related asset, using either the unit-of-production or the straight-line method, depending on the nature of the related asset. The liability is adjusted at the end of each reporting period for the unwinding of the discount rate, and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. The unwinding of the discount is recorded as accretion expense and included in finance cost. Changes to the liability amount resulting from changes to the estimated future cash flows required to settle the obligation are also capitalized and included in the carrying amount of the related asset.

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(g) Share capital

Common shares

Common shares issued are classified as equity. Transaction costs directly attributable to the issuance of common shares and other equity instruments of the Company are recognized as a deduction from share capital or other equity.

Equity units

The proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated first to share capital up to the fair value of the common shares at the time of issuance, determined by reference to the quoted market price of the common shares on the issuance date, with the residual amount of proceeds, if any, allocated to the reserve for warrants.

(h) Restricted share units, stock options and warrants

All restricted share units, stock options and warrants are included in reserves, a component of equity, until exercised. Upon exercise, the consideration received plus the amounts in reserves attributable to the options and/or warrants being exercised are credited to share capital.

(i) Share-based payments

Share-based payment arrangements whereby the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The Company grants stock options to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant. Share-based payments to non-employees is measured at the fair value of goods or services received or the fair value of equity instruments issued, if it is determined the fair value of goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value of stock options granted to employees, officers, directors and consultants providing similar services that are expected to eventually vest is recognized as share-based payment over the vesting period with a corresponding increase in reserves. Each tranche of options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of options that will eventually vest are accounted for prospectively at the end of each reporting date. The fair value of stock options is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and using market related inputs as of the grant date. The Black-Scholes option pricing model considers the following factors:

- Exercise price
- Expected life of the award
- Forfeiture rate
- Current market price of the underlying shares
- Risk-free interest rate
- Expected volatility

The Company accounts for restricted share units under the current plan as equity settled share-based payments which are measured at fair value on the grant date, or fair value when services are received. The expense for restricted share units is recognized over the vesting period. Upon exercise of any restricted share units, the grant date fair value of the instrument is transferred to share capital.

Equity instruments issued as consideration for the purchase of non-monetary assets are measured at the fair value of the goods received. If the fair value of the assets received cannot be reliably measured, equity instruments will be measured on the quoted market price of the common shares on the date the shares are issued.

PROSPER GOLD CORP.

Notes to Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(j) Income taxes

Income tax on profit or loss 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 taxable income for the period.

Deferred tax is provided for using the asset and liability method of accounting, whereby deferred tax assets and liabilities are recognized for the future tax effects of differences between the carrying amounts of assets and liabilities in the statement of financial position and the tax bases of the assets and liabilities (temporary differences), unused tax losses and other income tax deductions. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss are not provided for. Deferred tax assets and liabilities are measured based on the expected manner of realization or settlement of the carrying amounts of the related assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

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

(k) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

(l) Government assistance

Government assistance from the Canada Emergency Business Account (“CEBA”) loans under federal COVID-19 response programs are recorded as a liability. Any forgivable portion of the assistance is not recorded as a gain until there is reasonable assurance that it will not be repayable.

Government assistance for exploration is recognized when the Company has complied with all the conditions to receive the grant and collectability is reasonably assured. Government assistance towards expenses is recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the assistance are intended to compensate; Government assistance related to capitalized costs is deducted from the cost of the assets to which it relates.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(m) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (the "ROU"), the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets and lease liabilities for leases relating to low-value assets. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the Company enters into a sublease, it determines at lease inception date whether each sublease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sublease is a financial lease; if not then it is an operational lease. Cash received from operational lease is included in general and administrative expenses in the statements of loss and comprehensive loss on a straight-line basis over the period of the lease.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

4. Critical judgments in applying accounting policies and key sources of estimation uncertainty

Critical judgments

The Company has made the following critical judgments, apart from those involving estimations, in the process of applying its accounting policies that have the most significant effect on the amounts recognized in the financial statements:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See note 1 for more information.

Impairment of mineral properties

The Company's mineral property represents acquisition costs relating to the Company's mineral properties. At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of the asset's value in use and fair value less costs to sell. The Company considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral properties are impaired.

Application of IFRS 16 Leases

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and right-of-use assets, for which the lease term is the basis for determining useful life.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that may have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provision for decommissioning

An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. As at October 31, 2022 and 2021, management has determined that the Company has no significant obligation for decommissioning.

Share-based payments and fair value of warrants

Assumptions are used in determining the fair value of stock options and warrants which are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

Interest rates

The Company estimates an incremental borrowing rate in determining the right-of-use asset. The determination of market interest rate is subjective and could materially affect the fair value estimate.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

5. Reclamation deposits

The Company was required to post two security deposits of \$190,000 and \$29,000 totaling \$219,000 in favor of the BC Ministry of Energy, Mines and Low Carbon Innovation for the continuation of surface work at the Star Property.

