DAVIDSON & COMPANY LLP Chartered Professional Accountants

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of
Augusta Gold Corp.

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Augusta Gold Corp. (the "Company"), as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Augusta Gold Corp. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

***Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency of approximately $26.1 million, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Description of Critical Audit Matter – Asset Retirement Obligation

As described in Note 1 to the consolidated financial statements, the Company's asset retirement obligation ("ARO") totaled $2.8 million at December 31, 2022. We considered the Company's ARO a critical audit matter due to high professional judgement by management when assessing this obligation, including the assessment of the nature and extent of future work to be performed, the future cost of performing the rehabilitation work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applicable to future cash outflows associated with rehabilitation activities to bring them to their present value.

How we addressed Critical Audit Matter

We reviewed the Company's calculation of its ARO, and verified the valuation of the principal components of the provision in accordance with ASC 410-20. To audit the ARO liability, our procedures included evaluating the methodology used, and testing the significant assumptions in the ARO calculations. We held discussions and assessed the qualifications of management's expert who prepares the estimates, and obtained corroborating information with regards to the nature, timing, and amount of the anticipated cash outflows. We also compared assumptions including the credit-adjusted risk-free rate, and inflation rate to current market data. Finally we performed recalculation to verify the accuracy of the estimate.

Description of the Critical Audit Matter – Acquisition of CR Reward LLC

As described in Note 2 to the consolidated financial statements, the Company acquired the outstanding membership interests of CR Reward LLC ("CR Reward") during the year, for total consideration of $46.2 million in cash and shares. We considered the acquisition a critical audit matter due to the importance of the transaction to the users of the financial statements in addition to the significance of management estimates involved. Material management estimates and judgments were required to determine the value of consideration paid, the allocation of the consideration to the fair values of the assets and liabilities acquired, and the determination of whether the transaction constituted an asset acquisition or business combination under ASC 805.

How we addressed the Critical Audit Matter

We reviewed the acquisition agreement, CR Reward's acquisition date assets and liabilities, and the guidance under ASC 805 to determine whether the transaction was an asset acquisition or business combination. We verified that management had identified the measurement date for the transaction based on the closing date of the acquisition. We reviewed management's estimates and judgements in determining the fair value of consideration paid, including non-cash consideration, deferred consideration, and transaction costs. Finally we assessed that a materially complete listing of acquired assets and liabilities had been prepared, and that the purchase consideration was appropriately allocated on the basis of relative fair value among the acquired assets and liabilities.

Except for the matter described in the *Going Concern* section, we have determined that there are no other critical audit matters to communicate in our auditor's report.

We have served as the Company's auditor since 2019.

**/s/ DAVIDSON & COMPANY LLP**

Vancouver, Canada

Chartered Professional Accountants

March 15, 2023

PCAOB ID Number: 731

**AUGUSTA GOLD CORP.**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2022 AND DECEMBER 31, 2021**
*(Expressed in US dollars)*

| **Assets** | **12/31/22** | **12/31/21** |
|---|---|---|
| Current assets | | |
| Cash | $ 332,813 | $ 19,581,707 |
| Prepaid | 156,959 | 193,055 |
| Deferred stock issuance costs | 121,424 | 0 |
| Deposits | 7,028 | 7,028 |
| Total current assets | 618,224 | 19,781,790 |
| Other assets | | |
| Property and equipment, net | 1,088,449 | 293,515 |
| Mineral properties, net | 58,962,286 | 12,077,511 |
| Total other assets | 60,050,735 | 12,371,026 |
| Total assets | $ 60,668,959 | $ 32,152,816 |
| **Liabilities and Stockholders' Equity (Deficit)** | | |
| Current liabilities | | |
| Accounts payable | $ 2,906,285 | $ 284,047 |
| Note payable and accrued interest - related party | 22,843,322 | 0 |
| Asset retirement obligation | 1,009,496 | 968,000 |
| Total current liabilities | 26,759,103 | 1,252,047 |
| Long term liabilities | | |
| Asset retirement obligation, net of current | 1,804,939 | 900,265 |
| Warrant liability | 15,615,406 | 7,760,757 |
| Total long term liabilities | 17,420,345 | 8,661,022 |
| Total liabilities | 44,179,448 | 9,913,069 |
| Stockholders' equity | | |
| Preferred stock, 250,000,000 shares authorized, $0.0001 par value | 0 | 0 |
| Preferred stock series A, 5,000,000 shares designated and authorized, $.0001 par value; zero issued and outstanding as of 12/31/22 and 12/31/21 | 0 | 0 |
| Preferred stock series B, 45,000,000 shares designated and authorized, $.0001 par value; issued and outstanding preferred stock series B shares convertible into zero and 677,084 shares of common stock as of 12/31/22 and 12/31/21, respectively | 0 | 67 |
| Common stock, 750,000,000 shares authorized, $ .0001 par value; 79,204,606 shares issued and outstanding as of 12/31/22 and 70,519,188 shares issued and outstanding as of 12/31/21 | 7,920 | 7,052 |
| Additional paid in capital | 56,375,344 | 42,406,169 |
| Accumulated deficit | (39,893,753) | (20,173,541) |
| Total stockholders' equity | 16,489,511 | 22,239,747 |
| Total liabilities and stockholders' equity | $ 60,668,959 | $ 32,152,816 |

Commitments and contingencies (Note 6)

***See accompanying notes to consolidated financial statements***

**AUGUSTA GOLD CORP.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**
*(Expressed in US dollars)*

| | Twelve Months Ended | |
|---|---|---|
| | **12/31/22** | **12/31/21** |
| Operating expenses | | |
| General and administrative | $ 5,087,128 | $ 4,664,565 |
| Lease expense | 21,000 | 16,000 |
| Exploration, evaluation and project expense | 5,739,534 | 7,909,333 |
| Accretion expense | 77,941 | 24,749 |
| Depreciation expense | 44,057 | 44,057 |
| Total operating expenses | 10,969,660 | 12,658,704 |
| | | |
| Net operating loss | (10,969,660) | (12,658,704) |
| | | |
| Revaluation of warrant liability | (7,852,349) | 15,857,500 |
| Interest expense | (721,924) | 0 |
| Foreign currency exchange gain (loss) | (176,279) | 253,236 |
| Net income (loss) | $ (19,720,212) | $ 3,452,032 |
| | | |
| Weighted average common shares outstanding – basic | 75,373,892 | 68,251,261 |
| Weighted average common shares outstanding – diluted | 75,373,892 | 69,070,013 |
| | | |
| Earnings (loss) per common share – basic | $ (0.26) | $ 0.05 |
| Earnings (loss) per common share – diluted | $ (0.26) | $ 0.05 |

