

**EMERGENT METALS CORP. (FORMERLY EMGOLD MINING
CORPORATION)**

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 December 2022 AND 2021

Stated in US Dollars

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Independent Auditor's Report

To the Shareholders of Emergent Metals Corp. (formerly Emgold Mining Corporation):

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2022, the Company had a working capital deficiency and an accumulated deficit. 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.

Key Audit Matters

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

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

Vancouver, British Columbia

April 28, 2023

MNP LLP
Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at	
		December 31 2022	December 31 2021
ASSETS			
Current assets			
Cash		\$ 688,124	\$ 357,312
Amounts receivable	6	185,882	65,915
Marketable securities	7	222,153	84,320
Prepaid expenses		142,856	37,860
		1,239,015	545,407
Non-current assets			
Advance payments for assets acquisition	8(j)	114,192	118,320
Deposit		4,500	4,500
Equipment	11	46,713	58,784
Exploration and evaluation assets	8	2,534,616	2,910,288
Reclamation bonds		2,148	2,148
Right-of-use asset	13	15,154	29,834
		2,717,323	3,123,874
Total Assets		\$ 3,956,338	\$ 3,669,281
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,030,081	813,681
Deposit received		50	50
Due to related parties	9	85,438	50,353
Flow-through share premium liability	12	73,648	52,910
Lease liability	13	16,792	15,264
Warrant liability	10	1,406,769	385,708
		2,612,778	1,317,966
Lease liability	13	–	16,787
Total liabilities		2,612,778	1,334,753
SHAREHOLDERS' EQUITY			
Share capital	10	48,838,993	48,302,216
Warrants - reserve	10	1,014,788	971,650
Options - reserve	10	7,865,859	7,865,859
Accumulated Deficit		(56,376,080)	(54,805,197)
		1,343,560	2,334,528
Total liabilities and equity		\$ 3,956,338	\$ 3,669,281

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Events after the Reporting Period (Note 18)

Approved and authorized for issuance by the board of directors on April 28, 2023

"David Watkinson"

David Watkinson, Director

Andrew MacRitchie

Andrew MacRitchie, Director

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

US Dollars

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Years ended December 31,	
		2022	2021
EXPENSES			
Exploration and Evaluation			
Resource property expense	8	\$ 1,634,991	\$ 1,531,266
General and Administrative			
Advertising and promotion		151,271	202,299
Amortization	11	12,071	15,257
Banking costs		4,234	1,050
Depreciation of right-of-use asset	13	14,680	25,749
Insurance		32,631	25,397
Listing and filing fees		57,872	51,950
Management and consulting		208,675	301,786
Professional fees		127,461	121,627
Office and administration		33,247	22,354
Rent		23,584	23,069
Travel		23,663	20,183
Net Loss Before Other Items		(2,324,380)	(2,341,987)
Other Items			
Sublet income		26,575	22,150
Interest income		—	12,303
Amortization of flow-through share premium liability	12	52,788	97,992
Lease liability accretion expense	13	(3,845)	(5,633)
Foreign exchange loss		(38,542)	(31,655)
Gain on disposition of assets	8(j)	693,271	—
(Loss) gain on disposition of marketable securities	7	(68,934)	133,023
Fair value adjustment for marketable securities	7	(79,959)	(410,825)
Fair value adjustments for warrant liability	10	172,143	1,803,956
Loss and comprehensive loss		(1,570,883)	(720,676)
Loss per share, basic and diluted		(0.09)	(0.06)
Weighted average number of common shares outstanding - basic and diluted			
		17,915,577	13,055,221

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

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US Dollars

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Outstanding Shares	Share Capital	Shares to be cancelled	Number of Outstanding Warrants	Reserves Warrants	Number of Outstanding Options	Reserves Options	Deficit	Shareholders' Equity
Balance, December 31, 2020	12,603,262	\$ 47,869,337	\$ (3,586)	7,167,701	\$ 956,303	1,257,500	\$ 7,865,859	\$ (54,084,521)	\$ 2,603,392
Private Placement - Flow-through	1,050,000	500,488	–	525,000	–	–	–	–	500,488
Share issuance costs -Flow-through	–	(63,951)	–	75,000	15,347	–	–	–	(48,604)
Shares cancelled	(35,001)	(3,658)	3,586	(35,000)	–	–	–	–	(72)
Warrants expired	–	–	–	(729,746)	–	–	–	–	–
Comprehensive (loss) for the year	–	–	–	–	–	–	–	(720,676)	(720,676)
Balance, December 31, 2021	13,618,261	\$ 48,302,216	\$ –	7,002,955	\$ 971,650	1,257,500	\$ 7,865,859	\$ (54,805,197)	\$ 2,334,528
Balance, December 31, 2021	13,618,221	\$ 48,302,216	\$ –	7,002,955	\$ 971,650	1,257,500	\$ 7,865,859	\$ (54,805,197)	\$ 2,334,528
Private Placement - Non flow-through	10,378,666	165,903	–	10,378,666	–	–	–	–	165,903
Share issuance costs - Non flow-through	–	(69,551)	–	178,500	21,172	–	–	–	(48,379)
Private Placement - Flow-through	3,173,450	534,401	–	1,586,725	–	–	–	–	534,401
Share issuance costs - Flow-through	–	(93,976)	–	252,000	21,966	–	–	–	(72,010)
Expired	–	–	–	(6,402,955)	–	–	–	–	–
Comprehensive (loss) for the year	–	–	–	–	–	–	–	(1,570,883)	(1,570,883)
Balance, December 31, 2022	27,170,337	\$ 48,838,993	\$ –	12,995,891	\$ 1,014,788	1,257,500	\$ 7,865,859	\$ (56,376,080)	\$ 1,343,560

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

US Dollars

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	Years ended December 31,	
		2022	2021
		\$	\$
Operating activities			
Loss for the years		(1,570,883)	(720,676)
Items not affecting cash:			
Amortization of equipment	11	12,071	15,257
Depreciation of right-of-use assets	13	14,680	25,749
Lease liability accretion expense	13	3,845	5,633
Unrealized foreign exchange loss		108,435	10,278
Fair value adjustment for marketable securities	7	79,959	410,824
Fair value adjustments for warrant liability	10	(172,143)	(1,803,956)
Changes in non-cash operating working capital			-
Amounts receivable		(46,134)	14,745
Prepaid expenses and deposits		(104,996)	289,295
Accounts payable and accrued liabilities		191,400	427,575
Due to related parties		35,085	(144,466)
Cash used in operating activities		(2,125,806)	(1,713,056)
Investing activities			
Reclamation bond		-	(2,148)
Resource properties royalty payments received	8 (d)	10,000	10,000
Proceeds from sale of mineral property	8 (j)	583,793	-
Proceeds from sale of marketable securities		188,465	382,849
Acquisition of mineral properties	8 (c), 8(h)	(49,555)	(192,023)
Cash provided by investing activities		732,703	198,678
Financing activities			
Advance receipt for future shares issuance		-	-
Lease payments on principal portion	13	(14,400)	(10,888)
Lease payments on interest portion	13	(3,845)	(4,018)
Net proceeds from units issued for cash	10	1,770,022	619,526
Collection of subscription receivable		-	67,743
Cash provided by financing activities		1,751,777	672,363
Increase (decrease) in cash		358,674	(842,015)
Exchange difference on cash		(27,862)	4,788
Cash, beginning of year		357,312	1,194,539
Cash, end of year		688,124	357,312

EMERGENT METALS CORP. (FORMERLY EMGOLD MINING CORPORATION)

For the Years ended December 31, 2022 and 2021

In US Dollars, unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations and going concern

Effective March 2, 2022, the Company has changed its name from Emgold Mining Corporation to Emergent Metals Corp. (the “Company” or “Emergent”).

The Company was incorporated on March 17, 1989 under the British Columbia Corporations Act and the principal place of business is located at 1010 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company’s business model is to acquire, explore, and divest of mineral property interests (an A&D model) with the goal of creating value for our shareholders. Acquisitions or divestitures could be purchase or sale of assets, option or joint venture of assets, royalty transaction, or other business transactions that are a fit for a specific asset. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol EMR, the OTC Market under the symbol EGMCF, and the Frankfurt (“FRA”) and Berlin (“BSE”) Stock Exchanges under the symbol EMLM.

