



**Spanish Mountain
Gold Ltd.**

SPANISH MOUNTAIN GOLD LTD.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Six months ended June 30, 2024 and 2023

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Spanish Mountain Gold Ltd. for the interim periods ended June 30, 2024 and 2023, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Smythe LLP, have not performed a review of these unaudited condensed interim consolidated financial statements.

August 28, 2024

SPANISH MOUNTAIN GOLD LTD.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

| | Note | June 30, 2024 | December 31, 2023 |
|---|---------|-------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 14(a) | 4,171,401 | 3,307,002 |
| Accounts receivable | 5 | 154,867 | 150,293 |
| Prepaid expenses | 6 | 67,962 | 127,689 |
| | | 4,394,230 | 3,584,984 |
| Mineral property | 7,12,13 | 94,455,860 | 92,508,138 |
| Property and equipment | 8 | 1,005,220 | 1,059,511 |
| Deposits for reclamation | 7 | 91,000 | 91,000 |
| Rent deposit | 11 | 10,444 | 10,444 |
| Total assets | | 99,956,754 | 97,254,077 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9, 13 | 671,466 | 404,755 |
| Current portion of lease liability | 11 | 62,562 | 59,885 |
| | | 734,028 | 464,640 |
| Flow-through premium liability | 10 | 212,831 | - |
| Lease liability | 11 | 199,003 | 230,960 |
| Total liabilities | | 1,145,862 | 695,600 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 12(b) | 115,485,750 | 112,624,685 |
| Reserves | | 1,027,431 | 592,621 |
| Deficit | | (17,702,289) | (16,658,829) |
| Total shareholders' equity | | 98,810,892 | 96,558,477 |
| Total liabilities and shareholders' equity | | 99,956,754 | 97,254,077 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Richard Oraziotti"
Director

/s/ "Lembit Janes"
Director

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

SPANISH MOUNTAIN GOLD LTD.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars, except number of shares)

| | | Three months ended | | Six months ended | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | Note | 2024 | June 30, 2023 | 2024 | June 30, 2023 |
| | | \$ | \$ | \$ | \$ |
| Expenses | | | | | |
| Consulting | | 45,338 | 33,770 | 110,433 | 37,520 |
| Depreciation | 8 | 18,749 | 17,826 | 37,482 | 39,571 |
| Investor relations, travel and filing fees | | 90,767 | 52,740 | 194,339 | 72,935 |
| Legal and accounting | 13 | 78,681 | 37,202 | 239,373 | 181,871 |
| Office and administrative | | 109,056 | 22,791 | 158,741 | 42,905 |
| Salaries and wages | 13 | 170,141 | 110,331 | 304,022 | 470,551 |
| Share-based compensation | 13 | 227,184 | 31,401 | 233,824 | 82,317 |
| | | 739,916 | 306,061 | 1,278,214 | 927,670 |
| Other income (expense) | | | | | |
| Amortization of flow-through premium liability | 10 | 22,919 | - | 22,919 | - |
| Interest expense | 11 | (3,398) | (4,104) | (6,977) | (8,301) |
| Interest income | | 23,644 | 32,716 | 57,835 | 51,138 |
| Other income | | 39,017 | - | 39,017 | - |
| Net loss before income tax recovery | | (657,734) | (277,449) | (1,165,420) | (884,833) |
| Deferred income tax recovery | 16 | - | 2,914 | - | 204,887 |
| Net loss and comprehensive loss | | (657,734) | (274,535) | (1,165,420) | (679,946) |
| Loss per share: | | | | | |
| Basic and diluted | | (0.00) | (0.00) | (0.00) | (0.00) |
| Weighted average number of common shares: | | | | | |
| Basic and diluted | | 378,161,164 | 357,711,156 | 375,549,072 | 349,807,264 |