***See accompanying notes to consolidated financial statements***

**AUGUSTA GOLD CORP.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**
*(Expressed in US dollars)*

| | Preferred Stock Shares Issued | Preferred Stock | Common Stock Shares Issued | Common Stock | Additional Paid In Capital | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|
| December 31, 2020 | 3,093,751 | $ 309 | 55,842,715 | $ 5,584 | $26,276,997 | $ (23,625,573) | 2,657,317 |
| Conversion of warrants | 0 | 0 | 4,015,915 | 401 | 4,494,250 | 0 | 4,494,651 |
| Conversion of preferred stock | (2,416,667) | (242) | 2,416,667 | 242 | 0 | 0 | 0 |
| Conversion of options | 0 | 0 | 688,334 | 69 | 325,181 | 0 | 325,250 |
| Stock based compensation | 0 | 0 | 0 | 0 | 1,560,452 | 0 | 1,560,452 |
| Placement - March | 0 | 0 | 7,555,557 | 756 | 13,056,047 | 0 | 13,056,803 |
| Warrant liability | 0 | 0 | 0 | 0 | (3,306,758) | 0 | (3,306,758) |
| Net loss | 0 | 0 | 0 | 0 | 0 | 3,452,032 | 3,452,032 |
| December 31, 2021 | 677,084 | $ 67 | 70,519,188 | $ 7,052 | $42,406,169 | $ (20,173,541) | $ 22,239,747 |
| Conversion of warrants | 0 | $ 0 | 208,334 | $ 21 | $ 289,317 | $ 0 | 289,338 |
| Stock based compensation | 0 | 0 | 0 | 0 | 2,164,055 | 0 | 2,164,055 |
| Conversion of preferred stock | (677,084) | (67) | 677,084 | 67 | 0 | 0 | 0 |
| Purchase of CR Reward | 0 | 0 | 7,800,000 | 780 | 11,515,803 | 0 | 11,516,583 |
| Net loss | 0 | 0 | 0 | 0 | 0 | (19,720,212) | (19,720,212) |
| December 31, 2022 | 0 | $ 0 | 79,204,606 | $ 7,920 | $56,375,344 | $ (39,893,753) | $ 16,489,511 |

***See accompanying notes to consolidated financial statements***

**AUGUSTA GOLD CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**
*(Expressed in US dollars)*

| | Twelve Months Ended | |
|---|---|---|
| | **12/31/22** | **12/31/21** |
| Cash flows from operating activities | | |
| Net income (loss) | $ (19,720,212) | $ 3,452,032 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities | | |
| Accretion expense | 77,941 | 24,749 |
| Depreciation expense | 44,057 | 44,057 |
| Revaluation of warrant liability | 7,852,349 | (15,857,500) |
| Share based compensation | 2,164,055 | 1,560,452 |
| Change in operating assets and liabilities: | | |
| Prepaid expenses | 36,096 | 34,085 |
| Deferred stock issuance costs | (121,424) | 0 |
| Debt issuance costs | (46,317) | 0 |
| Deposits | 0 | 324,961 |
| Accounts payable | 2,434,042 | (462,762) |
| Accrued interest | 657,079 | 0 |
| Asset retirement obligation | (132,629) | (158,822) |
| Net cash used in operating activities | (6,754,963) | (11,038,748) |
| Cash flows from investing activity | | |
| Acquisition of mineral properties | (34,176,839) | (79,897) |
| Acquisition of property and equipment | (838,991) | (312,579) |
| Net cash used in investing activities | (35,015,830) | (392,476) |
| Cash flows from financing activities | | |
| Proceeds from private placement of stock | 0 | 13,056,803 |
| Proceeds from note payable - related party | 22,232,561 | 0 |
| Proceeds from conversion of options | 0 | 325,250 |
| Proceeds from conversion of warrants | 289,338 | 3,289,151 |
| Net cash provided by financing activities | 22,521,899 | 16,671,204 |
| Net increase (decrease) in cash | (19,248,894) | 5,239,980 |
| Cash, beginning of period | 19,581,707 | 14,341,727 |
| Cash, end of period | $ 332,813 | $ 19,581,707 |
| Noncash investing and financing activities | | |
| Interest and taxes paid | $ 0 | $ 0 |
| Revaluation of asset retirement obligation | $ 99,576 | $ 866,638 |
| Reclassification of warrant liability upon conversion | $ 0 | $ 1,205,507 |
| Incurrence of asset retirement obligation | $ 1,100,434 | $ 0 |
| Stock issued for purchase of CR Reward | $ 11,516,583 | $ 0 |
| Conversion of preferred stock | $ 67 | $ 242 |
| Exploration and evaluation cost in accounts payable | $ 208,919 | $ 18,423 |
| Warrant liability from units placement | $ 0 | $ 3,306,758 |

***See accompanying notes to consolidated financial statements***

## NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business**

Augusta Gold Corp. (the "Company") is a junior exploration company engaged in the acquisition and exploration of properties that may contain gold, silver, and other metals in the United States. The Company's target properties are those that have been the subject of historical exploration. The Company owns, controls or has acquired mineral rights on Federal patented and unpatented mining claims in the state of Nevada for the purpose of exploration and potential development of gold, silver, and other metals. The Company plans to review opportunities and acquire additional mineral properties with current or historic precious and base metal mineralization with meaningful exploration potential.

The Company's properties do not have any reserves. The Company plans to conduct exploration and engineering evaluation programs on these properties with the objective of ascertaining whether any of its properties contain economic concentrations of precious and base metals that are prospective for mining.

**Basis of Presentation and Statement of Compliance**

The accompanying consolidated financial statements (the "consolidated financial statements"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Basis of Measurement**

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Augusta Gold Corp. and its wholly owned subsidiaries, Standard Gold Corp. ("Standard Gold"), Bullfrog Mines LLC ("Bullfrog Mines"), CR Reward, LLC ("CR Reward" or "Reward") and Rocky Mountain Minerals Corp. ("Rocky Mountain Minerals" or "RMM"). All significant inter-entity balances and transactions have been eliminated in consolidation.

**Going Concern and Management's Plans**

As at December 31, 2022, the Company has a working capital deficiency of approximately $26,100,000. The ability of the Company to meet its obligations and continue operations is dependent on its ability to obtain additional debt or equity financing. These circumstances raise substantial doubt about the Company's ability to continue as a going concern.

**Cash, Cash Equivalents and Concentration**

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with high credit quality financial institutions in the United States and Canada. On December 31, 2022, the Company's cash balance was $332,813. To reduce its risk associated with the failure of such financial institution, the Company will evaluate, as needed, the rating of the financial institution in which it holds deposits.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates have been made for stock-based compensation, asset retirement obligation, warrant liability and whether acquisitions of Bullfrog Mines and CR Reward constituted an asset acquisition or business combination and the related determination of the fair value of purchase consideration and acquired assets and liabilities.