These audited consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company’s ability to continue in operation for the foreseeable future and to realize the potential of its assets and discharge its liabilities in the normal course of operations. The Company currently has a negative operating cash flow and has incurred operating losses since inception. The Company generates cash inflow by the sale of common shares of public mining companies it owns, cash inflow generated by the sale, joint venture, option, or other transactions related to its assets, or through equity financings, where the amount or timing of cash inflow cannot be guaranteed.

The Company is currently unable to self-finance 100% of its planned operations for the 2023 fiscal year and has on-going cash needs to meet its overhead requirements, maintain its exploration assets, and complete planned exploration activities. The generation of revenue from its exploration assets is dependent upon several factors, which include the discovery and/or expansion of mineral resources or reserves on each of its properties, the ability of the Company to obtain the necessary financing to advance exploration on these properties, the ability of the Company to make property, advance royalty, or claim maintenance payments to hold these properties, or the completion of transactions with third parties that generate revenue in the short and long term. The generation of cash inflow from equity financings is dependent upon several factors including the impact of Covid-19 on financial markets, the price of gold, and other impacts to financial markets that are beyond the control of the Company.

As at December 31, 2022, the Company had a working capital deficit of \$1,373,763 (December 31, 2021 working capital deficit - \$772,559), an accumulated deficit of \$56,376,080 (December 31, 2021 - \$54,805,197), a loss and comprehensive loss of \$1,570,883 (December 31, 2021 - \$720,676) and a net cash outflow used in operating activities of \$2,125,806 (December 31, 2021 – outflow of \$1,713,056) and expects to incur further loss in the development of its business. For the Company to continue to operate as a going concern it must obtain additional financing; there can be no assurance that this will continue in the future. As a result, there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

a) Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2023.

EMERGENT METALS CORP. (FORMERLY EMGOLD MINING CORPORATION)

For the Years ended December 31, 2022 and 2021

In US Dollars, unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries:

- Golden Arrow Mining Corporation
- Emgold (US) Corporation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

d) Currency

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These consolidated financial statements are presented in United States dollars (“\$”), which is the Company and its subsidiaries’ functional and presentation currency. References to CDN\$ represent Canadian dollars.

3. Summary of significant accounting policies

a) Cash

Cash consists of cash on hand and deposits in banks.

b) Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence and are carried at fair value.

c) Foreign Currencies

Transactions entered into by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur except depreciation and depletion which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the Consolidated Statements of Comprehensive Loss.

Foreign currency monetary assets and liabilities are translated at current rates on the reporting date with the resulting gain or losses recognized in the Consolidated Statements of Comprehensive Loss. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in Consolidated Statements of Comprehensive Loss. Non-monetary assets and liabilities are translated using historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

EMERGENT METALS CORP. (FORMERLY EMGOLD MINING CORPORATION)

For the Years ended December 31, 2022 and 2021

In US Dollars, unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Equipment

All items of equipment are stated at historical cost, less any accumulated depreciation and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition. Amortization of other items of equipment is calculated on components that have homogeneous useful lives by using the declining balance method so as to amortize the initial cost as follows:

Field equipment	20%
Office furniture	20%
Computer hardware	30%
Trucks and vehicles	20%

Useful lives, residual values and amortization methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Half-year rule is applied as only 50% of the initial the cost is subject to amortize during the year of addition.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other items" in profit or loss.

e) Exploration and evaluation

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. As these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

f) Impairment of non-financial assets

The recoverability of exploration and evaluation assets and equipment is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to option its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or obtain proceeds from the disposition thereof.

The Company performs impairment tests on exploration and evaluation assets and equipment when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project-by-project basis with each project representing a single cash generating unit. When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset and equipment in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

g) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the “flow-through commitment”) as follows:

- Share capital – if warrants are being issued, based on the valuation derived using the residual method after fair value of warrants. If warrants are not being issued, the fair market price at the date of the issuance will be applied;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion of share capital in excess of the market value of the shares without the flow-through features at the time of issue; and
- Warrants – if warrants are being issued, the fair value of warrants will be based on the Black-Scholes option-pricing model.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period under the regular method. Under the “Look-back” rule, the proceeds that were received in the year and not spent by December 31 of the same year were renounced under the “Look-back” rule and need to be spent by December 31 of the following year.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “Look-back” Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

h) Share based payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Board of Directors grants such options for periods of up to five years, with immediate vesting upon grant. The exercise prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized in the period that the options are earned. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, are recorded at the date the goods or services are received.

i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the Consolidated Statements of Comprehensive Income (Loss) except to the extent it relates to items recognized in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

EMERGENT METALS CORP. (FORMERLY EMGOLD MINING CORPORATION)

For the Years ended December 31, 2022 and 2021

In US Dollars, unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the Consolidated Statement of Financial Position and their corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

j) Loss per share

Basic loss per share are computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised if in the money and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For fiscal 2022, there were no dilutive instruments.

k) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net loss such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss is presented in the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Changes in Equity.

l) Warrant liability

As the exercise price of certain of the Company's share purchase warrants is fixed in Canadian Dollar, and the functional currency of the Company is the US Dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability measured at FVTPL. The fair value of the warrants is remeasured at each reporting period end using the Black-Scholes option pricing model.

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m) Provisions for restoration and rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of exploration and evaluation assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

The Company determined that it has no material restoration obligations at December 31, 2022 or 2021.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Share purchase warrants for a price not fixed in the Company's functional currency are classified as a derivative liability and measured at fair value with changes recognized in the consolidated statements of comprehensive income as they arise. The proceeds from the issuance of units consist of both of these share purchase warrants and common shares are allocated first to the fair value of the derivative liability on date of issuance with the residual amount to the common shares.

o) Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and

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- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the related right-of-use assets.

p) New Accounting Pronouncement

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of each pronouncement. The new standards, amendments and interpretations not adopted for the current fiscal year have not been disclosed, since they are not expected to have a material impact on the Company's consolidated financial statements.

4. Critical accounting judgement and key sources estimation uncertainty

In the application of the Company's accounting policies management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

a) Critical judgments in applying accounting policies

Going concern assumption

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. Refer to note 1 for more details.

Determination of functional currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its wholly owned subsidiaries is the US dollar. The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

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Exploration and evaluation assets

The Company makes certain judgements and assumptions regarding indicators of impairment and the recoverability of the carrying values of exploration and evaluation assets. Management has assessed for impairment indicators for the Company's properties and has concluded that no indicators of impairment as at December 31, 2022.

In addition, Management has exercised significant judgement in assessing whether the Company has sufficient financial resources to incur qualified exploration and evaluation expenditures to meet its obligations related to the issuance of flow-through shares.

b) Key sources of estimation uncertainty

Share based payments and fair value of warrants

Management assesses the fair value of stock options and warrants granted in accordance with the accounting policy stated in note 3. The fair value of stock options and warrants granted is measured using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options.

The following assumptions are used in the model: dividend yield; expected volatility; risk-free interest rate and expected option life. Changes to assumptions used to determine the grant date fair value of share-based compensation awards can affect the amounts recognized in the consolidated financial statements.

Fair value of warrants derivative

The Company has determined that its functional currency is the US dollar and has issued warrants with exercise price fixed in Canadian Dollar. The Company measures the cost of the warrants derivative by reference to the fair value on the grant date and revalues them at each reporting date. In determining the fair value of the warrants, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the warrant and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets.

Changes to assumptions used can affect the amounts recognized in the consolidated financial statements.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

5. Financial instruments and risk management

a) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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The following table shows the classifications:

<u>Financial assets</u>	<u>Classification</u>
Cash	Amortized cost
Marketable securities	FVTPL
Reclamation bonds	Amortized cost
Accounts receivable excludes goods and services tax	Amortized cost

<u>Financial liabilities</u>	<u>Classification</u>
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Lease liability	Amortized cost
Warrant liability	FVTPL

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Consolidated Statements of Comprehensive Loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Consolidated Statements of Comprehensive Loss in the period in which they arise.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

b) Fair values

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are carried at amortized cost with the exception of marketable securities and warrant liabilities, which are carried at fair value. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as at December 31, 2022 and 2021 due to the short term nature of the instruments.