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

SPANISH MOUNTAIN GOLD LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

| | Six months ended | |
|---|--------------------|--------------------|
| | 2024 | June 30, 2023 |
| | \$ | \$ |
| Operating activities | | |
| Net loss and comprehensive loss for the period | (1,165,420) | (679,946) |
| Adjustments for: | | |
| Depreciation | 37,482 | 39,571 |
| Share-based compensation | 233,824 | 82,317 |
| Interest expense | 6,977 | 8,301 |
| Interest income | (46,693) | - |
| Amortization of flow-through premium liability | (22,919) | - |
| Deferred income tax recovery | - | (204,887) |
| Changes in non-cash working capital: | | |
| Accounts receivable | 42,119 | 13,167 |
| Prepaid expenses | 59,727 | (51,954) |
| Rent deposit | - | 6,818 |
| Accounts payable and accrued liabilities | (187,865) | (999,468) |
| Cash used in operating activities | (1,042,768) | (1,786,081) |
| Investing activities | | |
| Proceeds from return on the maturity of short-term investments | - | 250,000 |
| Expenditures on mineral property | (1,472,576) | (973,405) |
| Expenditures on property and equipment | - | (39,711) |
| Cash used in investing activities | (1,472,576) | (763,116) |
| Financing activities | | |
| Proceeds from units issued in private placement | 1,624,040 | 5,909,769 |
| Proceeds from flow-through units issued in private placement | 1,886,000 | - |
| Subscriptions receivable | - | 234,000 |
| Unit issuance costs | (110,040) | - |
| Proceeds from exercise of stock options | 16,000 | - |
| Lease payments | (36,257) | (26,473) |
| Cash provided by financing activities | 3,379,743 | 6,117,296 |
| Changes in cash and cash equivalents | 864,399 | 3,568,099 |
| Cash and cash equivalents, beginning of the period | 3,307,002 | 2,815,985 |
| Cash and cash equivalents, end of the period | 4,171,401 | 6,384,084 |
| Supplemental cash flow information: | | |
| Expenditures on mineral property included in accounts payable and accrued liabilities | 514,747 | 259,971 |
| Depreciation included in mineral property | 16,809 | 18,017 |
| Share-based compensation included in mineral property | 3,761 | 16,555 |
| Cash interest received | 42,354 | 26,181 |

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

SPANISH MOUNTAIN GOLD LTD.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited - Expressed in Canadian dollars, except number of shares)

| | Common shares | Share capital | Obligation to issue shares | Reserves | Deficit | Total shareholders' equity |
|--|--------------------|--------------------|-------------------------------|------------------|---------------------|----------------------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2022 | 341,815,551 | 106,275,899 | - | 1,301,992 | (15,157,765) | 92,420,126 |
| Units issued in private placement | 28,571,429 | 6,000,000 | - | - | - | 6,000,000 |
| Unit issuance costs | - | (90,231) | - | - | - | (90,231) |
| Shares issued from exercise of stock options | 1,500,000 | 329,882 | 100,000 | (195,882) | - | 234,000 |
| Share-based compensation | - | - | - | 98,873 | - | 98,873 |
| Net loss and comprehensive loss for the period | - | - | - | - | (679,946) | (679,946) |
| Balance, June 30, 2023 | 371,886,980 | 112,515,550 | 100,000 | 1,204,983 | (15,837,711) | 97,982,822 |
| Shares issued from exercise of stock options | 1,050,000 | 109,135 | (100,000) | (4,135) | - | 5,000 |
| Fair value of forfeited stock options | - | - | - | (639,472) | 639,472 | - |
| Share-based compensation | - | - | - | 31,245 | - | 31,245 |
| Net loss and comprehensive loss for the period | - | - | - | - | (1,460,590) | (1,460,590) |
| Balance, December 31, 2023 | 372,936,980 | 112,624,685 | - | 592,621 | (16,658,829) | 96,558,477 |
| Units issued in private placement | 7,733,522 | 1,452,985 | - | 171,055 | - | 1,624,040 |
| Flow-through units issued in private placement | 7,858,333 | 1,727,833 | - | 158,167 | - | 1,886,000 |
| Flow-through premium liability | - | (235,750) | - | - | - | (235,750) |
| Unit issuance costs | - | (110,040) | - | - | - | (110,040) |
| Share issuance costs for finders' warrants | - | (3,788) | - | 3,788 | - | - |
| Shares issued from exercise of stock options | 200,000 | 29,825 | - | (13,825) | - | 16,000 |
| Fair value of forfeited stock options | - | - | - | (121,960) | 121,960 | - |
| Share-based compensation | - | - | - | 237,585 | - | 237,585 |
| Net loss and comprehensive loss for the period | - | - | - | - | (1,165,420) | (1,165,420) |
| Balance, June 30, 2024 | 388,728,835 | 115,485,750 | - | 1,027,431 | (17,702,289) | 98,810,892 |