Both security deposits were posted with a Canadian financial institution and bear interest at the rate of 3.33% (note 18).

6. Right-of-use asset

Right-of-use asset (note 17)

Value of right-of-use asset as at May 1, 2022	\$	147,628
Amortization		(49,209)
Value of right-of-use asset as at October 31, 2022	\$	98,419

Lease liability

Lease liability recognized as of May 1, 2022	\$	147,628
Lease payments		(50,708)
Lease interest		3,590
Lease liability recognized as of October 31, 2022	\$	100,510

Current portion	\$	100,510
Long-term portion		-
	\$	100,510

7. Equipment and leasehold improvements

	Computer Equipment	Office Furniture	Field Equipment	Leasehold Improvements	Vehicles	Total
Cost						
As at October 31, 2020	\$ 17,521	\$ 2,236	\$ 37,047	\$ -	\$ 13,704	\$ 70,508
Additions	12,150	-	296,843	-	75,017	384,010
As at October 31, 2021	29,671	2,236	333,890	-	88,721	454,518
Additions	2,813	-	21,461	12,970	-	37,244
As at October 31, 2022	\$ 32,484	\$ 2,236	\$ 355,351	\$ 12,970	\$ 88,721	\$ 491,762
Accumulated Amortization						
As at October 31, 2020	\$ 15,513	\$ 1,576	\$ 17,978	\$ -	\$ 10,908	\$ 45,975
Amortization	4,445	132	33,498	-	12,092	50,167
As at October 31, 2021	19,958	1,708	51,476	-	23,000	96,142
Amortization	6,115	105	58,629	2,929	19,717	87,495
As at October 31, 2022	\$ 26,073	\$ 1,813	\$ 110,105	\$ 2,929	\$ 42,717	\$ 183,637
Carrying value						
As at October 31, 2021	\$ 9,713	\$ 528	\$ 282,414	\$ -	\$ 65,721	\$ 358,376
As at October 31, 2022	\$ 6,411	\$ 423	\$ 245,246	\$ 10,041	\$ 46,004	\$ 308,125

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

8. Mineral properties

The Company capitalizes costs of mineral property option payments for cash and share issuances and the related transaction costs for the Ontario Projects in Ontario and the Star Property in British Columbia.

Costs	Ontario Projects				Total
	Matachewan	Galahad	Golden Sidewalk	Star	
Balance, October 31, 2020	\$ 19,329	\$ 83,517	\$ 248,980	\$ 446,715	\$ 798,541
Share issuances	-	-	87,000	-	87,000
Additions	-	-	130,418	-	130,418
Write-off	-	(83,517)	-	-	(83,517)
Claims sold	(11,176)	-	-	-	(11,176)
Balance, October 31, 2021	8,153	-	466,398	446,715	921,266
Share issuance	-	-	352,000	-	352,000
Additions	-	-	42,971	-	42,971
Option payments received	-	-	-	(446,715)	(446,715)
Balance, October 31, 2022	\$ 8,153	\$ -	\$ 861,369	\$ -	\$ 869,522

(a) Ontario Projects, Ontario, Canada

Matachewan Land Package

On March 21, 2019, the Company entered into a purchase agreement and acquired a 100% interest in 64 mineral claims and 6 mining patents. During the 2020 fiscal year, transaction costs for legal fees of \$2,140 were paid for legal fees to transfer the titles of the claims to the Company.

During the year ended October 31, 2021, the Company sold 37 mineral claims to LaSalle Exploration Corp. ("LaSalle") for cash proceeds of \$10,000 and 100,000 common shares of LaSalle with a fair market value of \$19,000 on the completion date. The Company incurred legal fees of \$3,268 for the transaction. A gain of \$14,557 (2020 - \$nil) has been recorded on the statements of comprehensive loss for the year ended October 31, 2021. As at October 31, 2022, the 100,000 LaSalle shares were adjusted to the market value of \$3,445 (October 31, 2021 - \$13,000) and an unrealized loss for the year ended October 31, 2022 of \$9,555 (October 31, 2021 - \$6,000) has been recorded in the statement of comprehensive loss.

Wydee Claims

During the year, the Company sold 43 claims for the Wydee Property to the Canadian Nickel Company Inc. ("CNC") that was previously written off during the 2020 fiscal year. The Company received 60,000 shares of CNC at a market value of \$3.42 per share for a value of \$205,200. The proceeds have been recorded as a gain in the statement of comprehensive loss. During the year ended October 31, 2022, the 60,000 CNC shares were sold for \$98,838. The sale resulted in a realized loss \$106,362 (October 31, 2021 - \$nil) which has been recorded in the statement of comprehensive loss.