Financial instruments recorded at fair value on the Consolidated Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

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- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's marketable securities were considered to be classified as Level 1. Investment in warrants and warrant liabilities were classified as Level 3. There have been no changes between levels during the year.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's liabilities at December 31, 2022 and 2021 as presented in the Financial Statements are due within 12 months of the respective reporting dates.

As at December 31, 2022

	Carrying Amount	Contractual Obligation	Less than 12 months
Accounts payable and accrued liabilities	\$ 1,030,081	\$ 1,030,081	\$ 1,030,081
Due to related parties	85,438	85,438	85,438
Lease liability	16,792	16,792	16,792
	\$ 1,132,311	\$ 1,132,311	\$ 1,132,311

As at December 31, 2021

	Carrying Amount	Contractual Obligation	Less than 12 months	Between 1-3 years
Accounts payable and accrued liabilities	\$ 813,681	\$ 813,681	\$ 813,681	\$ -
Due to related parties	50,353	50,353	50,353	-
Lease liability	32,051	32,051	15,264	16,787
	\$ 896,085	\$ 896,085	\$ 879,298	\$ 16,787

d) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company's marketable securities is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada and US, accordingly the Company believes it is not exposed to significant credit risk.

f) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is nominally exposed to interest rate risk.

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g) Foreign exchange risk

The functional currency of the Company and its subsidiaries is US dollar. Most of the foreign exchange risk is related to Canadian dollar denominated financial instruments held by the Company.

The Company does not hedge its exposure to currency fluctuations. To manage this risk, the Company maintains only the budget amount of foreign cash required to fund its near-term exploration expenditures.

The US dollars equivalent balances denominated in Canadian dollars at December 31, 2022 and 2021 are as follows:

Rounded (000's)	December 31, 2022	December 31, 2021
Cash	\$ 672,000	\$ 265,000
Accounts receivable excludes sales taxes receivable	178,000	66,000
Accounts payable and accrued liabilities	(936,000)	(696,000)
Due to related parties	(4,000)	12,000
Lease liability	(17,000)	(32,000)
Warrant liabilities	(1,407,000)	(386,000)
	\$ (1,292,000)	\$ (771,000)

Based on the net exposure at December 31, 2022 and 2021, a 5% depreciation or appreciation in Canadian dollar against US dollar would result in a gain or loss of \$64,000 (2021 - \$49,000).

h) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

6. Amounts receivable

The Company's receivables arise from other receivable and goods and services tax from government taxation authority as follows:

	December 31, 2022	December 31, 2021
Goods and services tax	\$ 109,454	\$ 64,615
Share subscription receivable	73,833	–
Other receivable	2,595	1,300
	\$ 185,882	\$ 65,915

7. Marketable securities

As at December 31, 2022, the fair value of its current holdings was \$222,153 (December 31, 2021 - \$84,320) and the unfavorable change of fair value adjustment of \$79,959 for the year ended December 31, 2022 (December 31, 2021 – unfavorable change of fair value adjustment of \$410,825). The Company recognized a realized loss on disposition of marketable securities of \$68,934 (2021 – Gain of \$133,023).

The marketable securities are in level 3 fair value hierarchy. The fair value of the marketable securities on December 31, 2022 was estimated using the Binomial model with the following assumptions: risk-free interest rate of 4.06%; dividend yield of 0%; historical stock price volatility of 116%; and an expected life of 2.20 years.

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	IFRS 9 Fair Value Hierachy	December 31, 2022	December 31, 2021
Shares in a publicly traded company	Level 1	\$ 185,620	\$ -
Investment in warrants	Level 3	36,533	84,320
		\$ 222,153	\$ 84,320

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8. Exploration and evaluation assets

Property acquisition costs	Casa South, QC	East West, QC	Trecesson, QC	New York Canyon, NV	Troilus North, QC	Mindora, NV	Golden Arrow, NV	Buckskin Rawhide - East, NV	Buckskin Rawhide - West, NV	Koegel Rawhide, NV	Total
Balance as at											
January 1, 2021	\$ 527,235	\$ 402,557	\$ -	\$ 258,957	\$ 56,440	\$ 145,307	\$ 637,870	\$ 294,052	\$ 140,029	\$ 140,030	\$ 2,602,477
Acquisition Costs	1,913	37,670	208,228	-	-	45,000	25,000	-	-	-	317,811
(Royalty payment received)	-	-	-	-	-	-	-	(10,000)	-	-	(10,000)
Balance as at											
December 31, 2021	\$ 529,148	\$ 440,227	\$ 208,228	\$ 258,957	\$ 56,440	\$ 190,307	\$ 662,870	\$ 284,052	\$ 140,029	\$ 140,030	\$ 2,910,288
Balance as at											
January 1, 2022	\$ 529,148	\$ 440,227	\$ 208,228	\$ 258,957	\$ 56,440	\$ 190,307	\$ 662,870	\$ 284,052	\$ 140,029	\$ 140,030	\$ 2,910,288
Acquisition Costs	-	-	4,555	-	-	45,000	25,000	-	-	-	74,555
Disposal	-	(440,227)	-	-	-	-	-	-	-	-	(440,227)
(Royalty payment received)	-	-	-	-	-	-	-	(10,000)	-	-	(10,000)
Balance as at											
December 31, 2022	\$ 529,148	\$ -	\$ 212,783	\$ 258,957	\$ 56,440	\$ 235,307	\$ 687,870	\$ 274,052	\$ 140,029	\$ 140,030	\$ 2,534,616

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Exploration & Evaluation Expenditure	Casa South, QC	East West, QC	Trecesson, QC	New York Canyon, NV	Troilus North, QC	Other Prospects	Mindora, NV	Buckskin	Buckskin	Coegel	Total	
								Golden Arrow, NV	Rawhide - East, NV	Rawhide - West, NV		Rawhide, NV
Balance as at												
January 1, 2021	\$ 899,811	\$ 35,956	\$ 3,768	\$ 103,645	\$ 339,249	\$ 205,636	\$ 100,863	\$ 731,939	\$ 6,165	\$ 18,720	\$ 22,621	\$ 2,468,373
Claims Fee	17,023	4,050	-	-	-	-	57,963	87,612	-	3,774	6,429	176,851
Carrying Costs	7,766	2,905	-	384	-	-	-	162,404	-	-	-	173,459
General property search	568,480	260	-	11,754	-	3,140	154,229	427,345	-	-	15,748	1,180,956
Balance as at												
December 31, 2021	\$ 1,493,080	\$ 43,171	\$ 3,768	\$ 115,783	\$ 339,249	\$ 208,776	\$ 313,055	\$ 1,409,300	\$ 6,165	\$ 22,494	\$ 44,798	\$ 3,999,639
Balance as at												
January 1, 2022	\$ 1,493,080	\$ 43,171	\$ 3,768	\$ 115,783	\$ 339,249	\$ 208,776	\$ 313,055	\$ 1,409,300	\$ 6,165	\$ 22,494	\$ 44,798	\$ 3,999,639
Claims Fee	6,497	262	7,407	-	-	256	26,118	88,137	-	3,774	6,429	138,880
Carrying Costs	5,905	22,406	11,636	-	-	-	-	159,412	-	-	-	199,359
General property search	595,903	195	673,870	6,755	-	4,774	3,702	9,895	1,658	-	-	1,296,752
Balance as at												
December 31, 2022	\$ 2,101,385	\$ 66,034	\$ 696,681	\$ 122,538	\$ 339,249	\$ 213,806	\$ 342,875	\$ 1,666,744	\$ 7,823	\$ 26,268	\$ 51,227	\$ 5,634,630

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a) Golden Arrow Property, Nevada

The Company has a 100% interest in the Golden Arrow Property, an advanced stage exploration property, totaling 494 unpatented lode mining claims and 17 patented lode mining claims totaling about 10,000 acres. A total of 309 unpatented mining claims are owned and a total of 185 unpatented mining claims are leased.