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

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Spanish Mountain Gold Ltd. (the "Company" or "Spanish Mountain") is an exploration stage resource company incorporated under the *Business Corporations Act* (Alberta) and continued into British Columbia under the *Business Corporations Act* (British Columbia). The head office and principal address of the Company is located at 910 - 1111 Melville Street, Vancouver, British Columbia V6E 3V6. The address of the Company's registered office is 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7. The Company is listed on the TSX Venture Exchange under the symbol "SPA", on the Frankfurt Stock Exchange under the symbol "S3Y" and on the OTC under the symbol "SPAZF".

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is an exploration stage resource company which does not generate any revenue and has been relying on equity-based financing to fund its operations. While the Company expects to meet its financial obligations in the near term, it will require additional financing to meet its administrative costs and to continue to explore and develop its mineral property. There is no assurance that future funding will be available to sufficiently conduct further exploration and development of its mineral property. During the three and six months ended June 30, 2024, the Company incurred a net loss before income tax recovery of \$657,734 and \$1,165,420, respectively (2023 - \$277,449 and \$884,833, respectively), and as at June 30, 2024, had an accumulated deficit of \$17,702,289 (December 31, 2023 - \$16,658,829).

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its on-going obligations. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful as it is dependent on prevailing capital market conditions and the availability of other financing opportunities. These conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on August 28, 2024.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements").

b) Basis of measurement

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

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiary. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. These financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Wildrose Resources Ltd. ("Wildrose").

e) Reclassification of prior period presentation

Certain expenses in the prior period have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the condensed interim consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2023 to reclassify consulting fees out of office and administrative and into consulting.

3. MATERIAL ACCOUNTING POLICIES

In the preparation of these financial statements, the Company used the same accounting policies as those applied and disclosed in the Annual Financial Statements.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

In the preparation of these financial statements, the Company used the same accounting estimates and judgments as those applied and disclosed in the Annual Financial Statements.

5. ACCOUNTS RECEIVABLE

A summary of the Company's accounts receivable is as follows:

| | June 30, 2024 | December 31, 2023 |
|---|--------------------------|----------------------|
| | \$ | \$ |
| Interest income receivable ⁽¹⁾ | 100,493 | 86,721 |
| Sales tax recoverable | 54,374 | 63,572 |
| | 154,867 | 150,293 |

(1) Comprises accrued interest income on various guaranteed investment certificates ("GICs").

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

6. PREPAID EXPENSES

A summary of the Company's prepaid expenses is as follows:

| | June 30, 2024 | December 31, 2023 |
|-------------------------------------|------------------|----------------------|
| | \$ | \$ |
| Prepaid insurance and subscriptions | 67,737 | 52,464 |
| Advances to suppliers | 225 | 75,225 |
| | 67,962 | 127,689 |

7. MINERAL PROPERTY

Spanish Mountain Property, British Columbia

The property is subject to various Net Smelter Returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1.0% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of \$1,000,000 to the vendors. The NSR may be purchased by the Company for \$500,000 per 1% NSR.

In accordance with regulatory requirements, as at June 30, 2024, the Company holds a number of GICs aggregating in the sum of \$91,000 (December 31, 2023 - \$91,000) in safekeeping for the Government of British Columbia which are presented as deposits for reclamation in the statements of financial position. The security will be released once the Company fulfils its obligations pursuant to its mineral exploration permit.

A summary of exploration expenditures incurred on the Company's mineral property is as follows:

| | |
|--|-------------------|
| | \$ |
| Balance, December 31, 2022 | 89,740,340 |
| Additions during the year: | |
| Assaying | 265,192 |
| Camp materials and supplies | 80,688 |
| Contract wages | 215,114 |
| Depreciation | 36,388 |
| Environmental assessment | 1,093,533 |
| First Nations and community engagement | 92,267 |
| Fuel | 701 |
| Geological and technical consulting | 480,220 |
| Land tenure | 14,603 |
| Maps and reports | 432,303 |
| Share-based compensation | 18,763 |
| Travel and accommodation | 38,026 |
| Balance, December 31, 2023 | 92,508,138 |
| Additions during the period: | |
| Assaying | 124,226 |
| Camp materials and supplies | 108,147 |
| Contract wages | 177,426 |
| Depreciation | 16,809 |
| Drilling | 3,600 |
| Environmental assessment | 131,424 |
| First Nations and community engagement | 3,217 |
| Fuel | 604 |
| Land tenure | 4,097 |
| Maps and reports | 1,368,319 |
| Share-based compensation | 3,761 |
| Travel and accommodation | 6,092 |
| Balance, June 30, 2024 | 94,455,860 |