Galahad

On April 20, 2016, the Company entered into a purchase agreement (the "Purchase Agreement") with JCML Resources Inc. ("JCML"), whereby the Company agreed to acquire 13 mineral claims ("Galahad") surrounding the Ashley Gold Mine for \$50,000 and 10,000 Prosper shares. The Company issued the 10,000 common shares at a price of \$2.60 per share and paid \$50,000 for the acquisition in 2016.

During the year ended October 31, 2021, the Company wrote-off the costs of \$83,517 for Galahad to \$nil, its estimated recoverable value from fair value less cost of disposal, in accordance with level 3 of the fair value hierarchy as the Company no longer intends to pursue this project.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021
(Expressed in Canadian Dollars)

8. Mineral properties (continued)

(a) Ontario Projects, Ontario, Canada (continued)

Golden Sidewalk Project

Sabina Agreement

On August 9, 2020 ("Sabina Effective Date"), the Company entered into an option agreement with Sabina Gold & Silver Corp. ("Sabina") to acquire a 100% interest in the Golden Sidewalk Properties, subject to the permitted encumbrances, underlying royalties, the Golden Sidewalk Royalties and any additional property royalty in accordance with the following:

- a) In order to acquire a 70% interest ("Sabina First Option"), the Company shall pay \$40,000 cash, issue 900,000 common shares and incur \$1,400,000 as follows:
 - a. Within five business days of receipt of TSXV approval, pay \$20,000 cash (paid) and issue 50,000 common shares (issued September 8, 2020);
 - b. On or before six months of the Sabina Effective Date, issue 50,000 common share (issued January 25, 2021) and incur expenditures of \$150,000 (incurred);
 - c. On or before 18 months of the Sabina Effective Date, issue 250,000 common shares (issued February 7, 2022), pay \$10,000 in cash (paid) and incur \$500,000 in expenditures (incurred); and
 - d. On or before 30 months of the Sabina Effective Date, issue 550,000 common shares (issued February 7, 2022), pay \$10,000 in cash (paid) and incur \$750,000 in expenditures (incurred).
- b) Upon the exercise of the Sabina First Option, the Company can elect to pursue the second option to acquire the remaining 30% interest on or before 48 months of the Sabina Effective Date, by issuing an additional 600,000 common shares (issued on November 18, 2022), pay an additional \$10,000 in cash (paid on November 18, 2022), incur an additional \$1,200,000 of expenditures (incurred) and enter into agreement to fully assume and novate to the Company the permitted encumbrances and all royalties that Sabina is subject to for the property.

Per the agreement, in the event that the Company does not incur the required expenditures in each period, the Company may pay Sabina in cash any shortfall by the end of each period.

Upon the exercise of the first option by the Company, Sabina and the Company will enter in a royalty agreement ("Golden Sidewalk Royalty") whereby Sabina will retain and the Company will pay to Sabina 2.0% NSR on the proceeds from the production or sale of products produced or derived from the Golden Sidewalk property. The Company can elect to purchase 1.0% of the NSR by payment of \$1,000,000.

Smith Agreement

On August 25, 2020, the Company entered into an agreement with Greg Smith to acquire a 100% interest in certain mineral claims for \$25,000 cash (paid).

The acquisition for these claims is subject to a 1% NSR. The Company can elect to purchase 0.5% of the NSR by payment of \$500,000.

Bounty Agreement

On August 31, 2020, the Company entered into an agreement with Bounty Gold Corp. ("Bounty") to acquire a 100% interest in certain mineral claims free of any encumbrances by:

- i. Within 5 days of Exchange approval, payment of \$60,000 in cash (paid); and
- ii. Issuance of 125,000 common shares of the Company (issued October 14, 2020).

The purchase is subject to a 2% NSR with an option to purchase 1% of the NSR by the Company with a payment of \$1,000,000.

Claims Purchase

During the year ended October 31, 2021, the Company acquired additional claims for the Golden Sidewalk Project for \$13,200.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

8. Mineral properties (continued)

(a) Ontario Projects, Ontario, Canada (continued)

Golden Sidewalk Project (continued)

Land Purchase

During the year ended October 31, 2021, the Company purchased a parcel of land at Ear Falls, Ontario for \$113,000 and paid \$4,218 for transaction costs.