On October 9, 2018, Emergent completed the acquisition of the 51% interest in the property and also exercised its option to earn 100% interest after completing the \$100,000 in aggregate cash payments and issuing Nevada Sunrise Gold Corporation a total of 5.0 million common shares of Emergent. At that time, the property consisted of 17 patented lode mining claims and 357 unpatented lode mining claims. As announced on January 12, 2021, Emergent staked an additional 137 unpatented mining claims.

Six unpatented claims are subject to an advance royalty payment of \$25,000 per year and a 3% NSR upon production (2% can be purchased for \$200,000). Three hundred and fifty-one unpatented mining claims are subject to a \$25,000 per year advance royalty payment and a 3% NSR upon production, of which 1% can be purchased for \$1 million. Seventeen patented mining claims are subject to a 1% NSR.

Advance royalty payments related to the six unpatented mining claims, for the years 2020, 2021 and 2022, totalling \$75,000 (\$25,000 per year) were accrued and capitalized as mineral property interests as at December 31, 2022.

b) New York Canyon Property, Nevada

On July 8, 2019, the Company completed a Claim Purchase Agreement with Searchlight Resources Inc. (TSXV: SCLT) giving it the option to acquire a 100% interest in the New York Canyon Property, subject to underlying royalties. The property included 21 patented mineral claims and 60 unpatented mining claims totalling about 1,500 acres. Sixty unpatented claims are subject to a 2% NSR, 1% which can be purchased for \$1 million. Eighteen patented claims are subject to a 1.75% NSR royalty capped at \$2 million and a \$0.50 per metric tonne royalty for decorative stone shipped or sold from the property capped at \$0.5 million. The Company completed the CDN\$50,000 in payment due at closing of the transaction and issued 2,941,176 common shares to Searchlight Resources Inc.

On November 15, 2019, the Company staked 92 additional claims, expanding the size of the property to 152 unpatented and 21 patented mineral claims.

As at December 31, 2019, the remaining commitment for completing the 100% interest acquisition included three payments of CDN\$100,000 each due to Searchlight. Pursuant to the Claim Purchase Agreement, the Company had the option of accelerating the acquisition. If the outstanding payments (3 x CDN\$100,000) were made on or before the 6-month anniversary of the closing of the Transaction, the Company would be entitled to a 25% discount on the outstanding balance, reducing the amount of the payment due to CDN\$225,000.

On March 11, 2020, Kennecott paid the remaining option payments of CDN\$225,000 on behalf of the Company for the acquisition of 100% interest in New York Canyon Property. The CDN\$225,000 payment was part of Kennecott's \$1.0 million committed expenditure required prior to the 18-month anniversary of the Agreement.

Kennecott Joint Venture Agreement

On February 7, 2020, the Company signed an Earn-In with Option to Joint Venture Agreement with Kennecott Exploration Company ("Kennecott"), a subsidiary of Rio Tinto PLC (NYSE: RIO) for the New York Canyon Property. Kennecott can earn up to a 75% interest in the Property by completing \$22.5 million in exploration expenditures. Kennecott staked 265 unpatented mineral claims, expanding the Property to 21 patented and 417 unpatented mineral claims, totaling approximately 8,700 acres.

Under the terms of the Earn-In with Option to Joint Venture between the Company and Kennecott:

1. Kennecott has an option (the "First Option") to acquire a 55% undivided interest in the Property by incurring \$5.0 million in expenditures over a 5-year period, of which \$1.0 million is a committed expenditure that must be completed prior to the 18-month anniversary of the Agreement.

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2. Kennecott has a second option (the "Second Option") to earn an additional 10% undivided interest in the Property (for a total of 65%) by incurring an additional \$7.5 million in expenditures within 8 years of the date the agreement was signed.
3. Kennecott will have a third option (the "Third Option") to earn an additional 10% undivided interest in the Property (for a total of 75%) by incurring an additional \$10 million in expenditures within 11 years of the date the Agreement was signed.
4. Any expenditure in excess of an option expenditure requirement in a given time period will be credited against subsequent option expenditure requirements. Kennecott may, at any time or from time to time, accelerate its satisfaction of the First, Second, or Third Option by paying the Company money in lieu of incurring expenditures.
5. While earning in, Kennecott will have the right to make exploration and development decisions.
6. Kennecott must maintain the Property in good standing during the option period(s), including payment of BLM and County maintenance fees and make any underlying property payments due to Searchlight.
7. Kennecott will have the right to elect to form a joint venture (the "Joint Venture") with the Company upon completion of either the First, Second, or Third Option. Upon establishing a Joint Venture each participant will fund the joint venture according to its participating interest, with Kennecott acting as the Manager of the joint venture. If a party's participating interest falls below 10%, then such parties participating interest will be converted to a 1% Net Smelter Royalty, capped at \$25 million.
8. As further consideration for the grant of Options, Kennecott agreed to make a payment of \$25,000 to Golden Arrow within forty-five (45) days of executing the Agreement (the "Execution Payment"). The Company received this payment in 2020.

Expenditures by Kennecott to Date

At year end 2022, Kennecott reported to Emergent that they has spent \$5.24 million in exploration expenditures. They have met the monetary expenditures to exercise the First Option, but have until February 7, 2025 to do so.

c) Mindora Property, Nevada

On June 15, 2019, Emergent and Nevada Sunrise LLC ("Nevada Sunrise") entered into a claim purchase agreement for the purchase of 12 unpatented mining claims ("Mindora Claims of Nevada Sunrise") owned by Nevada Sunrise by Emergent. The payment terms were later amended on December 23, 2019 as follows:

- \$25,000 due on or before December 31, 2019 (paid);
- \$25,000 due on or before February 29, 2020 (paid); and
- \$25,000 per year, for four years, with each payment due on subsequent anniversary dates of the signing date on June 15, 2019 (first, second, and third payment completed)

On June 15, 2019, Emergent and BL Exploration LLC ("BL") entered into a claim purchase agreement for the purchase of 18 unpatented mining claims ("Mindora Extension Property") owned by BL by Emergent. The payment terms was later amended on December 23, 2019 as follows:

Emergent would pay BL:

- Cash payment of \$50,000 (\$25,000 paid in fiscal 2019 and \$25,000 paid in fiscal 2020) for the total purchase price upon closing date;
- Grant of \$20,000 Advance Minimum Royalty ("AMR") per year and a 2% Net Smelter Royalty ("NSR") on the Mindora Extension Property; Any AMR shall be credited against future NSR payments. The AMR shall be due on each anniversary of the closing date on June 15, 2019; and Emergent would retain a first option to acquire half of the 2% NSR by making a payment of \$200,000 on or before the 5th anniversary of the Closing Date. AMR remains

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at \$20,000 per year.

If Emergent does not exercise the first option described above, Emergent would still retain a second option to acquire half of the 2% NSR by making a payment of \$500,000 after the 5th anniversary and before the 9th anniversary of the Closing Date. AMR remains at \$20,000 per year;

On December 17, 2020, Emergent announced that it has staked 117 unpatented claims at Mindora, expanding the property size to 147 unpatented claims totaling about 2,940 acres.

During the year ended December 31, 2022, the annual \$20,000 AMR payment was made to BL and a \$25,000 property payment was made to Nevada Sunrise.

d) Buckskin Rawhide East Property, Nevada

The Company has a 100% interest in the 48 unpatented mineral claims, totalling 960 acres, making up Buckskin Rawhide East Property. The claims are inlying claims to Rawhide Mining LLC's ("RMC") operating Rawhide Mien.