**Foreign Currency Translation**

The Company is exposed to currency risk on transactions and balances in currencies other than the functional currency. The Company has not entered any contracts to manage foreign exchange risk.

The functional currency of the Company and its subsidiaries is the US dollar; therefore, the Company is exposed to currency risk from financial assets and liabilities denominated in Canadian dollars.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 15 years. Additions, renewals, and betterments that significantly extend the life of the asset are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in income for the period.

**Leases**

The Company has adopted Financial Accounting Standards Board (FASB) ASU 2016-02, Leases (Topic 842), for reporting leases. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. For leases with a lease term greater than one year, the Company recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation.

**Mineral Property Acquisition and Exploration Costs**

Mineral property exploration costs are expensed as incurred until economic reserves are quantified. To date, the Company has not established any proven or probable reserves on its mineral properties. Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company has chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once the Company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized over the estimated life of the probable-proven reserves. When the Company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all exploration costs are being expensed. Costs of property and equipment acquisitions are being capitalized.

The Company is required to reclaim the property at the Bullfrog Project and Reward Project at the end of their useful lives. In accordance with FASB ASC 410-20, Asset Retirement and Environmental Obligations, the Company recognized the fair value of a liability for an ARO in the amount of $1,774,193 at the Bullfrog Project and $1,040,242 at the Reward Project. During the period ended December 31, 2022, we incurred certain costs related to the ARO estimate that has an effect on the accretion and estimated costs.

| | 2022 | 2021 |
|---|---|---|
| Balance, January 1 | $ 1,868,265 | $ 1,135,700 |
| Accretion | 77,941 | 24,749 |
| Costs applied to ARO balance | (132,629) | (158,822) |
| Acquisition of CR Reward ARO | 1,100,434 | 0 |
| Change in estimates | (99,576) | 866,638 |
| Balance, December 31 (current) | $ 1,009,496 | $ 968,000 |
| Balance, December 31 (long term) | $ 1,804,939 | $ 900,265 |
| | | |
| Life of mine | 2028 | 2028 |
| Discount rate | 4.0% | 1.5% |
| Inflation rate (average) | 2.2% | 2.0% |

Although the ultimate amounts for future site reclamation and remediation are uncertain, the best estimate of these obligations was based on information available, including current legislation, third-party estimates, and management estimates. The amounts and timing of the mine closure obligations will vary depending on several factors including future operations and the ultimate life of the mine, future economic conditions, and changes in applicable environmental regulations.

At December 31, 2022, the estimated future cash flows have been determined using real cash flows and discounted using a rate of 4.0% and a total undiscounted amount for the estimated future cash flows is $1,868,708 at the Bullfrog Project and $1,313,204 at the Reward Project.

The Bullfrog and CR Reward projects have surety bonding in place with the Bureau of Land Management for $1,765,661 and $1,161,725 respectively.

**Fair Value of Financial Instruments**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value:

Level 1 - Valuation based on quoted market prices in active markets for identical assets and liabilities.

Level 2 - Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 - Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

The fair value of cash, deposits, accounts payable and notes payable approximates their carrying values due to their short term to maturity. The warrant liabilities are measured using level 3 inputs (Note 4).

**Income Taxes**

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, "Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized.

The Company reports a liability, if any, for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in an income tax return. The Company has elected to classify interest and penalties related to unrecognized income tax benefits, if and when required, as part of income tax expense in the statement of operations. No liability has been recorded for uncertain income tax positions, or related interest or penalties as of December 31, 2022 and December 31, 2021. The periods ended December 31, 2022, 2020, 2019 and 2018 are open to examination by taxing authorities.

**Long Lived Assets**

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

**Preferred Stock**

The Company accounts for its preferred stock under the provisions of the ASC on Distinguishing Liabilities from Equity, which sets forth the standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This standard requires an issuer to classify a financial instrument that is within the scope of the standard as a liability if such financial instrument embodies an unconditional obligation to redeem the instrument at a specified date and/or upon an event certain to occur. The Company has determined that its preferred stock does not meet the criteria requiring liability classification as its obligation to redeem these instruments is not based on an event certain to occur. Future changes in the certainty of the Company's obligation to redeem these instruments could result in a change in classification.

**Stock-Based Compensation**

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). This ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

The estimated fair value of each stock option as of the date of grant was calculated using the Black-Scholes pricing model. The Company estimates the volatility of its common stock at the date of grant based on Company stock price history. The Company determines the expected life based on the simplified method given that its own historical share option exercise experience does not provide a reasonable basis for estimating expected term. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The shares of common stock subject to the stock-based compensation plan shall consist of unissued shares, treasury shares or previously issued shares held by any subsidiary of the Company, and such number of shares of common stock are reserved for such purpose.

**Derivative Financial Instruments**

The Company accounts for derivative instruments in accordance with Financial Accounting Standards Board ("FASB") ASC 815, Derivatives and Hedging ("ASC 815"), which requires additional disclosures about the Company's objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements. The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risk. Terms of convertible debt and equity instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

Certain warrants are treated as derivative financial liabilities. The estimated fair value, based on the Black-Scholes model, is adjusted on a quarterly basis with gains or losses recognized in the statement of loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield, expected term and liquidity discounts

**Earnings (Loss) per Common Share**

The following table shows basic and diluted earnings per share:

| | Twelve Months Ended | |
|---|---|---|
| | 12/31/2022 | 12/31/2021 |
| Basic and Diluted Earnings (Loss) per Common Share | | |
| Earnings (loss) | $ (19,720,212) | $ 3,452,032 |
| Basic weighted average shares outstanding | 75,373,892 | 68,251,261 |
| Assumed conversion of dilutive shares | 0 | 818,752 |
| Diluted weighted average common shares outstanding, assuming conversion of common stock equivalents | 75,373,892 | 69,070,013 |
| Basic Earnings (Loss) Per Common Share | $ (0.26) | $ 0.05 |
| Diluted Earnings (Loss) Per Common Share | $ (0.26) | $ 0.05 |

Certain options and warrants and all preferred shares were included in the computation of diluted shares outstanding for the twelve months ended December 31, 2021. The options and warrants that were not included in the diluted weighted average shares calculation because they were "out-of-the money". In periods where the Company has a net loss, all common stock equivalents are excluded as they would be anti-dilutive. The following details the dilutive and anti-dilutive shares:

| | Dilutive shares In the money | Anti-dilutive shares Out of the money | Total |
|---|---|---|---|
| Options | 141,668 | 4,658,334 | 4,800,002 |
| Warrants | 0 | 31,427,195 | 31,427,195 |
| Preferred shares | 677,084 | 0 | 677,084 |
| Total | 818,752 | 36,085,529 | 36,904,281 |

**Risks and Uncertainties**

Since the formation of the Company, it has not generated any revenues. As an early-stage company, the Company is subject to all the risks inherent in the initial organization, financing, expenditures, complications and delays inherent in a new business. Our business is dependent upon the implementation of our business plan. There can be no assurance that our efforts will be successful or that we will ultimately be able to generate revenue or attain profitability.