During the year ended October 31, 2022, the Company received \$200,000 from the Ministry of Northern Development, Mines, Natural Resources and Forestry under an Ontario Transfer Payment Agreement. Under this agreement, the Company will receive up to \$200,000 to conduct exploration work and activities on the Golden Sidewalk Project. This is recorded as a reduction of exploration expenditures in the statements of comprehensive loss.

(b) Star Property, British Columbia, Canada

Pursuant to an option agreement dated July 15, 2013 between the Company and Firesteel Resources Inc. ("Firesteel") (name changed to Otso Gold Corp.) (the "Option Agreement"), the Company has the exclusive option to earn up to an 80% interest in 19 mining claims on the Star property (formerly the Sheslay property), a copper-gold discovery located northwest of Telegraph Creek, British Columbia, in the Stikine Arch area of northwestern British Columbia, in exchange for cash payments, the issuance of common shares and exploration expenditures over four years as follows:

Pursuant to the option agreement (the "First Option"), the Company has earned a 51% interest in the Star property by:

- Making cash payments to Firesteel totaling \$300,000 over 18 months (paid);
- Issuing a total of 30,000 Prosper common shares to Firesteel (issued); and
- Incurring exploration expenditures totaling \$1,000,000 over 18 months (incurred).

The Company has an additional option (the "Second Option") to earn an additional 19% interest, thereby increasing its total interest in the Property to 70%, which may be exercised by:

- Making cash payments to Firesteel totaling \$200,000 over 36 months (due August 30, 2016) (unpaid);
- Issuing a total of 20,000 Prosper common shares to Firesteel over a period of 36 months (due August 30, 2016) (unissued); and
- Incurring exploration expenditures totaling \$2,000,000 over 36 months (incurred).

The Company has an additional option (the "Third Option") to earn an additional 10% interest, thereby increasing its total interest in the Property to 80%, which may be exercised by:

- Making cash payments to Firesteel totaling \$500,000 over 48 months (unpaid);
- Issuing a total of 50,000 Prosper common shares to Firesteel over a period of 48 months (unissued); and
- Incurring exploration expenditures totaling \$2,000,000 over 48 months (incurred).

Rather than making the Second Option payment and issuance of common shares due August 30, 2016 and the Third Option payment and issuance of common shares due August 30, 2017, the Company and Firesteel entered into a joint venture agreement on August 30, 2016. The Company holds 51% ownership of the Star property. The joint venture agreement specifies that the Company and Firesteel will contribute funds to continue explorations on the Star property pro-rata, based on their percentage of ownership; 51% to be contributed by Prosper and 49% to be contributed by Firesteel.

The underlying royalty holders are entitled to a 2% NSR on the property. The Company has the option to purchase the 2% royalty entitlement for \$2,000,000.

During the year ended October 31, 2022, the Company entered into a definitive option agreement with CAVU Mining Corp. ("CAVU") to grant CAVU the exclusive right and option to acquire 51% interest in the Star Project located in the province of British Columbia. Under the terms of the Option Agreement, CAVU may exercise the option by issuing 1,250,000 common shares on or before May 23, 2022 (received) and making aggregate cash payments of \$1,155,000 with the first payment of \$100,000 due on May 23, 2022 (received), \$285,000 due by July 1, 2022 (received), \$385,000 due by May 23, 2023 and \$385,000 due by May 23, 2024. Legal fees of \$12,898 were incurred relating to this transaction.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

8. Mineral properties (continued)

(b) Star Property, British Columbia, Canada (continued)

The 1,250,000 CAVU common shares had an initial fair value of \$450,000. A gain on sale of mineral properties of \$375,387 is recorded in the statements of comprehensive loss.

At October 31, 2022, these common shares were adjusted to the market value of \$262,500 and an unrealized loss of \$187,500 has been included in the statement of comprehensive loss.

Subsequent to the year-end, CAVU was acquired by Alpha Copper Corp. ("ALCU"). As CAVU shareholders received 0.7 of ALCU a common share for each CAVU share previously held, the Company received 875,000 ALCU common shares in exchange for 1,250,000 CAVU shares previously held.

(c) Exploration and evaluation expenditures

During the years ended October 31, 2022 and 2021, the Company's exploration expenditures (recovery) consisted of the following:

	Ontario		Star		Total	
	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
Airborne survey	\$ -	\$ 22,253	\$ -	\$ -	\$ -	\$ 22,253
Assay and analysis	323,654	367,156	-	-	323,654	367,156
Camp accommodation	117,500	381,005	-	-	117,500	381,005
Drilling	1,296,177	2,208,070	-	-	1,296,177	2,208,070
Equipment rental	38,334	40,655	-	-	38,334	40,655
Field costs (recovery)	395,243	413,320	2,000	2,400	397,243	415,720
Geological (note 13(a))	295,824	667,194	-	-	295,824	667,194
Property rentals and utilities	166,576	56,690	-	-	166,576	56,690
Salaries (note 13(a))	495,644	517,176	-	-	495,644	517,176
Transportation and freight	55,871	88,535	-	-	55,871	88,535
Travel and accommodations	62,211	126,566	-	-	62,211	126,566
Grant received	(200,000)	-	-	-	(200,000)	-
	\$3,047,034	\$4,888,620	\$2,000	\$2,400	\$3,049,034	\$4,891,020