The Buckskin Rawhide Property is leased to RMC, owners of the Rawhide Mine, under the following terms:

1. The Lease Term is 20 years (start date of 01 June 2013)
2. Advance royalty payments will be \$10,000 per year, paid by RMC to Emergent, with the first payment due at signing and subsequent payments due on the anniversary of the Lease Agreement.
3. During the Lease Term, RMC will make all underlying claim fees to keep the claims in good standing.
4. RMC will conduct a minimum of \$250,000 in exploration activities by the end of Year 1.
5. RMC will conduct an additional minimum of \$250,000 in exploration activities by the end of Year 3, for a total of \$500,000 in exploration activities by the end of Year 3.
6. RMC will have the option of earning a 100% interest in the property by bringing it into commercial production.
7. Upon bringing the property into commercial production, RMC will make "Bonus Payments" to Emergent. Bonus Payments will be \$15 per ounce of gold when the price of gold ranges between \$1,200 per ounce and \$1,799 per ounce. If the price of gold exceeds \$1,800 per ounce, the Bonus Payment will increase to \$20 per ounce.
8. After meeting its exploration requirements, should RMC subsequently elect to drop the property or decide not to advance it, the property will be returned to Emergent. Should Emergent subsequently advance the property into production, RMC shall then be entitled to the same type of Bonus Payments as contemplated in 7 above.

Under the terms of the lease agreement, RMC was to complete \$500,000 in exploration related expenditures on the property by the third anniversary or June 1, 2016. However, as at June 1, 2016, RMC had completed only \$325,000 in exploration activities on the property.

On June 1, 2016, RMC and Emergent mutually agreed to amend the original Lease Agreement whereby RMC would pay Emergent \$175,000, in seven quarterly payments of \$25,000, starting June 1, 2016, to keep the Lease Agreement in good standing. These payments were in lieu of completing the additional \$175,000 in exploration work required in the original Lease Agreement.

Emergent received the \$10,000 annual advance royalty payment for the Buckskin Rawhide Property from RMC during the year ended December 31, 2022 (2021 - \$10,000).

e) Buckskin Rawhide West Property, Nevada

The Company has a 100% interest acquisition in the Buckskin Rawhide West Property. On February 6, 2012, the Company entered a Lease and Option to Purchase Agreement with Jeremy C. Wire to acquire the PC and RH mineral claims, located 0.3 miles west of Emergent's Buckskin Rawhide Property. Pursuant to the lease agreement, advance royalty payments or equivalent aggregate value in common shares having an equivalent market value were paid/issued to Jeremy C. Cash payment of \$5,000 was paid and common shares of \$5,000 was issued in 2012. Common shares of

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\$10,000 were issued each year during 2013, and 2014, \$20,000 in year 2015, and \$30,000 each year in 2016, 2017, and 2018 (total \$140,000) completed the acquisition of the property. The property is subject to a 2% Net Smelter Royalty, which can be purchased at any time for \$1.0 million.

f) Koegel Rawhide, Nevada

Emergent has a 100% interest in the Koegel Rawhide Property. The property consists of the RHT and GEL claims, 19 unpatented lode mining claims totalling 380 acres, acquired from Jeremy C. Wire. On February 13, 2013, the Company entered a Lease and Option to Purchase Agreement with Jeremy C. Wire to acquire the RHT and GEL mineral claims, located 4.0 miles south of Emergent's Buckskin Rawhide East Property. Pursuant to the lease agreement, advance royalty payments or equivalent aggregate value in common shares having an equivalent market value were paid/issued to Jeremy C. Wire. Cash payment of \$5,000 was paid and common shares of \$5,000 was issued in 2012. Common shares of \$10,000 were issued each year during 2013, and 2014, \$20,000 in year 2015, and \$30,000 each year in 2016, 2017, and 2018 (total \$140,000) completed the acquisition of the property. The property is subject to a 2% Net Smelter Royalty, which can be purchased at any time for \$1.0 million.

In addition, Emergent staked 17 additional unpatented lode claims totalling 340 acres. In total, the 36 unpatented lode claims totalling 720 acres make up the Property.

g) Casa South Property, Quebec

The Company has a 100% interest in the Casa South Property, an early-stage exploration property consisting of 204 mining titles covering a total of 11,400 hectares. It is adjacent to Hecla Mining Corporation's (NYSE: HL) operating Casa Berardi Mine.

On March 20, 2019, the Company closed the acquisition of the option to acquire up to a 91% interest in the property by obtaining final Exchange approval, by completing the first option payment of CDN\$75,000 to the Vendors, and by making the share payment required under the Amended Assignment Agreement to the finder.

The Company issued 807,692 common shares for settling CDN\$52,500 finder's fee related to the acquisition of the mineral claims of Casa South, Quebec.

On June 13, 2019, Emergent announced it had amended the option agreement to allow it to acquire a 100% interest in the property. On July 29, 2019, the Company issued 4,000,000 units to the vendors of Casa South Property, Quebec whereby each unit consists of one common share and one-half share purchase warrant exercisable at CDN\$0.25/unit with a 2-year expiry term.

On February 5, 2020, Emergent announced that it expanded the property with the addition of 24 mineral claims totaling approximately 1,320 ha (3,260 ac) bringing the total of the property consisting of 204 claims for payments totaling \$26,111.

The property is subject to a 1.5% NSR, of which 0.5% can be purchased by Emergent for CDN\$500,000.

h) Trecesson Property, Quebec

On September 27, 2021, the Company announced it had acquired a 100% interest in the Trecesson Property through a Commercial Proposal made under the Canadian Bankruptcy and Insolvency Act from Knick Exploration Inc. The property consisted of 50 mineral claims totaling 1,820 ha. It is located 13 km west of Amos, Quebec. The property is partially subject to underlying royalties to Exploration Carat, Group Leblanc, and Robert-Audet, each a 2% NSR applicable to separate individual claims blocks. Emergent may buy back 1% of each NSR for CDN\$1.0 million at any time.

In November 2021, the Company staked an additional 6 claims totalling 83.26 ha. In December 2022, the Company staked an additional 6 claims totalling 139.47 ha. In December 2022, the Company announced the acquisition of 9 claims totalling 147.312 ha from 9210-8845 Quebec Inc. for \$4,555 (CDN\$6,000). The property currently consists of 71 mineral claims totalling 2,181 ha.

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i) Troilus North Royalty Interest, Quebec

In December 2018, Troilus Gold acquired the Troilus North property from the Company for CDN\$250,000 in cash and 3.75 million Troilus Gold common shares. Two underlying royalties remained on the property (the "Troilus North Royalties"), including a 1% NSR granted to CAT Strategic Metals (formerly Chimata Gold Corporation) (CSE: CAT) ("CAT").

On December 9, 2019, the Company and CAT completed the assignment agreement whereby CAT assigned its rights in the Troilus North Royalty to the Company for a cash payment of CDN\$75,000 (paid). Troilus Gold retains first option to acquire this 0.5% of this royalty for a cash payment of CDN\$500,000 and a second option to acquire the remaining 0.5% of this royalty for an additional cash payment of CDN\$500,000. On April 29, 2020, the above assignment transaction was approved by TSX Venture Exchange.

j) East West Property Royalty, Quebec

On December 6, 2019, Emergent signed a Claim Purchase and Option Agreement giving the Company the option (the "First Option") to acquire up to a 50% interest in the East-West Property, Quebec (the "Property") from a private individual (the "Vendor"). The remaining 50% interest in the Property is owned by Knick Exploration Inc. ("Knick") (TSXV: KNX). Emergent has also acquired a second option (the "Second Option") to increase its ownership in the Property to 55%.

The Vendor granted Emergent the First Option to acquire 50% ownership and title to the claims comprising the Property and all rights under pursuant to a sale agreement between the Vendor and Knick dated November 27, 2018, as amended on November 29, 2019 (together, the "Sale Agreement"). In exchange, Emergent agreed to pay the Vendor:

- 4,000,000 common shares in the share capital of Emergent (the "Share Consideration") (issued to the Vendor on January 3, 2020 the Closing Date);
- CDN\$35,000 to be paid to the Vendor upon the three-month anniversary of the Closing Date;
- CDN\$50,000 to be paid to the Vendor upon the six-month anniversary of the Closing Date; and
- CDN\$50,000 to be paid to the Vendor upon the nine-month anniversary of the Closing Date.

