



Consolidated Financial Statements

For the Year Ended February 28, 2023
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Altamira Gold Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Altamira Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, changes in 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 financial position of the Company as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue as at February 28, 2023 and is dependent upon the future receipt of equity financing to maintain its operations. 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.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there is the following key audit matter to communicate in our auditor's report.

Key audit matter:	How our audit addressed the key audit matter:
Assessment of impairment indicators of Exploration and evaluation assets.	Our approach to addressing the matter included the following procedures, among others:
Refer to Note 3 – Accounting policy: Exploration and evaluation assets and expenditures; Note 3 – Accounting policy: Impairment of non-financial assets; Note 5 – Significant accounting judgments, estimates and assumptions; and Note 9 Exploration and evaluation assets	Evaluated the reasonableness of management's assessment of impairment indicators, which included the following:

Management assesses at each reporting period whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the properties; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

- Assessed the Company's market capitalization in comparison to the Company's net assets, which may be an indication of impairment.
- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit.
- Confirmed that the Company's right to explore the properties had not expired.
- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets.
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
June 27, 2023

Altamira Gold Corp.

Consolidated Statements of Financial Position

As at February 28, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
Assets		
Current assets		
Cash	\$ 1,576,080	\$ 5,499,276
Other receivables	26,023	18,392
Prepaid expenses (note 7)	15,218	36,089
Due from related parties (note 13)	7,611	-
Total current assets	1,624,932	5,553,757
Non-current assets		
Property and equipment (note 8)	1,080,767	377,420
Exploration and evaluation assets (note 9)	16,770,030	13,830,460
Long term investment (note 6)	32,662	30,475
Reclamation deposit	15,000	15,000
Total Assets	\$ 19,523,391	\$ 19,807,112
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 444,707	\$ 264,061
Due to related parties (note 13)	7,125	24,975
Current portion of other liabilities (note 10)	77,586	76,394
Total current liabilities	529,418	365,430
Non-current liabilities		
Accounts payable and accrued liabilities (note 8)	162,968	-
Other liabilities (note 10)	34,295	91,950
	726,681	457,380
Equity		
Share capital (note 11)	46,584,719	46,477,288
Share subscriptions received	3,276	3,276
Share-based payments reserve (note 12)	5,674,134	5,012,012
Accumulated other comprehensive loss	(1,088,458)	(1,546,260)
Deficit	(32,376,961)	(30,596,584)
	18,796,710	19,349,732
Total Liabilities and Equity	\$ 19,523,391	\$ 19,807,112

Nature of operations and going concern (note 1), Commitments (note 19)

Approval on behalf of the Board of Directors:

"Michael Bennett"

Director

"Christopher Harris"

Director

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

Altamira Gold Corp.**Consolidated Statements of Operations and Comprehensive Loss**

For the years ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
Operating expenses		
Advertising and promotion	\$ 118,384	\$ 116,646
Amortization (note 8)	10,200	9,438
Consulting fees and staff costs (note 13)	435,030	431,958
Office and general	108,938	124,380
General exploration expenses (note 9)	147,975	-
Professional fees	85,635	53,493
Share-based payments (note 12)	664,440	745,305
Transfer agent and regulatory fees	27,156	31,872
Travel	28,502	35,138
	(1,626,260)	(1,548,230)
Other income (expense)		
Interest income	51,360	15,159
Interest expense	(15,669)	(7,927)
Foreign exchange loss	(21,288)	(15,664)
Long term investment revaluation	-	(26,305)
Impairment of exploration and evaluation assets (note 9)	(168,520)	-
Net loss for the year	(1,780,377)	(1,582,967)
Cumulative translation adjustment	457,802	389,989
Total comprehensive loss for the year	\$ (1,322,575)	\$ (1,192,978)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	163,680,813	142,980,460

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

Altamira Gold Corp.