9. Loan payable

The Company received \$40,000 for the Canada Emergency Business Account ("CEBA") interest free loan up to the initial term date of December 31, 2022. 25% of the loan balance will be forgiven if the balance of 75% of the loan balance is repaid by the initial term date of December 31, 2022. Subsequent to December 31, 2022, if 75% of the loan has not been repaid, then the loan is subject to an interest rate of 5% per annum and due for repayment by December 31, 2025. The loan payable has been initially recorded at fair value of \$35,114 and is calculated based on the application of a fair value interest rate of 5% with the anticipated repayment date of December 31, 2022. The initial difference of \$4,886 between the face value of \$40,000 and the initial fair value of the loan payable of \$35,114 has been recorded as a deferred gain on loan payable. During the year, the repayment deadline has been extended to December 31, 2023. The fair value of the loan as at October 31, 2022 has been recalculated with the expected repayment due date in December 2023. Accretion expense of \$34 (2021 - \$1,363) and amortization of deferred gain of \$34 (2021 - \$1,363) has been included in general and administrative expense resulting in the loan payable balance at October 31, 2022 of \$37,853 (2021 - \$37,819) and a deferred gain on loan payable balance of \$2,147 (2021 - \$2,181).

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

10. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued

There were no private placements completed for the year ended October 31, 2022.

Private placement activity for the year ended October 31, 2021 was as follows:

On December 22, 2020, the Company completed a non-brokered private placement of 6,111,111 units at \$0.90 per unit for \$5,500,000. Each unit consists of one common share and one-half of one share purchase warrant exercisable at \$1.35 for 24 months. In connection with the offering, finder's fees totaling \$134,385 in cash were paid and 149,316 common share purchase finder warrants were issued with a fair value of \$107,090. Each finder warrant is non-transferable and exercisable for one common share for a period of 24 months following closing of the offering at an exercise price equal to \$1.35. The estimated fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model based on the following assumptions: risk free interest rate of 0.23%, expected life of 2 years, no annual dividends, expected volatility of 95.85% and a forfeiture rate of 0%. In addition, the Company incurred \$46,445 of costs for legal fees, filing fees, transfer agent fees and bank charges.

(c) Shares issued for property

During the year ended October 31, 2022, the Company issued 800,000 common shares with a fair value of \$352,000 per the Sabina Agreement (note 8(a)). Share issue costs of \$269 were incurred for filing fees.

During the year ended October 31, 2021, the Company issued 50,000 common shares with a fair value of \$87,000 per the Sabina Agreement (note 8(a)). Share issue costs of \$200 were incurred for filing fees.

(d) Warrants exercised

There were no warrants exercised for the year ended October 31, 2022.

During the year ended October 31, 2021, the Company issued 3,313,564 common shares from the exercise of 3,157,310 warrants and 156,254 broker warrants at an average exercise price of \$0.85 per share. Share issue costs of \$13,595 were incurred for transfer agent fees and \$332 for bank charges.

PROSPER GOLD CORP.

Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

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11. Share based payments and warrants

(a) Security Based Compensation plan

The Company has a security based compensation plan under which the Board of Directors may from time to time grant to directors, senior officers, consultants and employees share units and options to acquire common shares, exercisable for a period of up to ten years from the date of grant. The security based compensation plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the security based compensation plan shall not exceed 4,184,814 common shares of which 2,510,889 is reserved for stock options and 1,673,925 is allotted for other share compensation arrangements. The maximum number of common shares that may be reserved for issuance to any individual insider pursuant to security based compensation may not exceed 5% of the common shares issued and outstanding at the time of grant, and the number of common shares that may be reserved for issuance to all technical consultants pursuant to security based compensation may not exceed 2% of the common shares issued and outstanding at the time of grant. Security based compensation become exercisable as long as the optionee holds office or continues to be employed by the Company and 90 days following the cessation of an optionee's position with the Company.

(b) Stock options

During the year ended October 31, 2022, 41,500 stock options with an exercise price of \$2.00 expired unexercised.