Natural resource exploration, and exploring for gold, is a business that by its nature is very speculative. There is a strong possibility that we will not discover gold or any other mineralization which can be mined or extracted at a profit. Even if we do discover gold or other deposits, the deposit may not be of the quality or size necessary for us or a potential purchaser of the property to make a profit from mining it. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, geological formation pressures, fires, power outages, labor disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are just some of the many risks involved in mineral exploration programs and the subsequent development of gold deposits.

The Company business is exploring for gold and other minerals. If the Company discovers commercially exploitable gold or other deposits, revenue from such discoveries will not be generated unless the gold or other minerals are actually mined.

Mining operations in the United States are subject to many different federal, state, and local laws and regulations, including stringent environmental, health and safety laws. In the event operational responsibility is assumed for mining our properties, the Company may be unable to comply with current or future laws and regulations, which can change at any time. Changes to these laws may adversely affect any of the Company potential mining operations. Moreover, compliance with such laws may cause substantial delays and require capital outlays greater than those the Company anticipate, adversely affecting any potential mining operations. Future mining operations, if any, may also be subject to liability for pollution or other environmental damage. The Company may choose to not be insured against this risk because of high insurance costs or other reasons.

The Company's exploration and development activities may be affected by existing or threatened medical pandemics, such as the novel coronavirus (COVID-19). A government may impose strict emergency measures in response to the threat or existence of an infectious disease, such as the emergency measures imposed by governments of many countries and states in response to the COVID-19 virus pandemic. As such, there are potentially significant economic and social impacts of infectious diseases, including but not limited to the inability of the Company to develop and operate as intended, shortage of skilled employees or labor unrest, inability to access sufficient healthcare, significant social upheavals or unrest, disruption to operations, supply chain shortages or delays, travel and trade restrictions, government or regulatory actions or inactions (including but not limited to, changes in taxation or policies, or delays in permitting or approvals, or mandated shut downs), declines in the price of precious metals, capital markets volatility, availability of credit, loss of investor confidence and impact on economic activity in affected countries or regions. In addition, such pandemics or diseases represent a serious threat to maintaining a skilled workforce in the mining industry and could be a major health-care challenge for the Company. There can be no assurance that the Company or the Company's personnel will not be impacted by these pandemic diseases and the Company may ultimately see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. COVID-19 is rapidly evolving and the effects on the mining industry and the Company are uncertain. The Company may not be able to accurately predict the impact of infectious disease, including COVID-19, or the quantum of such risks. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by pandemics on global financial markets, which may reduce resources, share prices and financial liquidity and may severely limit the financing capital available to the Company.

**Recent Accounting Pronouncements**

The FASB issued the following Accounting Standards Updates, which have not had, and are not expected to have a material impact on our financial condition, results of operations, cash flows or related disclosures upon adoption:

- Equity Instruments: ASU 2021-04, Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity – Classified Written Call Options). This update was effective for our fiscal year beginning January 1, 2022.

- Leases: ASU 2021-05, Leases – Certain Lease Payments with Variable Lease Payments (ASC 842). This update was effective for our fiscal year beginning January 1, 2022.

**NOTE 2 - MINERAL PROPERTIES**

| | Mineral properties | Property and equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| As of December 31, 2020 | $ 11,130,976 | $ 25,625 | $ 11,156,601 |
| Additions | 946,535 | 312,579 | 1,259,114 |
| As of December 31, 2021 | 12,077,511 | 338,204 | 12,415,715 |
| Additions | 46,884,775 | 838,991 | 47,723,766 |
| **As of December 31, 2022** | $ 58,962,286 | $ 1,177,195 | $ 60,139,481 |
| | | | |
| **Accumulated depreciation** | | | |
| As of December 31, 2020 | $ 0 | $ 632 | $ 632 |
| Depreciation expense | 0 | 44,057 | 44,057 |
| As of December 31, 2021 | 0 | 44,689 | 44,689 |
| Depreciation expense | 0 | 44,057 | 44,057 |
| **As of December 31, 2022** | $ 0 | $ 88,746 | $ 88,746 |
| | | | |
| **Net book value on December 31, 2022** | $ 58,962,286 | $ 1,088,449 | $ 60,050,735 |

On October 26, 2020, the Company completed its acquisition of Bullfrog Mines pursuant to the Membership Interest Purchase Agreement (the "MIPA") among the Company, Homestake Mining Company of California ("Homestake"), and Lac Minerals (USA) LLC ("Lac Minerals" and together with Homestake, the "Barrick Parties").

Pursuant to the MIPA, the Company purchased from the Barrick Parties all of the equity interests in Bullfrog Mines LLC for aggregate consideration of (i) 9,100,000 units of the Company, each unit consisting of one share of common stock of the Company and one four-year warrant purchase one share of common stock of the Company at an exercise price of C$1.80 (such number of units and exercise price are set out on a pre Reverse Stock Split basis), (ii) a 2% net smelter returns royalty (the "Barrick Royalty") granted on all minerals produced from all of the patented and unpatented claims (subject to the adjustments set out below), pursuant to a royalty deed, dated October 26, 2020 by and among Bullfrog Mines and the Barrick Parties (the "Royalty Deed"), (iii) the Company granting indemnification to the Barrick Parties pursuant to an indemnity deed, dated October 26, 2020 by and among the Company, the Barrick Parties and Bullfrog Mines, and (iv) certain investor rights, including anti-dilution rights, pursuant to the investor rights agreement dated October 26, 2020, among the Company, Augusta Investments Inc., and Barrick Gold Corporation.

Pursuant to the Royalty Deed, the Barrick Royalty is reduced to the extent necessary so that royalties burdening any individual parcel or claim included in the Barrick Properties on October 26, 2020, inclusive of the Barrick Royalty, would not exceed 5.5% in the aggregate, provided that the Barrick Royalty in respect of any parcel or claim would not be less than 0.5%, even if the royalties burdening a parcel or claim included in the Barrick Properties would exceed 5.5%.

See Note 6 Commitments, for discussion of additions to mineral properties.