Consolidated Statements of Changes in Equity
For the years ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Subscription Receipts	Reserves	Accumulated OCI / (Loss)	Deficit	Total
Balance, February 28, 2021	123,483,978	\$ 41,602,806	\$ 3,276	\$ 4,354,141	\$ (1,936,249)	\$ (29,013,617)	\$ 15,010,357
Shares issued, warrants exercised (note 11 (b))	38,576,780	4,673,648	-	-	-	-	4,673,648
Shares issued, stock options exercised (note 12)	670,000	200,834	-	(87,434)	-	-	113,400
Share-based payments	-	-	-	745,305	-	-	745,305
Cumulative translation adjustment	-	-	-	-	389,989	-	389,989
Net loss for the year	-	-	-	-	-	(1,582,967)	(1,582,967)
Balance, February 28, 2022	162,730,758	\$ 46,477,288	\$ 3,276	\$ 5,012,012	\$ (1,546,260)	\$ (30,596,584)	\$ 19,349,732
Shares issued, warrants exercised (note 11 (b))	977,128	102,713	-	-	-	-	102,713
Shares issued, stock options exercised (note 12)	30,000	4,718	-	(2,318)	-	-	2,400
Share-based payments	-	-	-	664,440	-	-	664,440
Cumulative translation adjustment	-	-	-	-	457,802	-	457,802
Net loss for the year	-	-	-	-	-	(1,780,377)	(1,780,377)
Balance, February 28, 2023	163,737,886	\$ 46,584,719	\$ 3,276	\$ 5,674,134	\$ (1,088,458)	\$ (32,376,961)	\$ 18,796,710

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

Altamira Gold Corp.

Consolidated Statements of Cash Flows

For the years ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net loss for the year	\$ (1,780,377)	\$ (1,582,967)
Adjustments for items not affecting cash:		
Share-based payments	664,440	745,305
Amortization	10,200	9,438
Impairment of exploration and evaluation assets (note 9)	168,520	-
Long term investment revaluation	-	26,305
Changes in non-cash working capital:		
Prepaid expenses	20,871	(12,302)
Other receivables	(7,631)	(2,526)
Due to/from related parties	(25,461)	(21,130)
Accounts payable and accrued liabilities	18,440	1,872
Long term liabilities	(56,463)	(77,301)
	(987,461)	(913,306)
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(201,423)	(355,115)
Exploration and evaluation asset acquisition and expenditures	(2,804,062)	(2,005,158)
	(3,005,485)	(2,360,273)
FINANCING ACTIVITIES:		
Shares issued for cash, warrants exercised	102,713	4,673,648
Shares issued for cash, stock options exercised	2,400	113,400
	105,113	4,787,048
INCREASE IN CASH	(3,877,833)	1,513,469
Cash, beginning of year	5,499,276	4,033,154
Effect of exchange rate fluctuations	(35,363)	(47,347)
Cash, end of year	\$ 1,576,080	\$ 5,499,276

Supplemental disclosure with respect to cash flows (note 15)

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

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Altamira Gold Corp. (“Altamira” or the “Company”) is a publicly listed company incorporated in British Columbia on September 1, 1994, with limited liability under the legislation of the Province of British Columbia and its shares are listed on the TSX Venture Exchange (“TSX-V”). The Company is principally engaged in the acquisition, exploration, development and mining of mineral properties.

The head office, principal address, and registered and records office of the Company are located at 1500 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

Going concern

These consolidated financial statements were prepared on a going concern basis. As of February 28, 2023, the Company has no source of revenue and has a working capital surplus of \$1,095,514 (February 28, 2022 – surplus of \$5,188,327). The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company believes they are able to raise sufficient funds to cover all of its operating requirements, financial commitments, and business development priorities during the next twelve months. However, the Company expects that it will continue to need to obtain further financing in the form of debt, equity, or a combination thereof in the future. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects. All of these material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Approval of the consolidated financial statements

These consolidated financial statements for the year ended February 28, 2023, were reviewed by the Audit Committee and were approved and authorized for issue by the Board of Directors on June 27, 2023.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of compliance

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

Basis of presentation

These consolidated financial statements of the Company as at and for the year ended February 28, 2023, with comparative information as at and for the year ended February 28, 2022, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

Basis of measurement

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

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE - continued

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly. Control is defined as the investor being exposed, or having rights, to variable returns from its involvement with the investee and having the ability to affect those returns through its power over the investee. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiaries at February 28, 2023 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Alta Floresta Gold Ltd.	Canada	100%	Holding company
Alta Floresta Gold Mineração Ltda.	Brazil	100%	Exploration company
Para Alta Floresta Gold Mineração Ltda.	Brazil	100%	Exploration company

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Altamira is the Canadian dollar ("C\$"). The functional currency of Alta Floresta Gold Ltd. is the US Dollar ("US\$"). The functional currency of Alta Floresta Gold Mineração Ltda. and Para Alta Floresta Gold Mineração Ltda. is the Brazilian Real ("R\$").