During the year ended October 31, 2021, the Company had the following stock option activities:

On December 30, 2020, the Company granted an aggregate of 1,521,500 incentive options to purchase common shares of the Company to certain directors, officers, and consultants of the Company. The options are exercisable at a price of \$1.35 per common share for five years from the date of grant. The options have vesting terms of 25% every six months.

On May 10, 2021, the Company granted an aggregate of 600,000 incentive options to purchase common shares of the Company to certain directors of the Company. The options are exercisable at a price of \$1.60 per common share for five years from the date of grant. The options have vesting terms of 25% every six months.

During the year ended October 31, 2021, 70,000 stock options with an exercise price of \$2.40 expired unexercised on May 31, 2021 and 55,000 stock options with an exercise price of \$3.45 expired unexercised on September 2, 2021.

During the year ended October 31, 2021, 233,500 stock options were forfeited by a director who resigned from the Board. The vested options with a value of \$153,567 were reallocated from reserves to deficit.

A continuity schedule of the Company's outstanding stock options under the stock option plan is as follows:

	Number Outstanding	Weighted Average Exercise Price
At October 31, 2020	482,500	\$1.97
Granted	2,121,500	\$1.42
Expired	(125,000)	\$2.86
Forfeited	(233,500)	\$1.55
At October 31, 2021	2,245,500	\$1.44
Expired	(41,500)	\$2.00
At October 31, 2022	2,204,000	\$1.43

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Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

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11. Share based payments and warrants (continued)

(b) Stock options (continued)

As at October 31, 2022, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
March 5, 2023	\$ 1.50	65,000	\$ 1.20	0.35	65,000
December 17, 2023	\$ 1.50	157,500	\$ 1.05	1.13	157,500
December 30, 2025	\$ 1.35	1,381,500	\$ 1.41	3.17	1,036,125
May 10, 2026	\$ 1.60	600,000	\$ 1.51	3.53	300,000
		2,204,000	\$ 1.40	3.04	1,558,625

As at October 31, 2021, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
January 23, 2022	\$ 2.00	41,500	\$ 1.85	0.23	41,500
March 5, 2023	\$ 1.50	65,000	\$ 1.20	1.34	65,000
December 17, 2023	\$ 1.50	157,500	\$ 1.05	2.13	157,500
December 30, 2025	\$ 1.35	1,381,500	\$ 1.41	4.17	345,375
May 10, 2026	\$ 1.60	600,000	\$ 1.51	4.53	-
		2,245,500	\$ 1.41	3.97	609,375

The total fair value of the incentive options and broker warrants were calculated using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	October 31, 2022	October 31, 2021
Risk-free interest rate	0.71%	0.64%
Expected volatility	168%	155%
Expected life	4.91 years	4.37 years
Expected dividend yield	-	-
Share price	\$ 1.44	\$ 1.40
Exercise price	\$ 1.42	\$ 1.35
Expected forfeitures	0.00%	0.00%

Expected stock price volatility was derived from historical movements in the closing prices of the Company's stock for a length of time equal to the expected life of the options. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.00% in determining the expense recorded in the accompanying statements of comprehensive loss.

The fair value of the incentive options recognized as share-based payments for the year ended October 31, 2022 was \$858,780 (2021 - \$1,780,472). The balance consists of \$879,482 (2021 - \$1,686,583) to directors and officers, and a recovery of \$20,702 (2021 - \$93,889 (expense)) to consultants.

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11. Share based payments and warrants (continued)

(c) Restricted share units

On May 10, 2021, the Company issued 1,513,000 restricted share units (“RSUs”) to certain officers, employees and consultants of the Company. The RSUs are payable in common shares of the Company or the cash equivalents at the option of the Company, on the redemption date, being three years from the date of grant. These RSUs vest in three equal instalments over three years. Prior to the end of the 2021 fiscal year, 25,000 restricted share units were cancelled due to the departure of an employee. As at October 31, 2022 and October 31, 2021, there were 1,488,000 RSUs outstanding, of which 496,000 (2021 - \$nil) are vested.

The fair value of the RSUs recognized as share-based payments during year ended October 31, 2022 equals \$957,533 (2021 - \$647,372). For the year ended October 31, 2022, the balances consist of \$945,202 (2021 - \$612,309) to directors and officers and \$12,331 (2021 - \$35,063) to consultants.

(d) Warrants

There were no warrants issued for the year ended October 31, 2022 and 4,521,135 warrants with an exercise price of \$0.85 expired unexercised.

For the year ended October 31, 2021, the following warrants were issued:

On December 22, 2020, the Company issued 3,055,555 warrants exercisable at \$1.35 per warrant with an expiry date of 24 months in conjunction with the unit private placement. Broker warrants of 149,316 with an exercise price of \$1.35 and an expiry date of 24 months were also issued.