The following is the consideration paid in the acquisition, which was allocated entirely to mineral properties:

| **Consideration:** | | |
|---|---|---|
| Grant date fair value of 9,100,000 units issued | $ | 8,342,880 |
| Transaction fees | | 97,571 |
| Asset retirement obligation | | 1,130,631 |
| Total | $ | 9,571,082 |

On June 13, 2022, the Company completed the acquisition of the outstanding membership interests (collectively, the "CR Interests") of CR Reward LLC, a wholly-owned subsidiary of Waterton ("CR Reward"), pursuant to a membership interest purchase agreement with Waterton Nevada Splitter, LLC ("Waterton"). CR Reward holds the Reward Project located seven miles from the Company's Bullfrog Project in Nevada. The CR Interests were acquired for the following consideration: (a) $12,500,000 in cash paid at the closing; plus (b) the issuance of 7,800,000 shares of Augusta Gold common stock at closing; plus (c) $22,126,000 in cash paid on September 14, 2022 (comprising collectively the "Second Payment" and the "Deferred Payment").

Management has determined that the CR Reward acquisition does not constitute a business combination because the acquired assets do not contain processes sufficient to constitute a business in accordance with ASC 805. As a result, the consideration is measured based on the cost accumulation model and allocated to the acquired assets on the basis of relative fair value, with no resulting goodwill or bargain purchase gain being recognized. Share-based payments issued in conjunction with the acquisition are valued based on the fair value of the consideration issued, measured at the grant date in accordance with ASC 718.

The following is the consideration paid in the CR Reward acquisition:

| **Consideration:** | | |
|---|---|---|
| Cash | $ | 12,500,000 |
| Grant date fair value of 7,800,000 shares issued | | 11,516,583 |
| Transaction fees | | 61,488 |
| Second Payment | | 4,626,000 |
| Deferred Payment | | 17,500,000 |
| **Total consideration** | $ | 46,204,071 |

| **Net assets acquired** | | |
|---|---|---|
| Cash | $ | 1,299 |
| Prepaids | | 9,658 |
| Property and plant | | 838,992 |
| Mineral properties | | 46,465,056 |
| Accounts payable | | (10,500) |
| Asset retirement obligation | | (1,100,434) |
| **Total net assets acquired** | $ | 46,204,071 |

**NOTE 3 - STOCKHOLDER'S EQUITY**

On January 11, 2021, the Company filed a Certificate of Amendment to its Certificate of Incorporation to change the name of the Company to "Augusta Gold Corp." and effect a reverse stock split of the Company's shares of common stock on the basis of one (1) post-split share for every six (6) pre-split shares (the "Reverse Stock Split").

On January 26, 2021, the Certificate of Amendment went effective. As a result of the Reverse Stock Split, every six (6) shares of the Company's issued and outstanding common stock, par value $0.0001 was converted into one (1) share of common stock, par value $0.0001. There was no change in the par value of the common stock. The Reverse Stock Split did not change the authorized number of shares of common stock or preferred stock of the Company.

No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional shares because they hold a number of pre-Reverse Stock Split shares of the Company's common stock not evenly divisible by six (6), had the number of post-Reverse Split Shares of the Company's common stock to which they were entitled rounded up to the next whole number of shares of the Company's common stock. No stockholders received cash in lieu of fractional shares.

All share information has been retrospectively restated for the Reverse Stock Split.

Pursuant to the terms of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Shares"), the conversion price/terms at which Series B Preferred Shares may be converted into shares of common stock were proportionately adjusted to reflect the Reverse Stock Split by dividing the number of pre-Reverse Stock Split shares acquirable upon conversion of Series B Preferred Shares by six (6). In addition, pursuant to their terms, a proportionate adjustment was made to the per share exercise price, multiplying the price by six (6), and number of shares issuable, dividing the number of shares issuable by six (6), under all of the Company's outstanding stock options and warrants to purchase shares of common stock, and the number of shares reserved for issuance pursuant to the Company's equity compensation plans was reduced proportionately.

**Recent Sales of Unregistered Securities**

On March 4, 2021, the Company closed a private placement (the "Private Placement") of units of the Company (the "Units") at a price of C$2.25 per Unit ("Offering Price"), each Unit comprised of one share of common stock of the Company (a "Unit Share") and one half of one common stock purchase warrant (each full warrant, a "Warrant"). Each Warrant entitles the holder to acquire one share of common stock (a "Warrant Share") at an exercise price of C$2.80 per Warrant Share for a period of three (3) years from the date of issuance.

Pursuant to the Private Placement, the Company issued 7,555,557 Unit Shares and 3,777,784 Warrants for gross aggregate proceeds of C$17 million. Finders' fees of C$450,000 were paid in connection with the Private Placement.

On June 13, 2022, 7,800,000 shares of common stock of the Company ("Common Shares") were issued for the purchase of CR Reward. See Note 2 for additional information.

In addition to the above, the Company issued the following common shares for the twelve months ending December 31, 2022, and 2021:

**Options converted to common shares**

| Date | Shares | | |
|---|---|---|---|
| January-21 | 295,833 | $ | 0.15 |
| January-21 | 333,334 | $ | 0.82 |
| February-21 | 59,167 | $ | 0.15 |

**Warrants converted to common shares**

| Date | Shares | | |
|---|---|---|---|
| January-21 | 387,467 | C$ | 1.20 |
| January-21 | 266,685 | $ | 0.60 |
| January-21 | 83,333 | $ | 0.90 |
| February-21 | 573,174 | C$ | 1.20 |
| February-21 | 941,669 | $ | 0.60 |
| March-21 | 41,667 | C$ | 1.20 |
| March-21 | 50,000 | $ | 0.60 |
| April-21 | 41,667 | C$ | 1.20 |
| April-21 | 312,501 | $ | 0.90 |
| May-21 | 41,667 | C$ | 1.20 |
| May-21 | 1,229,167 | $ | 0.90 |
| October-21 | 6,500 | C$ | 1.20 |
| December-21 | 40,418 | C$ | 1.20 |
| June-22 | 208,334 | C$ | 1.80 |

**Preferred shares converted to common shares**

| Date | |
|---|---|
| January-21 | 2,416,667 |
| May-22 | 677,084 |

**Convertible Preferred Stock**

In August 2011, the Board of Directors designated 5,000,000 shares of Preferred Stock as Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into one share of common stock at the option of the preferred holder. The Series A Preferred Stock is not entitled to receive dividends and does not possess redemption rights. The Company is prohibited from effecting the conversion of the Series A Preferred Stock to the extent that, as a result of the conversion, the holder of such shares would beneficially own more than 4.99% (or, if this limitation is waived by the holder upon no less than 61 days prior notice to us, 9.99%) in the aggregate of the issued and outstanding shares of our common stock. The holders of the Company's Series A Preferred Stock are also entitled to certain liquidation preferences upon the liquidation, dissolution or winding up of the business of the Company.