The presentation currency of the group is the Canadian dollar. All financial information has been presented in Canadian dollars in these consolidated financial statements, except when otherwise indicated.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has one operating segment being the acquisition, exploration and development of mineral properties, and two geographical segments, Canada, and Brazil. The Company's head office is located in Vancouver, Canada.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Chief Executive Officer of the Company.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are translated at the rate of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue, expense items and capitalized exploration and evaluation expenditures are translated using the average rate of exchange during the financial statement periods, except for amortization, which is translated at historic rates.

Foreign exchange gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in the consolidated statements of operations and comprehensive loss.

The Company has determined that the functional currencies of its foreign exploration subsidiaries is the Brazilian Real and US dollar. Assets and liabilities are translated to the presentation currency at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in the consolidated statements of comprehensive loss. Due to the movements in the value of the Brazilian Real compared to Canadian dollars during the year, a translation adjustment gain of \$457,802 was recorded (2022: gain of \$389,989).

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company become party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVPL are measured at fair value with changes in fair value recognized in profit or loss. Cash is classified as and measured at FVPL.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Other receivables (excluding GST) and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities and finance leases are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date. Accounts payable and accrued liabilities and finance leases are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in profit or loss.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the consolidated statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets

A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Property and equipment

Property and equipment are stated at historical cost less accumulated amortization and any provision for impairment. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in property and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation on property, plant and equipment is recognized on a straight line basis to write down the cost or valuation less estimated residual value of equipment. The rates generally applicable are:

• Furniture	33% straight-line
• Machinery and equipment	25% straight-line
• Software	25% straight-line
• Vehicles	25% straight-line

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation assets and expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model, for mineral property interests pursuant to the terms of the agreement.

Exploration expenditures incurred prior to obtaining licenses, net of recoveries, are charged to operations as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures on the property are capitalized.

The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Exploration and evaluation assets acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt. Where recoveries exceed costs, such amounts are recognized in profit or loss.

The Company is in the exploration stage and is in the process of determining whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of amounts recorded as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, maintenance of the Company's legal interests in its mineral claims, obtaining further financing for exploration and development of its mineral claims and commencement of future profitable production, or receiving proceeds from the sale of all or an interest in its mineral properties. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for exploration and evaluation assets represent costs incurred, net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of non-financial assets

Impairment tests on non-financial assets, including exploration and evaluation assets, are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to dispose, the asset is written down accordingly. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a cash-generating unit ("CGU") and the impairment test is carried out on the asset's CGU, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

An impairment loss is charged to profit or loss. An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events or circumstances relating to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years.

Provisions

Rehabilitation Provision

The Company recognizes constructive, statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reliable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

As at February 28, 2023 and 2022, the exploration and evaluation rehabilitation costs are not considered significant.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The fair values of the components of the units sold are measured using the residual value approach. The carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the consolidated statement of financial position and its tax basis. A portion of the deferred income tax assets that were not previously recognized are recognized as a recovery of deferred income taxes in the consolidated statements of comprehensive loss up to the amount of the deferred tax liability upon renunciation.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, and non-employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

All share-based payments made to employees and non-employees are measured and recognized using the Black-Scholes option pricing model. For employees, the fair value of the options is measured at grant date. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete, the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. 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, and are recorded at the date the goods or services are received. Stock options that vest over time are recognized using the graded vesting method. Share-based payments are recognized as an expense or, if applicable, capitalized to exploration and evaluation assets with a corresponding increase in reserves. At each financial reporting period, the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the consolidated financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized in the consolidated financial statements.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive equity instruments are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share is the same for the years presented.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Related party transactions

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

4. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New accounting standards and amendments adopted

The Company has determined that new accounting standards or amendments to existing accounting standards that were effective for annual periods commencing on or after March 1, 2023 are either not applicable or do not have a significant impact on the Company's consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

There are no IFRS that are not yet effective that would be expected to have a material impact on the Company.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

- ii) The carrying value of the exploration and evaluation assets and the recoverability of the carrying value:

Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) The estimated useful lives of property and equipment and the related depreciation.
- ii) The provision for income taxes and recognition of deferred income tax assets and liabilities.
- iii) The inputs used in accounting for the fair value of share-based payment transactions.