On May 5, 2020, the Company paid CDN\$35,000 to the Vendor. On July 9, 2020, Emergent paid the remaining CDN\$100,000 to the Vendor, exercised its option to acquire a 50% interest in the claims, and subsequently transferred the 50% interest in the claims from the Vendor into Emergent's name. The completion of the acquisition of the 50% interest was announced by press release on November 11, 2020.

On September 24, 2021, the Company has completed the acquisition of a 50% interest in the East-West Property and 100% interest in the Trecesson Property, both located in Quebec, from Knick Exploration Inc. The Transaction was completed as part of a Commercial Proposal made under the Canadian Bankruptcy and Insolvency Act by Knick with its creditors. The Proposal was agreed to by a vote of creditors and subsequently approved by the Superior Court of Quebec, Abitibi District. The Company paid the Trustee \$126,183 or CDN\$160,000 in return for Knick's interest in the properties. In addition, operations loans totaling \$78,864 or CDN\$100,000 advanced to Knick are considered as part of the acquisition cost of the East-West Property and Trecesson Properties by the Company.

The acquisition costs incurred during the year ended December 31, 2021 totaling \$245,898 (CDN\$295,801) consist of (i) \$126,183 (CDN\$160,000) payment made to the Trustee per above, (ii) \$78,864 (CDN\$100,000) forgiveness of the operation loans advanced to Knick of cash, (iii) \$12,303 capitalized operation loans interest from Knick and (iii) \$28,548 (CDN\$35,801) legal and professional fees related to the acquisition.

During fiscal 2020, the Company advanced \$114,192 (CDN\$150,000) to a consultant related to the transaction of the East-West Property acquisition. These advances remained unused after the completion of the East-West Property acquisition as at December 31, 2022. The Company and the consultant agreed on utilizing these advances for future property acquisition.

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On May 3, 2022, the Company completed the sale of the 100% of its interests, rights and title to its East-West Property, Quebec to O3 Mining Inc. ("O3") (TSXV:OIII). The consideration for O3 to acquire the Company's interest in the East West Property was consisted of:

- (i) Cash consideration of \$583,793 (CDN\$750,000) at closing (CDN\$750,414 were received in May 2022);
- (ii) Issuance of 325,000 O3's common shares to the Company at closing (325,000 O3's common shares were received in May 2022);
- (iii) Grant of 1% net smelter returns ("NSR") royalty to the Company over the East West Property in favour of the Company (the "Royalty"), which shall be subject to a buy-back right in favor of O3 (the "Buy-Back Right"), whereby O3 may elect to buy back the Royalty for: (a) CDN\$500,000 if the Buy-Back Right is exercised within the first three years from the date of the Definitive Agreement (as defined herein); (b) CDN\$1,000,000 if the Buy-Back Right is exercised within the fourth and fifth years from the date of the Definitive Agreement. For greater certainty, subsequent to the fifth anniversary date of a Definitive Agreement for the Transaction, the Royalty will no longer be subject to the Buy-Back Right. The Transaction is subject to due diligence by O3, completion of a Definitive Agreement, and any necessary regulatory approvals.

During the year ended December 31, 2022, \$693,271 for the gain on disposition of assets were recognized as a result of the disposition of the Property.

9. Related party transactions

Related party transactions and balances not disclosed elsewhere in the consolidated financial statements are as follows:

Name and Principal Position	Year ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾
	2022	\$ 120,000
David Watkinson, CEO and President – salary	2021	\$ 120,000
	2022	\$ 78,000
David Watkinson, CEO and President – benefits and allowance	2021	\$ 78,000
	2022	\$ –
David Watkinson, CEO and President – Share-based compensation	2021	\$ –
	2022	\$ 120,000
Robert Rosner, CFO and director – management fees	2021	\$ 120,000
	2022	\$ –
Robert Rosner, CFO and director – Share-based compensation	2021	\$ –
	2022	\$ –
Andrew MacRitchie, Director – Share-based compensation	2021	\$ –
	2022	\$ –
Vincent Garibaldi, Director – Share-based compensation	2021	\$ –
	2022	\$ –
Julien Davy, Director – Share-based compensation	2021	\$ –
	2022	\$ 33,445
Vancouver Corporate Solutions Inc., Corporate Secretary – Consulting fees	2021	\$ 8,353

(i) For the years ended December 31, 2022 and 2021.

(ii) Amounts disclosed were paid or accrued to the related party.

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The following table reports amounts included in due to related parties.

	December 31, 2022	December 31, 2021
David Watkinson, the CEO	\$ 41,883	\$ 22,096
Robert Rosner, the CFO	43,555	28,257
	\$ 85,438	\$ 50,353

All related party balances are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

10. Share capital

As required by IFRS, all references to share capital, common shares outstanding and per share amounts in these consolidated financial statements and the accompanying notes have been restated retrospectively to reflect the March 17, 2022, for 1 for 10 share consolidation. The Company's outstanding options and warrants were adjusted on the same basis as the common shares, with proportionate adjustment being made to the exercise prices.

a) Authorized

Unlimited - Number of common shares without par value. Unlimited - Number of preference shares without par value.

b) Common shares, issued and fully paid

During the year ended December 31, 2022:

On March 17, 2022, the Company completed a consolidation (the "Consolidation") of the Company's issued and outstanding common shares on the basis of ten (10) pre-Consolidation shares for one (1) post-Consolidation share.

On May 31, 2022, the Company completed a non-flow-through private placement with an issuance of 5,813,666 units at CDN\$0.12/unit for gross proceeds of \$551,591 (CDN\$697,640). Each unit consists of one common share and one share purchase warrant exercisable at CDN\$0.15 per share with a 2-year expiry term.

On October 21, 2022, the Company completed the first tranche of a non-brokered private placement of 3,065,000 units at a price of CDN\$0.20 per unit for gross proceeds of \$447,030 (CDN\$613,000). Each unit will consist of one common share and one whole transferable common share purchase warrant. Each whole warrant will be exercisable to acquire one share at an exercise price of CDN\$0.26 per share for a period of 24 months from the date of issuance.

In relation to the private placement, finders' fees of \$24,758 (CDN\$33,950) were paid in cash and 169,750 share purchase warrants were issued to finders of this financing.

On November 30, 2022, the Company completed the second tranche of a non-brokered private of 1,500,000 at a price of CDN\$0.20 per unit for gross proceeds of \$222,100 (CDN\$300,000). Each unit will consist of one common share and one whole transferable common share purchase warrant. Each whole warrant will be exercisable to acquire one share at an exercise price of CDN\$0.26 per share for a period of 24 months from the date of issuance.

In relation to the private placement, finders' fees of \$1,296 (CDN\$1,750) were paid in cash and 8,750 share purchase warrants were issued to finders of this financing.

In addition, the Company has paid additional share issuance costs of \$22,325 related to non flow-through private placements.

On December 12, 2022, the Company completed a non-brokered flow through private placement of 3,173,450 units (the "FT Units") at a price of CDN\$0.32 per unit for gross proceeds of \$743,523 (CDN\$1,015,504). Each FT Unit will consist of one common share and one half transferable common share purchase warrant. Each whole warrant will be exercisable

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to acquire one share at an exercise price of CDN\$0.45 per share for a period of 24 months from the date of issuance.

In relation to the private placement, finders' fees of \$59,042 (CDN\$90,640) were paid in cash and 252,000 share purchase warrants were issued to finders of this financing.

In addition, the Company has paid additional share issuance costs of \$12,968 related to flow-through private placement.

As of December 31, 2022, the Company has outstanding subscription receivable of \$73,833, which has been received subsequent to year ended December 31, 2022.

During the year ended December 31, 2021:

On March 15, 2021, the Company returned 35,000 common shares to the treasury due to the non-payment of private placement subscription on September 18, 2020.

On July 16, 2021, the Company issued 1,000,000 flow-through units at CDN\$0.8/unit for gross proceeds of CDN\$800,000 including 1,000,000 common shares and 500,000 warrants exercisable at CDN\$1.00 per share with an expiry date on July 16, 2023. CDN\$60,000 cash finders fee were paid. 750,000 finders warrants exercisable at CDN\$1.00 per share with an expiry date on July 16, 2023 were issued.