In October 2012, the Board of Directors designated 5,000,000 shares of Preferred Stock as Series B Preferred Stock. In July 2016, the Board of Directors increased the total Series B Preferred Stock designated to 7,500,000. Each share of Series B Preferred Stock is convertible into one share of common stock at the option of the preferred holder. The Series B Preferred Stock is not entitled to receive dividends and does not possess redemption rights. The Company is prohibited from effecting the conversion of the Series B Preferred Stock to the extent that, as a result of the conversion, the holder of such shares would beneficially own more than 4.99% (which may be increased or waived upon no less than 61 days prior notice) in the aggregate of the issued and outstanding shares of our common stock. For a period of 24 months from the issue date, the holder of Series B Preferred Stock were entitled to price protection as determined in the subscription agreement. The Company has evaluated this embedded lower price issuance feature in accordance with ASC 815 and determined that it is clearly and closely related to the host contract and is therefore accounted for as an equity instrument.

On May 4, 2022, 677,084 shares of Series B Preferred Stock were converted shares of common stock. As of December 31, 2022, there were no Preferred Stock shares outstanding.

**Common Stock Options**

On February 22, 2021, the Company's Board of Directors approved a new stock option plan (the "Plan"). The aggregate number of shares of common stock of the Company (a "Share") that may be reserved for issuance pursuant to the Plan shall not exceed 10% of the number of Shares issued and outstanding from time to time.

The details with respect to option grants over the years ended December 31, 2022 and 2021 are as follows:

The Company granted 4,075,000 options to officers and employees of the Company, pursuant to the terms of the Company's Stock Option Plan. The Black Scholes option pricing model was used to estimate the aggregate fair value of the February 2021 officers and employees options of $4,440,080 with the following inputs:

| Options | Exercise Price | Expected Life | Volatility | Risk Free Interest Rate |
|---|---|---|---|---|
| 4,075,000 | C$3.00 | 3.5 years | 70.1% | 0.22% |

The Company granted 1,750,000 options to directors of the Company, pursuant to the terms of the Company's Stock Option Plan. The Black Scholes option pricing model was used to estimate the aggregate fair value of the February 2021 directors options of $1,874,166 with the following inputs:

| Options | Exercise Price | Expected Life | Volatility | Risk Free Interest Rate |
|---|---|---|---|---|
| 1,750,000 | C$3.00 | 3.25 years | 71.4% | 0.22% |

The Company granted 500,000 options to an officer of the Company, pursuant to the terms of the Company's Stock Option Plan. The Black Scholes option pricing model was used to estimate the aggregate fair value of the August 2021 options of $209,961 with the following inputs:

| Options | Exercise Price | Expected Life | Volatility | Risk Free Interest Rate |
|---|---|---|---|---|
| 500,000 | C$3.00 | 3.5 years | 68.8% | 0.40% |

The Company granted 350,000 options to an officer and an employee of the Company, pursuant to the terms of the Company's Stock Option Plan. The Black Scholes option pricing model was used to estimate the aggregate fair value of the June 2022 options of $324,816 with the following inputs:

| Options | Exercise Price | Expected Life | Volatility | Risk Free Interest Rate |
|---|---|---|---|---|
| 350,000 | C$2.05 | 3.5 years | 83.7% | 2.94% |

The Company granted 100,000 options to two employees of the Company, pursuant to the terms of the Company's Stock Option Plan. The Black Scholes option pricing model was used to estimate the aggregate fair value of the August 2022 options of $99,021 with the following inputs:

| Options | Exercise Price | Expected Life | Volatility | Risk Free Interest Rate |
|---|---|---|---|---|
| 100,000 | C$1.96 | 3.5 years | 80.3% | 3.14% |

**<u>Stock Option Repricing</u>**

Effective September 29, 2022, the Company's board of directors repriced certain previously granted and still outstanding vested and unvested stock option awards under the Company's Plan held by current employees, officers and directors. As a result, the exercise price for these awards was lowered to C$2.00 per share. No other terms of the repriced stock options were modified, and the repriced stock options will continue to vest according to their original vesting schedules and will retain their original expiration dates. As a result of the repricing, 4,541,667 vested and unvested stock options outstanding as of September 29, 2022, with original exercise prices of C$3.00, were repriced.

The repricing on September 29, 2022, resulted in incremental stock-based compensation expense of $480,250, of which $188,233 related to vested stock option awards and was expensed on the repricing date, and $292,017 related to unvested stock option awards is being amortized on a straight-line basis over the remaining vesting period of those awards ranging from 5 months to 23 months.

For the twelve months ended December 31, 2022, the Company recognized share-based compensation expense related to the stock options of $2,164,055. The options are vested based on years of service, with certain options vested after two years and other options vested after three years.

**Stock Option Activity**

A summary of the stock options as of December 31, 2022, and changes during the periods are presented below:

| | Number of Options | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Balance at December 31, 2020 | 913,336 | $ | 0.57 | 6.26 | $ | 1,286,650 |
| Exercised | 688,334 | | 0.47 | 0 | | 0 |
| Issued | 6,325,000 | C$ | 3.00 | 0 | | 0 |
| Canceled | 1,750,000 | C$ | 3.00 | 0 | | 0 |
| Balance at December 31, 2021 | 4,800,002 | $ | 1.55 | 4.36 | | 29,817 |
| Exercised | 0 | | 0.00 | 0 | | 0 |
| Issued | 450,000 | C$ | 2.03 | 5.00 | | 0 |
| Canceled | 50,000 | C$ | 2.00 | 0 | | 0 |
| Balance at December 31, 2022 | 5,200,002 | $ | 1.56 | 3.45 | $ | 57,468 |
| Options exercisable at December 31, 2022 | 2,025,002 | $ | 1.51 | 3.55 | $ | 57,468 |

**Warrant Activity**

Total outstanding warrants of 31,002,785 as of December 31, 2022, were as follows:

| | Warrants Issued | | | Total |
|---|---|---|---|---|
| Warrants issued (includes expired warrants) | 1,434,522 | 27,433,335 | 3,777,784 | 32,645,641 |
| Issued date | 1/16/2020 | 10/26/2020 | 3/4/2021 | |
| Expiration date | 1/15/2022 | 10/26/2024 | 3/4/2024 | |
| Exercise price (Canadian $) | $ 1.20 | $ 1.80 | $ 2.80 | |
| | | | | |
| Balance at December 31, 2020 | 1,348,636 | 27,433,335 | 0 | 28,781,971 |
| Exercised | 1,132,560 | 0 | 0 | 1,132,560 |
| Issued | 0 | 0 | 3,777,784 | 3,777,784 |
| Expired | 0 | 0 | 0 | 0 |
| Balance at December 31, 2021 | 216,076 | 27,433,335 | 3,777,784 | 31,427,195 |
| Exercised | 0 | 208,334 | 0 | 208,334 |
| Issued | 0 | 0 | 0 | 0 |
| Expired | 216,076 | 0 | 0 | 216,076 |
| Balance at December 31, 2022 | 0 | 27,225,001 | 3,777,784 | 31,002,785 |

**NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS**

The October 2020 Warrants and March 2021 Warrants have an exercise price in Canadian dollars while the Company's functional currency is US dollars. Therefore, in accordance with ASU 815 - Derivatives and Hedging, the October 2020 Warrants and March 2021 Warrants have a derivative liability value.