6. LONG TERM INVESTMENT

Long term investment is comprised of 600,000 shares of ECI Exploration and Mining Inc. ("ECI"), a private company and AFG's former joint venture partner. As the market rate of private company investments cannot be verified the Company has recorded these securities at cost upon issuance. During the year ended February 28, 2022, ECI had an offering of securities to its existing shareholders at a price of US\$0.04 (approximately \$0.05) per common share ("Offering Price"). As at February 28, 2022, the Company revalued its investment of ECI shares based on the Offering Price which resulted in an unrealized loss of \$26,305. There has been no offerings by ECI during the year ended February 28, 2023 and as at February 28, 2023, the shares were valued at the last offering price, being the Company's best estimate of fair value.

7. PREPAID EXPENSES

	February 28, 2023	February 28, 2022
Current		
Advertising and promotion	\$ -	\$ 22,745
Insurance	15,218	13,344
Total prepaid expenses	\$ 15,218	\$ 36,089

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Land	Machinery & equipment	Furniture	Vehicles	Computer and Software	Total
<u>Cost</u>						
February 28, 2022	\$ 221,373	\$ 160,860	\$ 9,414	\$ 35,418	\$ 31,733	\$ 458,798
Additions	651,872	31,554	-	-	6,901	690,327
Foreign currency alignment	13,308	10,261	566	2,129	1,703	27,927
February 28, 2023	\$ 886,553	\$ 202,675	\$ 9,980	\$ 37,547	\$ 40,337	\$ 1,177,092
<u>Accumulated Amortization</u>						
February 28, 2022	\$ -	\$ 22,765	\$ 3,608	\$ 35,112	\$ 19,893	\$ 81,378
Additions	-	2,297	2,388	320	5,195	10,200
Foreign currency alignment	-	1,411	262	2,115	959	4,747
February 28, 2023	\$ -	\$ 26,473	\$ 6,258	\$ 37,547	\$ 26,047	\$ 96,325
<u>Net Book Value</u>						
February 28, 2022	\$ 221,373	\$ 138,095	\$ 5,806	\$ 306	\$ 11,840	\$ 377,420
February 28, 2023	\$ 886,553	\$ 176,202	\$ 3,722	\$ -	\$ 14,290	\$ 1,080,767

The Company has entered into two definitive agreements (“Agreements”) with the private owners (“Vendors”) to purchase a total of 409 hectares of surface rights in the state of Mato Grosso. Pursuant to the Agreements, the Company will make four equal payments to the Vendors over a period of 18 months for a total of R\$2,500,000 (equivalent to \$651,872). The initial payment of R\$625,000 (equivalent to \$162,968) was made on November 14, 2022, upon execution of the Agreement. As at February 28, 2023, that total amount due of \$488,904 was recognized in accounts payable and accrued liabilities, of which \$162,968 was recorded as non-current. Subsequent to year end, the Company made the second payment of R\$625,000 (equivalent of \$162,968).

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

The following schedule shows the Company's total expenditures in Brazil by property for the years ended February 28, 2023 and 2022:

	Cajueiro	Apiacas	Santa Helena	Other	Total
Balance, February 28, 2021	\$ 8,910,597	\$ 1,139,196	\$ 365,782	\$ 873,461	\$ 11,289,036
Additions during the year -					
Acquisition costs					
Claim maintenance	65,978	106,488	2,735	-	175,201
Property exploration costs					
Assays	8,025	104,287	21,884	-	134,196
Camp expenses	50,872	209,449	95,216	140	355,677
Drilling	3,470	318,856	358,021	-	680,347
Geological costs	109,817	352,767	57,350	335	520,269
External studies	-	130,624	21,432	-	152,056
Other	90,276	-	-	-	90,276
Travel and accommodation	3,616	9,033	4,189	-	16,838
Total additions during the year	332,054	1,231,504	560,827	475	2,124,860
Foreign currency alignment	287,027	73,621	28,776	27,140	416,564
Balance, February 28, 2022	\$ 9,529,678	\$ 2,444,321	\$ 955,385	\$ 901,076	\$ 13,830,460
Additions during the year -					
Acquisition costs					
Claim maintenance	80,574	142,325	16,775	11,924	251,598
Property exploration costs					
Assays	45,110	28,793	196,558	-	270,461
Camp expenses	250,937	98,615	170,568	644	520,764
Drilling	436,423	75,835	355,542	-	867,800
Geological costs	323,191	157,351	247,360	7,940	735,842
Other	25,094	-	2,259	-	27,353
Recovery of exploration expenses	-	-	-	(78,332)	(78,332)
Travel and accommodation	15,741	6,127	17,757	5,161	44,786
Total additions during the year	1,177,070	509,046	1,006,819	(52,663)	2,640,272
Foreign currency alignment	304,105	83,884	55,732	24,097	467,818
Impairment of mineral property	-	-	(90,131)	(78,389)	(168,520)
Balance, February 28, 2023	\$ 11,010,853	\$ 3,037,251	\$ 1,927,805	\$ 794,121	\$ 16,770,030