During the year ended October 31, 2021, 250,000 warrants with an exercise price of \$1.50 and 159,583 warrants with an exercise price of \$1.70 expired unexercised.

As at October 31, 2021, 3,157,310 of warrants with an average exercise price of \$0.85 were exercised for a gross proceed of \$2,674,409 and 156,254 broker warrants with an average exercise price of \$0.83 were exercised for proceeds of \$130,416.

A continuity schedule of the Company’s outstanding warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price
At October 31, 2020	8,062,891	\$0.87
Expired	(409,583)	\$1.58
Issued – warrants for private placement	3,055,555	\$1.35
Issued – broker warrants	149,316	\$1.35
Exercised	(3,313,564)	\$0.85
At October 31, 2021	7,544,615	\$1.05
Expired	(4,521,135)	\$0.85
At October 31, 2022	3,023,480	\$1.35

As at October 31, 2022, the Company had the following warrants outstanding and exercisable:

Expiry Date	Exercise Price	Warrants Outstanding	Remaining Contractual Life (yrs)
December 22, 2022	\$1.35	3,023,480	0.14

Subsequent to the 2022 fiscal year, the 3,023,480 warrants expired unexercised.

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Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

11. Share based payments and warrants (continued)

(d) Warrants (continued)

As at October 31, 2021, the Company had the following warrants outstanding and exercisable:

Expiry Date	Exercise Price	Warrants Outstanding	Remaining Contractual Life (yrs)
October 14, 2022	\$0.85	4,521,135	0.96
December 22, 2022	\$1.35	3,023,480	1.15
		7,544,615	1.03

12. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable (other than GST receivable), marketable securities, deposit, reclamation deposits, accounts payable and accrued liabilities, lease liability and loan payable.

The fair values of the Company's cash and cash equivalents, amounts receivable (other than GST receivable), marketable securities, deposit and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

These are classified as level 1 financial instruments. The Company's loan payable is classified as a level 2 financial instrument.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash and cash equivalents, deposit and reclamation deposit are deposited with a large financial institution with a strong credit rating. Amounts receivable consists of GST receivable and credits on vendor payable balances.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations associated with its financial instruments. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At October 31, 2022, the Company had accounts payable and accrued liabilities of \$155,041 (2021 - \$718,627) and lease liability of \$100,510 (2021 - \$nil) due within one year, and cash of \$224,796 (2021 - cash and cash equivalents of \$3,636,299). The 2021 cash equivalents consist of cashable term deposits of \$3,008,333 with interest rate at 0.48% and maturity dates of November 18, November 24, and December 16, 2021.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating interest earned on the Company's cash balances are considered to be at market interest rates. The deposit of \$28,709 (2021 - \$66,259) earns no interest and is deposited with a major bank for the Company's corporate credit card. Assuming that all variables remain constant, a change representing a 1% increase or decrease in the interest rate would not have a significant effect for the Company.

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Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

12. Financial instruments (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At October 31, 2022, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

There has been no change to the Company's approach to risk management during the year ended October 31, 2022.

13. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. During the years ended October 31, 2022 and 2021, the Company had the following related party transactions:

(a) Key management compensation for the years ended October 31, 2022 and 2021 were as follows:

	Year ended October 31, 2022	Year ended October 31, 2021
Short-term benefits	\$ 786,746	\$ 971,292
Share-based payments	1,824,684	2,298,892
	\$ 2,611,430	\$ 3,270,184

Short-term benefits include \$461,265 for the year ended October 31, 2022 (2021 - \$588,132) in management fees, \$200,000 (2021 - \$280,833) in geological exploration expenditures, \$125,481 (2021 - \$102,327) for exploration salaries.

- (b) At October 31, 2022, accounts payable and accrued liabilities include \$33,593 (2021 - \$55,907) due to officers of the Company of which \$33,269 is for management salaries and fees and \$324 is for expense reimbursement. Interest is not charged on outstanding balances and there are no specified terms of repayment.
- (c) During the year ended October 31, 2021, the Company purchased a vehicle for \$25,000 from a company controlled by an officer of the Company.