The value of the October 2020 Warrants of $11,439,156 has been calculated on the date of issuance of October 26, 2020, using Black-Scholes valuation technique. For the twelve months ending December 31, 2022, the warrant liability was valued at $13,604,506 with the following assumptions:

| | | 10/26/20 | | 12/31/21 | | 12/31/22 |
|---|---|---|---|---|---|---|
| Fair market value of common stock | $ | 1.26 | $ | 0.95 | $ | 1.40 |
| Exercise price | $ | 1.38 | $ | 1.42 | $ | 1.33 |
| Term | | 4 years | | 2.8 years | | 1.8 years |
| Volatility range | | 68.4% | | 78.8% | | 101.5% |
| Risk-free rate | | 0.18% | | 0.97% | | 4.41% |

The value of the March 2021 Warrants of $3,306,758 has been calculated on the date of issuance of March 4, 2021, using Black-Scholes valuation technique. For the twelve months ending December 31, 2022, the warrant liability was valued at $2,010,900 with the following assumptions:

| | | 3/4/21 | | 12/31/21 | | 12/31/22 |
|---|---|---|---|---|---|---|
| Fair market value of common stock | $ | 1.97 | $ | 0.95 | $ | 1.40 |
| Exercise price | $ | 2.21 | $ | 2.22 | $ | 2.07 |
| Term | | 3 years | | 2.2 years | | 1.2 years |
| Volatility range | | 72.7% | | 81.8% | | 116.0% |
| Risk-free rate | | 0.32% | | 0.73% | | 4.73% |

**NOTE 5 - RELATED PARTY**

On September 13, 2022, the Company entered into a secured note purchase agreement (the "Purchase Agreement") with Augusta Investments Inc. ("Augusta Investments"), which is under common control of a director of Augusta Gold, to offer and sell a secured promissory note of the Company (the "Note") in exchange for Augusta Investments loaning the Company $22,232,561 (the "Loan"). The Loan and the issuance of the Note occurred on September 13, 2022. The Company used the Loan to make the second payment and deferred payment to Waterton on September 13, 2022, in connection with the Company's acquisition of its Reward gold project that closed on June 13, 2022.

The Note bears interest at a rate of prime plus 3% and is for a maximum term of 12 months. The Note is secured by a first-priority, perfected security interest in all the assets of the Company pursuant to a guarantee and security agreement (the "Security Agreement") and certain deeds of trust (the "Deeds of Trust", collectively with the Purchase Agreement, the Note and the Security Agreement, the "Loan Documents").

The payment of the obligations of the Company under the Note is also guaranteed by each of the subsidiaries of the Company pursuant to the Security Agreement. The Company paid Augusta Investments an origination fee of 0.5% of the amount of the Loan on the closing of the issuance of the Note pursuant to the Purchase Agreement. The following is the balance of the Loan as of December 31, 2022:

| | |
|---|---|
| Total principal | $ 22,232,561 |
| Deferred financing costs, net | (46,317) |
| Accrued interest | 657,078 |
| Total | $ 22,843,322 |

On October 26, 2020, the Company entered an arrangement to share office space, equipment, personnel, consultants and various administrative services with other companies related by virtue of certain directors and management in common. These services have been provided through a management company equally owned by each company party to the arrangement. Costs incurred by the management company are allocated and funded by the shareholders of the management company based on time incurred and use of services. If the Company's participation in the arrangement is terminated, the Company will be obligated to pay its share of the rent payments for the remaining term of the office space rental agreement.

The Company was charged for the following with respect to this arrangement for the twelve months ended December 31, 2022, and 2021:

| | Twelve Months Ended | |
|---|---|---|
| | **12/31/2022** | **12/31/2021** |
| Salaries and benefits | $ 323,047 | $ 932,470 |
| Office | 90,587 | 175,398 |
| Operating expenses | 85,832 | 97,910 |
| Total | $ 499,466 | $ 1,205,778 |

The Company is committed to payments for office leases premises through 2024 in the total amount of approximately $183,000 based on the Company's current share of rent paid. The Company is jointly liable for rent payments and uses the assets jointly. Payments by fiscal year are:

| | |
|---|---|
| 2023 | 95,557 |
| 2024 | 87,594 |
| Total | $ 183,151 |

The Company granted 5.8 million stock options in February 2021 to officers, directors and employees of the Company, pursuant to the terms of the Company's Stock Option Plan. The Options have an exercise price of C$3.00 per share and expire five years from the date of grant. Additionally, as part of the 5.8 million stock options issued the CEO, CFO and directors received 350,000, 400,000 and 2,200,000, respectively. Ms. Maryse Belanger resigned as Chief Executive Officer, President and a Director of Augusta Gold. On April 13, 2021, Mr. Donald Taylor, was appointed President and Chief Executive Officer and received 500,000 options in August 2021 and compensation of $158,333. There were 4,575,000 officers, directors and employees options issued and outstanding as of December 31, 2021 with a share based compensation expense of $1,560,452.

During 2022, there were 450,000 stock options issued to officers and employees of the Company. Of those options, 350,000 have a C$2.05 exercise price and 100,000 have a C$1.96 exercise price and all expire five years from date of grant. As of December 31, 2022, there were 4,975,000 options issued and outstanding to officers, directors and employees of the Company with a share based compensation expense of $2,164,055.

The Company entered into a consulting arrangement with Augusta Capital Corporation ("ACC"), a private company 100% beneficially held by the Company's Executive Chairman. ACC invoiced the Company C$350,000 and C$116,668 during 2022 and 2021, respectively, for consulting services.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Company has four leases underlying the Reward property which require annual advance royalty payments according to the following schedules. These leases are out of the scope of ASC 842 *Leases*, and any advance royalty paid is expensed off as exploration expenses. Once in production, each agreement attracts payment of net smelter royalties as per the following table.

| | Connolly | Webster (1) | Orser | Meeteren | Total |
|---|---|---|---|---|---|
| 2023 | $ 10,000 | $ 7,500 | $ 20,000 | $ 2,400 | $ 39,900 |
| 2024 | - | - | $ 20,000 | $ 2,400 | $ 22,400 |
| 2025 | - | - | - | $ 2,400 | $ 2,400 |
| 2026 | - | - | - | $ 2,400 | $ 2,400 |
| 2027 | - | - | - | $ 2,400 | $ 2,400 |
| 2028 | - | - | - | $ 2,400 | $ 2,400 |
| 2029 | - | - | - | $ 2,400 | $ 2,400 |
| 2030 | - | - | - | $ 2,400 | $ 2,400 |
| Applicable NSRs | 3% | 3% | 3% | 3% | |

(1) All amounts of annual advance minimum royalties paid during a calendar year shall be applied toward all amounts of earned mineral production royalties payable during that calendar year.