Properties in Brazil:

Alta Floresta Gold Mineração Ltda. ("AFM") and its subsidiary hold a 100% interest in all of its properties.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS - continued

Royalties – Cajueiro Property

For portions of the Cajueiro property, the previous property owners have retained a 1.0% net smelter royalty (“NSR”). In addition, a portion of the Cajueiro property is subject to a 2.5% gross smelter royalty (“GSR”) payable to the landowner.

Royalties – Other Properties

For portions of the Carlinda and Colider properties (included in ‘Other’), the previous property owners have retained a 2.5% NSR which may be reduced to 1.5% at the Company’s option for a payment of US\$4,000,000. In addition, the Company is committed to issue 600,000 common shares of ECI Exploration and Mining Inc. (“ECI”), AFG’s former joint venture partner, to the previous property owners upon releasing a resource (defined in accordance with National Instrument 43-101) on any part of these properties, and a further 600,000 common shares of ECI upon receipt of the first bankable feasibility study on any part of these properties. As at February 28, 2023, the Company owned 600,000 common shares of ECI with a book value of \$32,662 (US\$ 24,000) (2022 – US\$ 24,000).

For the Vila Rica property (included in ‘Other’), the previous property owners have retained a 1.5% NSR.

In addition, a 4% NSR will be paid to the Company following the commencement of gold production from the mineral rights of the Crepori project sold in 2020.

Royalties – All Properties

In addition to the NSR’s referred to above, the properties held under licences originally acquired from ECI are subject to a 1.75% NSR that is held by ECI.

Impairment of Exploration and Evaluation Assets

During the year ended February 28, 2023, the Company reviewed its portfolio of projects and decided to relinquish certain non-core claims. As a result, the Company recognized an impairment of \$168,520 (2022 - \$nil).

General exploration expenses

During the year ended February 28, 2023, the Company recorded general exploration expenses on the consolidated statement of operations and comprehensive loss, as per the Company’s accounting policy, of \$147,975 (2022 - \$nil) related to mineral rights that were previously impaired by the Company.

10. OTHER LIABILITIES

AFM has restructured its liabilities relating to claim maintenance costs for certain of its mineral properties payable to AMN (the Brazilian mining authority). Pursuant to the terms of restructuring, AFM agreed to repay liabilities relating to claims maintenance costs and penalties over 10 to 60 months. The total outstanding balance as of February 28, 2023 was R\$416,747 (\$111,881) including interest. Interest is calculated using the Sistema Especial de Liquidação e Custódia (“SELIC”) rate as published by Brazil’s Central Bank.

	February 28, 2023	February 28, 2022
Other liabilities	\$ 111,881	\$ 168,344
Less: current portion	(77,586)	(76,394)
	\$ 34,295	\$ 91,950

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

10. OTHER LIABILITIES - continued

The other liabilities payable in each of the next five years are as follows:

	R\$	\$
February 28, 2024	297,496	77,586
February 28, 2025	131,501	34,295
	428,997	111,881

11. SHARE CAPITAL

(a) Authorized and issued:

Unlimited common shares without nominal or par value.

During the year ended February 28, 2023:

- i. During the year ended February 28, 2023, the Company issued 977,128 common shares related to share purchase warrants exercised and issued 30,000 common shares related to stock options exercised (see note 11(b) and 12, respectively).

During the year ended February 28, 2022:

- i. The Company issued 38,576,780 common shares related to share purchase warrants exercised (see note 11(b)).
- ii. The Company issued 670,000 common shares related to stock options exercised (see note 12).