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

8. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

| | Land | Building | Right-of-use assets | Computer equipment | Furniture and equipment | Vehicles and leasehold improvements | Total |
|---|----------------|------------------|------------------------|-----------------------|----------------------------|---|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| Balance, December 31, 2022 | 127,441 | 1,112,739 | 346,292 | 162,399 | 243,484 | 123,378 | 2,115,733 |
| Additions | - | - | - | 15,590 | - | - | 15,590 |
| Adjustments | - | - | - | - | - | (289) | (289) |
| Balance, June 30, 2024 and December 31, 2023 | 127,441 | 1,112,739 | 346,292 | 177,989 | 243,484 | 123,089 | 2,131,034 |
| Accumulated depreciation | | | | | | | |
| Balance, December 31, 2022 | - | 521,459 | 34,629 | 155,542 | 181,109 | 66,045 | 958,784 |
| Additions | - | 23,632 | 59,364 | 3,113 | 12,360 | 14,270 | 112,739 |
| Balance, December 31, 2023 | - | 545,091 | 93,993 | 158,655 | 193,469 | 80,315 | 1,071,523 |
| Additions | - | 11,759 | 29,682 | 2,871 | 4,920 | 5,059 | 54,291 |
| Balance, June 30, 2024 | - | 556,850 | 123,675 | 161,526 | 198,389 | 85,374 | 1,125,814 |
| Carrying amount | | | | | | | |
| Balance, December 31, 2023 | 127,441 | 567,648 | 252,299 | 19,334 | 50,015 | 42,774 | 1,059,511 |
| Balance, June 30, 2024 | 127,441 | 555,889 | 222,617 | 16,463 | 45,095 | 37,715 | 1,005,220 |

During the three and six months ended June 30, 2024, depreciation of \$8,427 and \$16,809, respectively (2023 - \$8,997 and \$18,017, respectively) was capitalized to mineral property.

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

| | June 30, 2024 | December 31, 2023 |
|-----------------------------|--------------------------|----------------------|
| | \$ | \$ |
| Trade payables | 639,536 | 377,719 |
| Accrued liabilities | - | 15,000 |
| Wages payable | 24,492 | 4,598 |
| Government agencies payable | 7,438 | 7,438 |
| | 671,466 | 404,755 |

10. FLOW-THROUGH PREMIUM LIABILITY

On May 30, 2024 the Company issued 7,808,332 flow-through units at \$0.24 per unit for gross proceeds of \$1,874,000. The flow-through units were issued at a premium of \$0.03 per unit. As a result, a flow-through premium liability of \$235,750 was recorded.

During the three and six months ended June 30, 2024, the Company incurred \$183,351 and \$183,351, respectively (2023 - \$nil and \$nil, respectively) of qualifying exploration expenditures. As a result, an amortization of flow-through premium liability of \$22,919 and \$22,919, respectively (2023 - \$nil and \$nil, respectively) was recorded.

A summary of the Company's flow-through premium liability and remaining eligible expenditure obligation is as follows:

| | Flow-through funding and eligible expenditures | Flow-through premium liability |
|--|---|---|
| | \$ | \$ |
| Balance, December 31, 2023 | - | - |
| Flow-through funds raised | 1,886,000 | 235,750 |
| Eligible expenditures incurred, renounced and amortization of flow-through premium liability | (183,351) | (22,919) |
| Balance, June 30, 2024 | 1,702,649 | 212,831 |

11. LEASE LIABILITY

During March 2022, the Company entered into a lease extension with the head landlord with a term from April 1, 2023 to March 31, 2028. The Company paid a deposit of \$10,444 to its head landlord upon the execution of the lease which was recorded as rent deposit in March 2022.

The Company used an estimated incremental borrowing rate of 5% to measure its lease liability upon initial recognition.