On August 10, 2021, the Company issued 50,000 flow-through units at CDN\$0.80/unit for gross proceeds of CDN\$40,000 including 50,000 common shares and 25,000 warrants exercisable at CDN\$1.00 per share with an expiry date on August 10, 2023.

c) Stock options

The Company has a rolling stock option plan for its directors and employees to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. The maximum aggregate number of common shares reserved for issuance pursuant to the plan is 10% of the issued and outstanding common shares.

Stock option activities during the years ended December 31, 2022 and 2021 are summarized as follows:

STOCK OPTION ACTIVITY	December 31, 2022	Weighted average exercise price (CDN\$)	December 31, 2021	Weighted average exercise price (CDN\$)
Options Outstanding and Exercisable				
Balance – beginning and end of year	1,257,500	\$ 1.10	1,257,500	\$ 1.10

Details of stock options outstanding as at December 31, 2022 are as follows:

Expiry Date	Exercise Price (CDN\$)	December 31, 2022	Weighted Average Remaining Life
November 19, 2023	\$1.50	260,000	0.88
May 17, 2024	\$2.00	102,500	1.38
January 30, 2025	\$0.90	300,000	2.08
November 30, 2025	\$0.90	595,000	2.92
		1,257,500	2.17

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d) Warrants

Share purchase warrants (including finders' warrants and private placement subscribers' warrants) activity during the years ended December 31, 2022 and 2021 are summarized as follows:

SHARE PURCHASE WARRANT ACTIVITY	December 31, 2022		December 31, 2021	
		Weighted average exercise price (CDN\$)		Weighted average exercise price (CDN\$)
Warrants Outstanding and Exercisable				
Balance – beginning of year	7,002,955	\$ 1.07	7,167,701	\$ 1.10
Granted	12,395,891	0.24	600,000	1.00
Cancelled	–	–	(35,000)	1.20
Expired/Forfeited	(6,402,955)	1.08	(729,746)	1.80
Balance – end of year	12,995,891	\$ 0.27	7,002,955	\$ 1.07

Details of share purchase warrants outstanding (including finders' warrants and private placement subscribers' warrants) as at December 31, 2022 are as follows:

Expiry Date	Exercise Price (CDN\$)	December 31, 2022	Weighted Average Remaining Life
December 12, 2024	\$0.45	1,838,725	1.95
November 30, 2024	\$0.26	1,508,750	1.92
October 21, 2024	\$0.26	3,234,750	1.81
May 31, 2024	\$0.15	5,813,666	1.42
August 10, 2023	\$1.00	25,000	0.61
July 16, 2023	\$1.00	575,000	0.54
		12,995,891	1.61

Movement related to the warrant liability resulted from the private placement subscribers' warrants (finders warrants are excluded from derivative liability calculation), for warrants priced in Canadian dollars, is as follows:

WARRANT LIABILITY (WARRANTS PRICED IN CANADIAN DOLLARS)	December 31, 2022		December 31, 2021	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
Balance – beginning of year	6,640,783	\$ 385,708	6,622,450	\$ 2,082,156
Issued	11,965,391	1,193,204	525,000	107,508
Exercised	–	–	–	–
Cancelled	–	–	–	–
Expiration and Fair value adjustments	(6,115,783)	(172,143)	(506,667)	(1,803,956)
Balance – end of year	12,490,391	\$ 1,406,769	6,640,783	\$ 385,708

During the year ended December 31, 2022, the Company recorded warrant liability with fair value of \$1,193,204 arisen from new issuance (December 31, 2021 - \$107,508). These were 11,965,391 subscribers' warrants with an exercise price of ranging from CDN\$0.15 to CDN\$0.45 (Note 10(b)).

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The subscribers' warrants granted initially on the grant dates in fiscal year 2022 use the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 2.67% - 4.16%, volatility factors of 127% - 134% and an expected life of 2 years.

The subscribers' warrants granted during the year ended December 31, 2022 were subsequently re-valued on the Company's reporting dates using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 4.06% - 4.47%, volatility factors of 126% - 131% and an expected life of 6 months – 23 months.

The subscribers' warrants granted initially on the grant dates in fiscal year 2021 using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 0.43% – 0.48%, volatility factors of 117% - 118% and an expected life of 2 years.

The subscribers' warrants granted during the year ended December 31, 2021 were subsequently re-valued on the Company's reporting dates using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 0.91%, volatility factors of 127% - 128% and an expected life of 18 months – 19 months.

A fair value adjustment to reduce warrant liability of \$172,143 has been recorded for the year ended December 31, 2022 (December 31, 2021 – \$1,803,956). As at December 31, 2022, the Company had a warrant liability in the amount of \$1,406,769 (December 31, 2021 - \$385,708).

11. Equipment

	Equipment	Computer	Vehicle	Total
Cost				
Balance, December 31, 2022, 2021 and 2020	\$ 58,785	\$ 51,802	\$ 43,210	\$ 153,797
Accumulated Amortization				
Balance, December 31, 2020	\$ 28,123	\$ 47,312	\$ 4,321	\$ 79,756
Additions	6,132	1,347	7,778	15,257
Balance, December 31, 2021	34,255	48,659	12,099	95,013
Additions	4,906	943	6,222	12,071
Balance, December 31, 2022	\$ 39,161	\$ 49,602	\$ 18,321	\$ 107,084
Net Carrying Amount				
Balance, December 31, 2021	\$ 24,530	\$ 3,143	\$ 31,111	\$ 58,784
Balance, December 31, 2022	\$ 19,624	\$ 2,200	\$ 24,889	\$ 46,713

12. Flow-through shares premium liability

A summary of the changes in the Company's flow-through share premium liability was as follows:

Flow-through Share Premium Liability	December 31, 2022	December 31, 2021
Balance - beginning of the year	\$ 52,910	\$ 91,633
Issuance	70,736	58,876
Foreign exchange	2,790	389
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(52,788)	(97,988)
Balance - end of the year	\$ 73,648	\$ 52,910

Summary of renunciations related to the tranches for flow through share issuances during the year ended December 31, 2022 are as follows:

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During the year ended December 31, 2022, CDN\$1,692,570 expenditures were spent in relation to the flow through shares issued during the years ended December 31, 2022, 2021 and 2020.

Tranche 1 flow through share issued on September 18, 2020 for gross proceeds of CDN\$ 1,041,000

As of the December 31, 2022, the gross proceeds of CDN\$ NIL remained unspent.

Tranche 1 flow through share issued on July 16, 2021 for gross proceeds of CDN\$ 800,000

As of the December 31, 2022, the gross proceeds of CDN\$ NIL remained unspent.

Tranche 1 flow through share issued on August 10, 2021 for gross proceeds of CDN\$ 40,000

As of the December 31, 2022, the gross proceeds of CDN\$ 38,182 remained unspent and will need to be incurred prior to the year ended December 31, 2023.

Tranche 1 flow through share issued on December 12, 2022 for gross proceeds of CDN\$ 1,015,504

As of the December 31, 2022, the gross proceeds of CDN\$ 1,015,504 remained unspent and will need to be incurred prior to the year ended December 31, 2023.

13. Leases – right of use assets and lease liabilities

Right-of-use assets

2019 Office Lease

The Company leases a corporate office in Vancouver, BC from third parties under lease agreements on November 1, 2019 and the lease expires on October 31, 2022.

Effective October 1, 2020, the original lease term has been shortened to March 31, 2021. The modification of the lease term resulted in the reduction of the Right-of-use assets by \$38,007 (CDN\$50,519) and lease liability by \$40,962 (CDN\$54,447) and resulted in the recognition of a gain of \$2,955 (CDN\$3,928) in fiscal 2021.

2021 Office Lease

In addition to the old office lease commitment ended March 31, 2021, the Company entered into a 3-year lease agreement for new office space in Vancouver on January 1, 2021. There are arrangements with other companies that share rent and office expense on a cost-recovery basis. The Company recognized the corresponding Right-of-use asset at inception of the lease in the amount of \$43,597 (CDN\$58,832) related to the 2021 Office Lease in accordance with IFRS 16.