(b) Warrants:

Warrant transactions and the number of warrants outstanding for the years ended February 28, 2023 and 2022 are summarized as follows:

	February 28, 2023		February 28, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	30,870,244	\$ 0.28	70,007,357	\$ 0.19
Exercised	(977,128)	0.11	(38,576,780)	0.12
Expired	(9,518,116)	0.33	(560,333)	0.10
Balance, end of year	20,375,000	\$ 0.26	30,870,244	\$ 0.28

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

11. SHARE CAPITAL - continued

The following warrants were outstanding as at February 28, 2023:

Expiry Date	Exercise Price (\$)	Number of warrants	Remaining Contractual Life (Years)
July 27, 2023	0.25	4,000,000	0.41
August 16, 2023	0.20	4,060,000	0.46
August 23, 2023	0.20	2,315,000	0.48
November 5, 2023 ⁽¹⁾	0.30	10,000,000	0.68
Balance, February 28, 2023	0.26	20,375,000	0.56

⁽¹⁾ During the year ended on February 28, 2023, the Company extended the warrants expiry date that were expiring on February 5, 2023 to November 5, 2023. All other terms of the warrants remained the same.

12. SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX-V. The expiry date for each option should be for a maximum term of five years.

Options granted to directors, employees and consultants, other than consultants engaged in investors relations activities, will vest fully upon the expiry of the TSX-V hold period of four months from the award date, unless otherwise approved by the relevant regulatory authorities. Options granted to employees in investors relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three month period.

During the year ended February 28, 2023, 30,000 stock options were exercised at weighted average price of \$0.08 per common share for total proceeds of \$2,400.

During the year ended February 28, 2022, 670,000 stock options were exercised at a weighted average price of \$0.17 per common share for total proceeds of \$113,400.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS - continued

The following is a summary of option transactions under the Company's stock option plan for the years ended February 28, 2023 and 2022:

	February 28, 2023		February 28, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	11,065,000	\$ 0.18	8,885,000	\$ 0.15
Granted	5,250,000	0.17	3,245,000	0.275
Exercised	(30,000)	0.08	(670,000)	0.17
Expired	(2,415,000)	0.28	(395,000)	0.28
Balance, end of year	13,870,000	0.16	11,065,000	0.18
Exercisable	13,870,000	\$ 0.16	11,065,000	\$ 0.18

The following stock options were outstanding as at February 28, 2023:

Expiry Date	Exercise Price (\$)	Number of options	Remaining Contractual Life (Years)
May 14, 2023*	0.17	780,000	0.21
February 4, 2024	0.10	835,000	0.94
July 22, 2024	0.10	935,000	1.40
May 19, 2025	0.08	3,160,000	2.22
April 12, 2026	0.275	2,910,000	3.12
August 18, 2027	0.17	5,000,000	4.47
November 15, 2027	0.18	250,000	4.72
Balance, February 28, 2023	0.16	13,870,000	3.02

*Subsequent to February 28, 2023, 780,000 stock options expired unexercised.

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the year ended February 28, 2023, the Company recorded \$664,440 (February 28, 2022 - \$745,305) in share-based payments expense using the following assumptions:

	Period Ended February 28, 2023	Year Ended February 28, 2022
Risk free interest rate	3.22% - 3.25%	0.95%
Expected life	5 years	5 years
Expected volatility	122.31% - 123.43%	123.09%
Expected dividend yield	0%	0%
Expected forfeiture	0%	0%
Share price	\$0.17 - \$0.18	\$0.23

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

	Year ended	
	February 28, 2023	February 28, 2022
Key Management Compensation:		
Consulting fees and salaries	\$ 315,000	\$ 315,000
Share-based payments	357,132	384,713
Total	\$ 672,132	\$ 699,713
	February 28, 2023	February 28, 2022
Related Party Balances:		
Due to directors and officers of the Company	\$ (7,125)	\$ (22,400)
Due from (to) companies related by common directors	7,611	(2,575)
Total	\$ 486	\$ (24,975)

Amounts due to directors and officers of the Company comprise accrued salaries, consulting fees, and expense reimbursement claims. Related party amounts are unsecured, non-interest bearing and due on demand. These transactions are measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

14. SEGMENTED DISCLOSURE

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment:

	February 28, 2023	February 28, 2022
Non-current assets by geographic segment:		
Canada	\$ 47,662	\$ 45,475
Brazil	17,850,797	14,207,880
	\$ 17,898,459	\$ 14,253,355