A summary of the Company's lease payment commitments pertaining to the lease liability are as follows:

| | June 30, 2024 |
|--|--------------------------|
| | \$ |
| 2024 | 36,832 |
| 2025 | 75,391 |
| 2026 | 77,693 |
| 2027 | 78,268 |
| 2028 | 19,567 |
| Total future minimum lease payments | 287,751 |
| Effect from discounting using the incremental borrowing rate | (26,186) |
| Total present value of minimum lease payments | 261,565 |

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

11. LEASE LIABILITY (continued)

A summary of the Company's lease liability is as follows:

| | |
|-------------------------------|----------------|
| | \$ |
| Balance, December 31, 2022 | 337,011 |
| Payments | (62,154) |
| Interest expense | 15,988 |
| Balance, December 31, 2023 | 290,845 |
| Payments | (36,257) |
| Interest expense | 6,977 |
| Balance, June 30, 2024 | 261,565 |
| Current portion | 62,562 |
| Non-current portion | 199,003 |

12. SHARE CAPITAL

a) Authorized share capital

- Unlimited number of common voting shares without par value
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

As at June 30, 2024 and December 31, 2023, there are no first or second preferred shares outstanding.

b) Issued and outstanding

During the six months ended June 30, 2024, the Company had the following share capital transactions:

- On May 30, 2024, the Company completed a private placement of 6,914,285 units at \$0.21 per unit for gross proceeds of \$1,452,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share until May 30, 2026. Proceeds were allocated using the residual method. The closing price of one common share on May 30, 2024 was \$0.18 and as a result, \$1,313,714 was allocated to share capital and \$138,286 was allocated to reserves.
- On May 30, 2024, the Company issued 7,808,332 flow-through units at \$0.24 per unit for gross proceeds of \$1,874,000. The flow-through units were issued at a premium of \$0.03 per unit. As a result, a flow-through premium liability of \$234,250 was recorded. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share until May 30, 2026, subject to earlier expiry if the ten-day volume weighted average price exceeds \$0.30 per share. Proceeds were allocated using the residual method. The closing price of one common share on May 30, 2024 was \$0.18 and as a result, \$1,483,583 was allocated to share capital and \$156,167 was allocated to reserves. In connection with the private placement and issuance of flow-through units, the Company paid combined share issuance costs of \$110,040 and issued 50,000 finders' warrants with a fair value of \$3,788. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share until May 30, 2026.
- On June 27, 2024, the Company completed a private placement of 819,237 units at \$0.21 per unit for gross proceeds of \$172,040. Each unit consists of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share until June 27, 2026. Proceeds were allocated using the residual method. The closing price of one common share on June 27, 2024 was \$0.17 and as a result, \$139,270 was allocated to share capital and \$32,769 was allocated to reserves.

SPANISH MOUNTAIN GOLD LTD.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

12. SHARE CAPITAL (continued)

- On June 27, 2024, the Company completed a second tranche of a flow-through unit private placement of 50,000 units at \$0.24 per unit for gross proceeds of \$12,000. The flow-through units were issued at a premium of \$0.03 per unit. As a result, a flow-through premium liability of \$1,500 was recorded. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share until June 27, 2026, subject to earlier expiry if the ten-day volume weighted average price exceeds \$0.30 per share. Proceeds were allocated using the residual method. The closing price of one common share on June 27, 2024 was \$0.17 and as a result, \$8,500 was allocated to share capital and \$2,000 was allocated to reserves.
- On June 27, 2024, the Company issued 200,000 common shares pursuant to the exercise of stock options with a weighted average exercise price of \$0.08 generating gross proceeds of \$16,000. In connection with the exercise, the Company transferred \$13,825 from reserves to share capital.
- During the period ended June 30, 2024, 600,000 stock options were forfeited following the termination of certain officers and consultants of the Company. As a result, \$121,960 was transferred from reserves to deficit.