14. Income taxes

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	October 31, 2022	October 31, 2021
Net loss	\$ (5,523,828)	\$ (8,673,393)
Canadian federal and provincial statutory income tax rates	26.75%	26.75%
Income tax benefit based on Canadian statutory income tax rates	(1,477,624)	(2,320,133)
Effects of the following:		
Over provided in prior years	13,979	(41,398)
Temporary timing difference	(14,701)	(3,894)
Items not deductible for tax purposes	498,301	660,025
Change in income tax rates	-	-
Unused tax losses and tax offsets not recognized	980,045	1,705,400
Income tax recovery	\$ -	\$ -

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Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

14. Income taxes (continued)

At October 31, the Company had unused tax losses and tax deductions for which no deferred tax assets have been recognized as follows:

	October 31, 2022	October 31, 2021
Non-capital losses	\$ 12,158,078	\$ 11,185,380
Held-for-trading securities	203,055	6,000
Mineral properties	8,200,043	5,658,169
Equipment	527,028	439,533
Cumulative eligible capital	48,169	48,169
Capital losses	129,747	76,566
Share issue costs	189,023	278,922
Right-of-use asset	(98,419)	-
	\$ 21,356,724	\$ 17,692,739

The non-capital losses at October 31, 2022 expire as follows:

Expiry date	Amount
2027	\$ 8,719
2028	45,807
2029	107,629
2030	107,130
2031	146,071
2032	189,297
2033	569,564
2034	916,155
2035	367,075
2036	572,193
2037	650,376
2038	575,045
2039	5,153,944
2040	459,446
2041	1,396,444
2042	893,183
	\$ 12,158,078

15. Segmented information

The Company has one reportable operating segment in two geographical locations, being the exploration and development of the Star property in British Columbia, Canada and exploration and development of the Ontario Projects in Ontario, Canada.

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Notes to the Financial Statements

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16. Management of capital

The Company's capital includes all amounts attributable to its shareholders. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue additional shares or debt. The Company is dependent on the capital markets as its primary source of operating capital, and the Company's capital resources are largely determined by the strength of the junior resource markets.

The Company is not subject to any capital requirements imposed by regulators or other third parties.

At October 31, 2022, the Company had cash of \$224,796 and working capital of \$366,816. The Company will require additional capital to fund its total obligations under the Option Agreement to purchase the Ontario Projects and the Star Property (note 8) and general and administrative costs. However, there is no guarantee that such financing will be available to the Company or on suitable terms.

There were no changes in the Company's approach to capital management during the year ended October 31, 2022.

17. Commitments

The Company entered into a lease agreement for the office premises in Vancouver effective May 1, 2022 for a term of 18 months. The base rent for the first six months will be \$8,451 per month with the remaining months at \$8,753 per month.

18. Subsequent events

Private Placement

The Company closed the first tranche of the private placement on November 2, 2022 consisting of 1,300,000 non-flow through units at \$0.20 per unit and 1,860,000 flow through units at \$0.25 per unit for gross proceeds of \$725,000. Each non-flow through unit consists of one common share and one warrant with an exercise price of \$0.30 to purchase one common share for a period of 24 months from closing. Each flow through unit consists of one common share and one-half of one non-flow through warrant. Each whole warrant is exercisable at \$0.30 for a period of 24 months from closing. In connection with the closing of the first tranche of the private placement, cash finder's fees of \$33,000 were paid and 136,750 common share purchase warrants were issued. Each finder's warrant is exercisable at \$0.30 for a period of 24 months from closing.

The second tranche of the private placement was closed on November 18, 2022 consisting of 2,155,000 non-flow through units at \$0.20 per unit and 2,140,000 flow through units at \$0.25 per unit for gross proceeds of \$966,000. Each non-flow through unit consists of one common share and one warrant with an exercise price of \$0.30 to purchase one common share for a period of 24 months from closing. Each flow through unit consists of one common share and one-half of one non-flow through warrant. Each whole warrant is exercisable at \$0.30 for a period of 24 months from closing. In connection with the closing of the second tranche of the private placement, the Company paid cash finder's fees of \$52,300 and issued 217,800 finder's warrants. Each finder's warrant is exercisable at \$0.30 for a period of 24 months from closing.

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Notes to the Financial Statements

For the years ended October 31, 2022 and 2021

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18. Subsequent events (continued)

Mineral Interests

On November 28, 2022, the Company entered into a agreement to purchase 100% of the rights, title and interest in a 2% net smelter return royalty on the Skinner Gold Property located in Ontario. In consideration of the purchase, the Company will issue 160,000 common shares. The transaction is subject to the approval of the TSX-V.

On November 18, 2022, the Company exercised its option to acquire 100% interest in the Golden Sidewalk property by issuing 600,000 common shares, paid \$10,000 cash, incurred additional expenditures on the property of not less than \$1,200,000, and entered into agreement to fully assume and novate to the Company the permitted encumbrances and all royalties that Sabina is subject to for the property.

Reclamation bonds

Subsequent to the year, the Ministry of Energy, Mines and Low Carbon Innovation returned the two Letters of Credits of \$190,000 and \$29,000 and released the Company of any further obligations for the Star Property in British Columbia.