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2023	February 28, 2022
	\$	\$
Exploration and evaluation expenditures in accounts payable	20,251	184,041
Property and equipment in accounts payable	325,996	-
Interest received	51,383	15,159
Interest paid	15,669	7,927

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurements

	February 28, 2023	February 28, 2022
Financial assets		
<i>FVPL, measured at fair value</i>		
Cash and cash equivalents	\$ 1,576,080	\$ 5,499,276
Reclamation deposit	15,000	15,000
<i>Loans and receivables, measured at amortized cost</i>		
Other receivables (excluding GST)	482	130
Due from related parties	7,611	-
<i>Investments, measured at fair value</i>		
Long term investment	32,662	30,475
Financial liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	\$ 607,675	\$ 264,061
Due to related parties	7,125	24,975
Other liabilities	111,881	168,344

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 28, 2023, the Company's financial instruments are comprised of cash and cash equivalents, other receivables (excluding GST), long term investment, reclamation deposit, accounts payable and accrued liabilities, due to related parties and long term liabilities. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

At February 28, 2023

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 1,576,080	\$ -	\$ -	\$ 1,576,080
Reclamation deposit	15,000	-	-	15,000
Long term investment	-	-	32,662	32,662
Total	\$ 1,591,080	\$ -	\$ 32,662	\$ 1,623,742

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

At February 28, 2022

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 5,499,276	\$ -	\$ -	\$ 5,499,276
Reclamation deposit	15,000	-	-	15,000
Long term investment	-	-	30,475	30,475
Total	\$ 5,514,276	\$ -	\$ 30,475	\$ 5,544,751

Financial risk factors

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at February 28, 2023, the Company had a cash of \$1,576,080 to settle current liabilities of \$529,418.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

a) Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's claim maintenance liabilities in Brazil are subject to charges which are calculated based on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

Other than the Company's restructured claim maintenance liabilities in Brazil, it did not have any interest bearing liabilities outstanding as at February 28, 2023.

b) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors movements of individual equities, and of the stock market as a whole, to determine the appropriate courses of action to be taken by the Company.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

c) Foreign currency risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais. The Company has various investments in R\$, whose net assets are exposed to foreign currency translation risk. Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R\$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

17. CAPITAL MANAGEMENT

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

The Company is in the exploration stage and as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not changed over the years presented. The Company is not subject to any externally imposed capital requirements.

18. INCOME TAXES

The Company is subject to income taxes in Canada and Brazil. The reconciliation of the income tax provision computed at statutory rates is as follows:

	February 28, 2023	February 28, 2022
Net loss for the year	\$ (1,780,380)	\$ (1,582,967)
Expected income tax recovery	(458,000)	(416,000)
Net adjustment for deductible and non-deductible amounts	(556,000)	52,000
Change in valuation allowance	1,014,000	364,000
Deferred income tax recovery per financial statements	\$ -	\$ -

There are no deferred tax assets/ (liabilities) presented in the consolidated statement of financial position.

Altamira Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended February 28, 2023 and 2022
(Expressed in Canadian Dollars)

18. INCOME TAXES - continued

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	February 28, 2023	February 28, 2022
Non-capital and net capital losses carried forward	\$ 25,539,000	\$ 21,587,000
Mineral properties and deferred exploration costs	6,011,000	6,011,000
Property and equipment	36,000	38,000
Share issue costs	34,000	56,000
	<u>\$ 31,620,000</u>	<u>\$ 27,692,000</u>

The Company has non-capital losses available for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses in the amount of \$25,539,000 expire as follows:

2026	\$ 474,000
2027	904,000
2028	473,000
2029	646,000
2030	358,000
2031	540,000
2032	712,000
2033	1,004,000
2034	1,000,000
2035	1,045,000
2036	1,743,000
2037	3,212,000
2038	3,948,000
2039	1,750,000
2040	1,092,000
2041	1,244,000
2042	1,442,000
2043	3,952,000
	<u>\$ 25,539,000</u>

The Company has unused allowable capital losses in the amount of \$1,000, which do not expire and may be deducted against future taxable capital gains on a discretionary basis.

The Company has unclaimed resource deductions in the amount of \$6,011,000 (2022 – \$6,011,000), which do not expire and may be deducted against future taxable income on a discretionary basis.

19. COMMITMENTS

The Company has no commitments other than in respect of long term liabilities as described in note 8 and 10.