During the year ended December 31, 2023, the Company had the following share capital transactions:

- On May 12, 2023, the Company completed a private placement of 28,571,429 units priced at \$0.21 per unit for total proceeds of \$6,000,000. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 for a period of 24 months following the closing date of the respective tranche and subject to earlier expiry if the ten-day volume weighted average price exceeds \$0.30 per share. On initial recognition, the warrants had a fair value of \$nil. As a result, proceeds of \$6,000,000 was allocated to share capital. In connection with the private placement, the Company paid unit issuance costs of \$90,231 in cash.
- During the year ended December 31, 2023, 2,550,000 stock options were exercised for proceeds of \$239,000 pursuant to which the Company issued a total of 2,550,000 common shares. As a result, \$200,017 was transferred to share capital from reserves.
- During the year ended December 31, 2023, 3,250,000 stock options were forfeited following the termination of certain officers and consultants of the Company. As a result, \$639,472 was transferred to deficit from reserves.

c) Share purchase warrants

A summary of the Company's share purchase warrant activity is as follows:

| | Number of warrants | Weighted average exercise price |
|-------------------------------|-----------------------|---------------------------------------|
| | # | \$ |
| Balance, December 31, 2022 | - | - |
| Issued | 14,285,715 | 0.25 |
| Balance, December 31, 2023 | 14,285,715 | 0.25 |
| Issued | 11,303,069 | 0.25 |
| Balance, June 30, 2024 | 25,588,784 | 0.25 |

A summary of the Company's share purchase warrants outstanding as at June 30, 2024 is as follows:

| Date of expiry | Exercise price | Number of warrants | Weighted average remaining life |
|----------------|----------------|-----------------------|---------------------------------------|
| | \$ | # | Years |
| May 12, 2025 | 0.25 | 14,285,715 | 0.87 |
| May 30, 2026 | 0.25 | 6,106,546 | 1.92 |
| June 27, 2026 | 0.25 | 434,618 | 1.99 |
| | 0.25 | 20,826,879 | 1.20 |

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12. SHARE CAPITAL (continued)

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for the share purchase warrants is as follows:

| | June 30, 2024 | December 31, 2023 |
|--------------------------------|--------------------------|----------------------|
| Share price | \$0.18 | \$0.23 |
| Exercise price | \$0.25 | \$0.25 |
| Expected life | 2 years | 2 years |
| Risk-free interest rate | 4.26% | 3.73% |
| Expected volatility | 94.42% | 106.16% |
| Expected annual dividend yield | 0.00% | 0.00% |

d) Stock options

The Company's incentive stock option plan ("Option Plan") authorizes the issuance of options up to a maximum of 10% of the Company's issued common shares. The maximum number of stock options issuable has been fixed at 37,293,698 by a special resolution of shareholders since 2023. The exercise price of any stock option granted will not be less than the fair market value of a common share at the time of the grant. The expiry date for each stock option, set by the Board of Directors at the time of issue, shall not be more than ten years after the grant date. Unless stipulated by the Board of Directors, stock options granted generally vest 25% on the date of grant and a further 25% vest every three months following the date of grant.

During the six months ended June 30, 2024, 600,000 stock options were forfeited following the termination of certain consultants of the Company.

On May 27, 2024, the Company granted 1,425,000 stock options exercisable at \$0.24 per share to certain officers and directors. The options are exercisable for a 10-year term expiring on May 27, 2034. The options vest periodically over 18 months. The fair value of the options was determined to be \$242,207 using the Black-Scholes option pricing model.

On June 21, 2024, the Company granted 2,625,000 stock options exercisable at \$0.19 per share to certain officers and directors. The options are exercisable for a 10-year term expiring on June 20, 2034. The options vest periodically over 18 months. The fair value of the options was determined to be \$403,371 using the Black-Scholes option pricing model.

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for the stock options granted is as follows:

| | June 30, 2024 | December 31, 2023 |
|--------------------------------|--------------------------|----------------------|
| Share price | \$0.19 | \$0.18 |
| Exercise price | \$0.21 | \$0.18 |
| Expected life | 10 years | 5 years |
| Risk-free interest rate | 3.44% | 2.37% |
| Expected volatility | 94.00% | 107.87% |
| Expected annual dividend yield | 0.00% | 0.00% |

The weighted average remaining life in years represents the remaining period that the options granted are expected to remain unexercised. The volatility rate is based on the historical volatility of comparable companies. The risk-free rate is based on Canada government bonds with a term similar to the expected life of the stock options.