On July 1, 2017, RMM entered a 30-year Mineral Lease (the "Lunar Lease") with Lunar Landing, LLC ("Lunar") involving 24 patented mining claims underlying part of the Bullfrog property. Lunar owns a 100% undivided interest in the mining claims.

Under the Lunar Lease, RMM shall expend as minimum work commitments of $50,000 per year starting in 2017 until a cumulative of $500,000 of expense has been incurred. If RMM fails to perform its obligations under the Lunar Lease, and in particular fails to make any payment due to Lunar thereunder, Lunar may declare RMM in default by giving RMM written notice of default which specifies the obligation(s) which RMM has failed to perform. If RMM fails to remedy a default in payment within fifteen (15) days of receiving the notice of default or fails to remedy or commence to remedy any other default within thirty (30) days of receiving notice, Lunar may terminate the Lunar Lease and RMM shall peaceably surrender possession of the properties to Lunar. Notice of default or of termination shall be in writing and served in accordance with the Lunar Lease. RMM has made all required payments and has paid Lunar $111,000 as of December 31, 2022, and makes lease payments on the following schedule:

| Payment due July | Annual Payment |
|---|---|
| 2023-2026 | $ 21,000 |
| 2027-2031 | $ 25,000 |
| 2032-2036 | $ 30,000 |
| 2037-2041 | $ 40,000 |
| 2042-2046 | $ 45,000 |

On October 29, 2014, RMM entered into an Option Agreement (the "Mojave Option") with Mojave Gold Mining Corporation ("Mojave"). Mojave holds the purchase rights to 100% of 12 patented mining claims. This property is contiguous to the Company's Bullfrog Project.

Mojave granted to RMM the sole and immediate working right and option with respect to the property until the 10th anniversary of the closing date, to earn a 100% interest in and to the property free and clear of all charges, encumbrances and claims, except a sliding scale Net smelter return (or NSR) royalty.

In order to maintain in force, the working right and option granted to RMM, and to exercise the Mojave Option, the Company issued Mojave 750,000 shares of Company common stock and paid $16,000 in October 2014, and RMM must pay to Mojave a total of $190,000 over the next 10 years of which the Company has made all required payments and paid $160,000 as of December 31, 2022, and one remaining payment for $30,000 to be paid in 2023.

On December 9, 2020, Bullfrog Mines entered into a mining option agreement with Abitibi Royalties (USA) Inc. ("Abitibi") granting Bullfrog Mines the option (the "Abitibi Option") to acquire forty-three unpatented lode mining claims to the south of the Bullfrog deposit. The Abitibi Option was amended on December 9, 2022, to extend the exercise deadline and to increase the last payment amount required to exercise the option. Bullfrog Mines made an initial payment to Abitibi of C$25,000 and exercised the Abitibi Option in full on January 30, 2023, by:

- Paying to Abitibi C$50,000 in cash before December 9, 2021;
- Paying to Abitibi C$78,750 in cash before January 30, 2023; and
- Granting to Abitibi a 2% net smelter royalty on the claims subject to the Abitibi Option on January 30, 2023, of which Bullfrog Mines has the option to purchase 0.5% for C$500,000 on or before December 9, 2030.

The Company is from time to time involved in various legal proceedings related to its business. Except as disclosed here in, management does not believe that adverse decisions in any pending or threatened proceedings or that amounts that may be required to be paid by reason thereof will have a material adverse effect on the Company's financial condition or results of operations.

**NOTE 7 - INCOME TAXES**

The effective income tax rate for the years ended December 31, 2022, and 2021 consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Federal statutory income tax rate on net loss | 21.0% | 21.0% |
| Change in valuation allowance | -24.9% | -24.9% |
| Tax rate change | -3.9% | -3.9% |
| Effective tax rate | 0.0% | 0.0% |

The components of the deferred tax assets and liabilities as of December 31, 2022, and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Federal and state net operating loss carryovers | $ 7,101,189 | $ 4,948,126 |
| Other | (51,856) | (125,526) |
| Mineral property | 846,917 | 590,282 |
| Stock compensation | 1,181,448 | 643,248 |
| Warrant revaluation | 4,395,374 | 6,348,253 |
| Total deferred tax asset | $ 13,473,072 | $ 12,404,383 |
| Less: valuation allowance | (13,473,072) | (12,404,383) |
| Deferred tax asset | $ 0 | $ 0 |

The Company has approximately a $28,553,000 and $20,001,000 net operating loss carryover as of December 31, 2022, and December 31, 2021, respectively. The net operating loss may offset against taxable income, with $6,619,000 of the net operating loss carryover begins expiring in 2030 and $21,934,000 with no expiry date may be subject to U.S. Internal Revenue Code Section 382 limitations.

The Company has provided a valuation allowance that eliminates the deferred tax asset as of December 31, 2022, and 2021, as the likelihood of the realization of the tax benefits cannot be determined.

The Company and our subsidiaries file annual US Federal income tax returns and annual income tax returns for the state of and Colorado. Income taxing authorities have conducted no formal examinations of our past Federal or state income tax returns and supporting records.

**NOTE 8 - SUBSEQUENT EVENTS**

On January 20, 2023, the Company closed a “bought deal” underwritten offering (the “Offering”) of 6,725,147 units (“Units”) of the Company at a price of C$1.71 per Unit, including the units issued pursuant to the full exercise of the over-allotment option by the underwriters in the Offering (the “Underwriters”), for aggregate gross proceeds of approximately C$11.5 million before deducting Offering expenses.

In connection with the closing of the Offering, the Company entered into a Warrant Indenture dated January 20, 2023 (the “Warrant Indenture”) with Endeavor Trust Corporation, as the warrant agent, pursuant to which the Company issued Warrants to purchase up to a maximum of 3,362,573 Warrant Shares. Each Warrant is exercisable at any time after January 20, 2023, and prior to January 20, 2026.

In connection with the Offering, the Company paid the Underwriters cash compensation equal to 5.0% of the aggregate gross proceeds of the Offering and issued to the Underwriters 336,257 common stock purchase warrants (the “Compensation Warrants”). Each Compensation Warrant is exercisable for one share of common stock (each, a “Compensation Warrant Share”) at a price of C$1.71 for a period of 12 months following the closing of the Offering.