A summary of the changes in the right-of-use assets for the year ended December 31, 2022 is as follow:

Right-of-use assets		
Balance at January 1, 2021	\$	11,986
Addition		43,597
Depreciation		(25,749)
Balance at December 31, 2021	\$	29,834
Balance at January 1, 2022	\$	29,834
Depreciation		(14,680)
Balance at December 31, 2022	\$	15,154

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Lease liabilities

2019 Office Lease

On November 1, 2019, the Company entered into lease agreement which resulted in the lease liability of \$72,752 (undiscounted value of \$111,600, discount rate used is 15.95%). This liability represents the monthly lease payment from November 1, 2019 to October 31, 2022, the end of the lease term. The lease term was subsequently modified to expire on March 31, 2021.

2021 Office Lease

In addition to the old office lease commitment ended March 31, 2021, the Company entered into a 3-year lease agreement for new office space in Vancouver on January 1, 2021. There are arrangements with other companies that share rent and office expense on a cost-recovery basis. The Company recognized the lease liability at inception of the lease in the amount of \$43,597 (CDN\$57,448) with an incremental borrowing rate of 15.95% related to the 2021 Office Lease in accordance with IFRS 16.

A summary of changes in lease liabilities during the years ended December 31, 2022 and 2021 is as follows:

Lease liabilities	
Balance at January 1, 2021	\$ 7,129
Addition	43,597
Lease payment on principal portion	(23,988)
Lease liability accretion expense	5,633
Foreign exchange difference	(320)
Balance at December 31, 2021	\$ 32,051
Balance at January 1, 2022	\$ 32,051
Addition	–
Lease payment on principal portion	(14,400)
Lease payments on interest portion	(3,845)
Lease liability accretion expense	3,845
Foreign exchange difference	(859)
Balance at December 31, 2022	\$ 16,792
Current portion	\$ 16,792
Long term portion	\$ –
Future lease payments	
2023	19,271
Total undiscounted lease payments	19,271
Less: imputed interest	(2,479)
Total carry value of lease obligations	\$ 16,792

14. Capital disclosures

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

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to sustain future development of the business. The Company defines capital that it manages as share capital.

Management reviews its capital management approach on an on-going basis and believes that this approach is reasonable and appropriate relative to the size of the Company.

The Company is in the business of mineral exploration and has no source of operating revenue. Operations are financed through the issuance of capital stock or liability instruments, or through the sale of property, plant, and equipment. Capital raised is held in cash in an interest-bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year ended December 31, 2022.

15. Segmented disclosure

The Company operates in one operating segment, which is acquisition, and exploration of mineral properties. The following provides segmented disclosure on the non-current assets:

SEGMENT DISCLOSURE (ROUNDED TO 000s)	Canada	United States	Total
December 31, 2022			
Long-term Assets			
Advance payments for assets acquisition	\$ 114,000	\$ –	\$ 114,000
Deposit	\$ –	\$ 4,500	\$ 4,500
Exploration and Evaluation Assets	\$ 798,000	\$ 1,737,000	\$ 2,535,000
Equipment	\$ –	\$ 47,000	\$ 47,000
Right-of-use asset	\$ 15,000	\$ –	\$ 15,000
December 31, 2021			
Long-term Assets			
Advance payments for assets acquisition	\$ 118,000	\$ –	\$ 118,000
Deposit	\$ –	\$ 4,500	\$ 4,500
Exploration and Evaluation Assets	\$ 1,234,000	\$ 1,676,000	\$ 2,910,000
Equipment	\$ –	\$ 59,000	\$ 59,000
Right-of-use asset	\$ 30,000	\$ –	\$ 30,000

16. Commitment

The Company has commitment related to the issuance of flow through shares. See Note 12 for a discussion of flow through expenditure commitments related to exploration assets.

17. Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of comprehensive loss as at December 31, 2022 and 2021. The presentation of the prior year income tax note has been updated to conform with the current year presentation.

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	December 31, 2022	December 31, 2021
Net loss and comprehensive loss for the year	\$ (1,570,883)	\$ (720,677)
Statutory income tax rate	27%	27%
Expected income tax (recovery)	(424,138)	(194,583)
Non-deductible (non-taxable) items and others	14,893	29,699
Change in estimates	-	304,422
Share issuance cost	-	(17,267)
Warrant liability	(46,479)	(487,068)
Loss expired	-	43,273
Tax effect of flow-through shares	371,579	129,992
Foreign exchange and other	282,479	(85,507)
Change in deferred tax asset not recognized	(198,334)	277,039
Provision for income taxes	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes.

Deferred tax asset (liabilities) at December 31, 2022 and 2021 are comprised of the following:

	December 31, 2022	December 31, 2021
Non capital loss carryforwards	4,091	8,055
Right-of-use assets	(4,091)	(8,055)
Net operating loss carryforwards	15,173	15,235
Equipment	(13,072)	(13,734)
Exploration and evaluation assets	(2,101)	(1,501)
	\$ -	\$ -

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The unrecognized deductible temporary differences are as follows:

	December 31, 2022	December 31, 2021
Canada		
Non-capital loss carryforwards	\$ 9,542,411	\$ 11,775,466
Exploration and evaluation assets	6,720,607	7,994,220
Equipment	6,166	6,587
Investment tax credit	18,299	19,549
Marketable securities	278,952	160,798
Lease liability	16,846	32,051
Financing cost	318,895	325,652
Unrecognized deductible temporary differences	\$ 16,902,176	\$ 20,314,323
USA		
Federal net operating loss carryforwards	\$ 26,673,590	\$ 26,333,086
California net operating loss carryforwards	15,503,543	14,685,325
Equipment	67,584	70,701
Exploration and evaluation assets	1,651,608	1,475,074
Unrecognized deductible temporary differences	\$ 43,896,325	\$ 42,564,186

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of \$9,542,411 (2021 – \$11,775,466), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2026	\$ 535,273
2027	1,360,737
2028	859,627
2029	828,930
2030	534,854
2031	588,768
2032	788,480
2033	163,875
2035	107,221
2036	61,254
2037	69,880
2038	537,778
2039	1,132,274
2040	1,255,548
2041	510,894
2042	207,018
Total	\$ 9,542,411

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The Company has net operating loss carryforwards of \$26,673,590 (2021 - \$26,333,086) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

Year of Expiry	Taxable Loss
2023	198,205
2024	1,633,085
2025	1,056,097
2026	1,063,847
2027	1,441,550
2028	1,999,239
2029	1,334,762
2030	1,700,442
2031	1,721,728
2032	1,336,369
2033	1,317,217
2034	1,271,214
2035	1,017,605
2036	6,572,916
2037	167,646
No expiry	2,841,668
Total	\$ 26,673,590

The Company has California net operating loss carryforwards of \$15,503,543 (2021 - \$14,685,325) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

Year of Expiry	Taxable Loss
2028	\$ 1,923,102
2029	1,317,153
2030	1,693,164
2031	1,712,443
2032	1,329,706
2033	1,288,308
2034	1,272,174
2035	1,018,039
2036	860,704
2037	166,559
2038	646,464
2039	553,552
2040	257,887
2041	664,940
2042	799,348
Total	\$ 15,503,543

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18. Events after the reporting period

Adoption of new stock option plan and grant of stock options

On January 4, 2023, the Company announced that in order to align with the TSX Venture Exchange's Policy 4.4 *Security Based Compensation*, it has adopted a new 10% rolling stock option plan (the "New Stock Option Plan") in place of its current stock option plan. The New Stock Option Plan is subject to approval by the shareholders at the 2023 annual shareholders meeting and final TSXV approval.

Subject to approval by the shareholders at the 2023 annual shareholders meeting, the Company has granted an aggregate of 1.3 million incentive stock options (the "Options"), pursuant to the New Stock Option Plan, to directors, officers, employees, and consultants of the Company. The Options are exercisable at a price of C\$0.25 per common share for a period of 5 years from the date of grant. All Options will vest on the following schedule: (a) 34% on January 4, 2023; (b) 33% on January 4, 2024; and (c) 33% on January 4, 2025.