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12. SHARE CAPITAL (continued)

A summary of the Company's stock option activity is as follows:

| | Number of stock options | Weighted average exercise price |
|-------------------------------|----------------------------|---------------------------------------|
| | # | \$ |
| Balance, December 31, 2022 | 9,750,000 | 0.19 |
| Exercised | (2,550,000) | 0.09 |
| Forfeited | (3,250,000) | 0.25 |
| Balance, December 31, 2023 | 3,950,000 | 0.20 |
| Granted | 4,050,000 | 0.21 |
| Exercised | (200,000) | 0.08 |
| Forfeited | (600,000) | 0.22 |
| Balance, June 30, 2024 | 7,200,000 | 0.20 |

A summary of the Company's stock options outstanding and exercisable as at June 30, 2024 is as follows:

| Date of expiry | Exercise price | Number of options | Number of options exercisable | Weighted average remaining life |
|-----------------------------|----------------|----------------------|-------------------------------------|---------------------------------------|
| | \$ | # | # | Years |
| July 3, 2024 ⁽¹⁾ | 0.08 | 200,000 | 200,000 | 0.01 |
| December 16, 2025 | 0.36 | 550,000 | 550,000 | 1.46 |
| January 24, 2027 | 0.21 | 900,000 | 900,000 | 2.57 |
| September 13, 2027 | 0.15 | 300,000 | 300,000 | 3.21 |
| October 12, 2027 | 0.14 | 600,000 | 600,000 | 3.28 |
| October 19, 2027 | 0.13 | 600,000 | 600,000 | 3.30 |
| May 27, 2034 ⁽²⁾ | 0.24 | 1,425,000 | 356,250 | 9.91 |
| June 20, 2034 | 0.19 | 2,625,000 | 656,250 | 9.98 |
| | | 7,200,000 | 4,162,500 | 6.72 |

(1) Subsequent to the period ended June 30, 2024, these options expired unexercised.

(2) Subsequent to the period ended June 30, 2024, 225,000 of these options were forfeited following the termination of an executive of the Company.

During the three and six months ended June 30, 2024, the Company recognized share-based compensation from the vesting of stock options of \$230,945 and \$237,585, respectively (2023 - \$38,023 and \$98,872, respectively), of which \$3,761 and \$3,761, respectively (2023 - \$6,622 and \$16,555, respectively), was capitalized to mineral property.

During the six months ended June 30, 2024, the weighted average share price on the date of exercise of the stock options was \$0.17 per share (2023 - \$0.20).

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13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of directors and executive officers of the Company.

A summary of the Company's compensation for key management personnel is as follows:

| | Three months ended | | Six months ended | |
|-----------------------------------|--------------------|----------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| | | | \$ | \$ |
| Legal and accounting | 16,577 | 19,124 | 33,077 | 58,500 |
| Salaries and wages ⁽¹⁾ | 125,000 | 90,388 | 248,920 | 431,615 |
| Share-based compensation | 199,599 | 31,733 | 425,120 | 83,146 |
| | 341,176 | 141,245 | 707,117 | 573,261 |

(1) During the six months ended June 30, 2024, the Company paid contractual termination benefits totaling \$nil (2023 - \$240,000), to key management personnel.

As at June 30, 2024, accounts payable and accrued liabilities included \$24,492 (December 31, 2023 - \$4,598) owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2024, the Company's financial instruments consist of cash and cash equivalents, accounts receivable (excluding sales tax recoverable), rent deposit, deposits for reclamation and accounts payables and accrued liabilities, and are classified as and measured at amortized cost.

The carrying values of cash and cash equivalents, accounts receivable (excluding sales tax recoverable), rent deposit, deposits for reclamation and accounts payable and accrued liabilities, approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents, deposits for reclamation, and accounts receivable. The Company manages credit risk in respect of cash and cash equivalents and deposits for reclamation by holding these at a major Canadian financial institution with strong investment-grade ratings by a recognized agency. The Company considers the credit risk related to accounts receivable to be minimal.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at one major Canadian financial institution.

A summary of the Company's cash and cash equivalents is as follows:

| | June 30, | December 31, |
|----------------------------|------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Cash held in bank accounts | 846,048 | 108,020 |
| Term deposits | 3,325,353 | 3,198,982 |
| | 4,171,401 | 3,307,002 |

For the six months ended June 30, 2024, the weighted average interest rate earned on the Company's cash, cash equivalents and short-term investments was 4.08% (2023 - 4.41%).

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalents at June 30, 2024 of \$4,171,401 (December 31, 2023 - \$3,307,002) in order to meet its current liabilities. As at June 30, 2024, the Company had accounts payable and accrued liabilities of \$671,466 (December 31, 2023 - \$404,755), which have contractual maturities of 90 days or less and a current portion of lease liability of \$62,562 (December 31, 2023 - \$59,885). The amount of the Company's remaining undiscounted contractual lease payments for the lease liability is \$287,751 (December 31, 2023 - \$324,008). The Company is exposed to liquidity risk through accounts payable and accrued liabilities and lease liability.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate and foreign currency risk as follows:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

The Company's cash and cash equivalents are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as at June 30, 2024.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as at June 30, 2024.

15. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of share capital. The Company does not use any sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet strategic goals.

In accordance with its investment policy, the Company periodically invests its capital in liquid investments to obtain returns that are considered reasonable under prevailing market conditions. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurances that it will continue to do so in the future. There were no changes in the Company's approach to capital management during the six months ended June 30, 2024.

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16. INCOME TAXES

A summary of income tax computed at the statutory tax rate to income tax recovery for the six months ended June 30, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|-------------|-----------|
| | \$ | \$ |
| Loss before tax | (1,165,420) | (884,833) |
| Expected income tax recovery | (314,663) | (238,905) |
| Items non-deductible for income tax purposes | 57,425 | 22,478 |
| Impact of flow through shares | (2) | - |
| Share issuance costs | (29,711) | - |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | 637,642 | (101,680) |
| Temporary differences originated in the year | 2,350 | 4,470 |
| Change in unrecognized deferred income tax assets | (353,041) | 108,750 |
| Deferred income tax expense | - | (204,887) |

A summary of the tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities is presented as follows:

| | June 30, 2024 | December 31, 2023 |
|---|------------------|----------------------|
| | \$ | \$ |
| Property and equipment | 311,073 | 286,776 |
| Non-refundable mining income tax credit | 2,082,901 | 1,729,860 |
| Share issuance costs and financing fees | 60,406 | 30,254 |
| Non-capital loss carried forward | 6,572,512 | 6,309,292 |
| Mineral property | (9,037,503) | (8,366,684) |
| Right-of-use liability, net of right-of-use asset | 10,516 | 10,407 |
| Other | 95 | 95 |
| Deferred income tax assets (liability), net | - | - |

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate taxable income to utilize its deferred income tax assets.

The Company is eligible for British Columbia mining exploration tax credits ("BC METC"), based on qualified mineral exploration expenditures incurred for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred to the extent such expenditures are not renounced or committed with respect to issued flow-through shares, if any. The filing for the BC METC is subject to an assessment process, which may include an audit by the taxation authorities. The amount ultimately recoverable may be different from the amount claimed.

A summary of the Company temporary differences and tax losses is as follows:

| Temporary difference | June 30, | | December 31, | |
|---|--------------|----------------|--------------|----------------|
| | 2024 | Expiry | 2023 | Expiry |
| | \$ | | \$ | |
| Share issuance costs and financing fees | 223,726 | 2044 to 2047 | 112,052 | 2042 to 2047 |
| Allowable capital losses | 702 | No expiry date | 702 | No expiry date |
| Non-capital losses | 24,342,639 | 2026 to 2044 | 23,367,751 | 2026 to 2043 |
| Property and equipment | 1,152,123 | No expiry date | 1,062,133 | No expiry date |
| Non-refundable mining income tax credit | 2,177,833 | No expiry date | 2,177,833 | No expiry date |
| Mineral property | (33,472,233) | No expiry date | (30,987,716) | No expiry date |
| Right-of-use liability, net of right-of-use asset | 38,948 | No expiry date | 38,546 | No expiry date |

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17 SUBSEQUENT EVENTS

On July 3, 2024, 200,000 stock options expired unexercised (Note 12(d)).

On July 26, 2024, the Company entered into an agreement with Whittle Consulting Ltd. to issue 1,831,579 common shares of the Company as settlement for services rendered in the amount of \$348,000.

On July 31, 2024, 225,000 stock options were forfeited following the termination of an executive of the Company (Note 12(d)).