



# Hemlo

Consolidated Financial Statements of

**HEMLO MINING CORP.**

For the years ended December 31, 2025 and 2024



# Independent auditor's report

To the Shareholders of Hemlo Mining Corp.

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## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hemlo Mining Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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## Basis for opinion

We conducted our audit 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.

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## 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 for the year ended December 31, 2025. 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of property, plant and equipment acquired in the Hemlo Acquisition</b></p> <p>Refer to note 4 – Critical accounting estimates and judgments, note 6 – Business combination and note 10 – Property, plant and equipment to the consolidated financial statements.</p> <p>On November 26, 2025, the Company completed the acquisition of all the issued and outstanding common shares of 1539041 B.C. ULC (the Hemlo Acquisition). The total consideration transferred in the Hemlo Acquisition was measured at \$1,023 million. The fair value of the identifiable net assets acquired included \$1,509 million of property, plant and equipment. Management applied judgment in determining the fair value of the property, plant and equipment.</p> <p>Management primarily used a discounted cash flow model to determine the fair value of the property, plant and equipment, including the use of significant assumptions such as future gold prices, future production levels based on estimated quantities of mineral reserves and resources and expected future operating costs. Management’s estimates of future production</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Tested how management estimated the fair value of the property, plant and equipment, which included the following: <ul style="list-style-type: none"> <li>– Read the share purchase agreement.</li> <li>– Evaluated the appropriateness of management’s valuation method, including the discounted cash flow model and tested the mathematical accuracy thereof.</li> <li>– Tested the underlying data used by management in the discounted cash flow model.</li> <li>– Evaluated the reasonableness of significant assumptions such as future gold prices, future production levels based on estimated quantities of mineral reserves and resources, and expected future operating costs by (i) comparing future gold prices to external market and industry data; (ii) comparing future production levels and expected</li> </ul> </li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>levels based on estimated quantities of mineral reserves and resources are based on information compiled by qualified persons (management's experts).</p> <p>We considered this a key audit matter due to (i) the magnitude of the acquired property, plant and equipment; (ii) the judgments by management in estimating the fair value of the acquired property, plant and equipment, including the significant assumptions; and (iii) significant audit effort, which included the assistance of professionals with specialized skill and knowledge in the fields of mining engineering and mineral reserve estimation and valuation.</p>	<p>future operating costs to historical information where appropriate; and (iii) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit:</p> <ul style="list-style-type: none"> <li>- The work of management's experts was used in performing the procedures to evaluate the reasonableness of the future production levels based on estimated quantities of mineral reserves and resources and expected future operating costs. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. Professionals with specialized skill and knowledge in the field of mining engineering and mineral reserve estimation assisted in this evaluation; and</li> <li>- Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the appropriateness of the discounted cash flow model and reasonableness of the future gold prices used within the model.</li> </ul>

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## Other matter – comparative information

The financial statements of the Company for the years ended December 31, 2024 and 2023 (not presented herein but from which the comparative information as at January 1, 2024 has been derived), excluding the adjustments that were applied to restate certain comparative information as described in note 2, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 17, 2025.

As part of our audit of the consolidated financial statements for the year ended December 31, 2025, we also audited the adjustments applied to restate certain comparative information, as described in note 2, for the year ended December 31, 2024, and to derive the statement of financial position as at January 1, 2024. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the years ended December 31, 2024 and 2023 or to the statement of financial position as at January 1, 2024. Accordingly, we do not express an opinion or other form of assurance on those financial statements taken as a whole.

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## **Other information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, 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.

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## **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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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## **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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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 Sean Devlin.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

April 15, 2026

# Hemlo Mining Corp.

Consolidated Statements of Financial Position

Expressed in thousands of United States dollars, unless otherwise stated

		As at December 31, 2024		As at January 1, 2024	
	Note	2025	(restated - Note 2c)	(restated - Note 2c)	
<b>Current assets</b>					
Cash		\$ 131,956	\$ 216	\$ 255	
Account receivables	7	9,113	—	—	
Inventories	8	59,194	—	—	
Other current assets	9	8,307	22	29	
<b>Total current assets</b>		<b>208,570</b>	<b>238</b>	<b>284</b>	
<b>Non-current assets</b>					
Property, plant and equipment	10	1,523,130	—	—	
Restricted cash		1,920	—	—	
<b>Total assets</b>		<b>\$ 1,733,620</b>	<b>\$ 238</b>	<b>\$ 284</b>	
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	11	\$ 50,206	\$ 22	\$ 28	
Current portion of borrowings	12	14,695	—	—	
Current portion of lease liabilities	13	2,252	—	—	
Current portion of gold stream liability	14	29,057	—	—	
Current income tax liabilities	15	1,611	—	—	
Other current liabilities		61	—	—	
<b>Total current liabilities</b>		<b>97,882</b>	<b>22</b>	<b>28</b>	
<b>Non-current liabilities</b>					
Borrowings	12	205,710	—	—	
Lease liabilities	13	6,858	—	—	
Gold stream liability	14	273,748	—	—	
Contingent consideration	16	111,470	—	—	
Asset retirement obligation	17	43,902	—	—	
Other non-current liabilities		180	—	—	
Deferred income tax liabilities	15	447,432	—	—	
<b>Total liabilities</b>		<b>\$ 1,187,182</b>	<b>\$ 22</b>	<b>\$ 28</b>	
<b>Shareholders' equity</b>					
Share capital	18	614,341	55,585	55,525	
Contributed surplus		7,914	5,467	5,461	
Accumulated deficit		(75,817)	(60,933)	(60,847)	
Accumulated other comprehensive deficit		—	97	117	
<b>Total shareholders' equity</b>		<b>\$ 546,438</b>	<b>\$ 216</b>	<b>\$ 256</b>	
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,733,620</b>	<b>\$ 238</b>	<b>\$ 284</b>	

Approved by the Board of Directors

/s/ Tom Yip  
Tom Yip  
Director

/s/ Jonathan Awde  
Jonathan Awde  
Director

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

## Hemlo Mining Corp.

Consolidated Statements of Loss and Comprehensive Loss

Expressed in thousands of United States dollars except per share amounts, unless otherwise stated

		Year ended December 31, 2024	
	Note	2025	(restated - Note 2c)
General and administrative expenses	19	\$ 5,399	\$ 85
Exploration and evaluation expenditures		42	—
Closed mine rehabilitation costs	17	1,037	—
Foreign exchange losses		852	—
Other expenses	20	3,827	1
Hemlo Acquisition transaction costs	6	15,899	—
<b>Loss from operations</b>		<b>(27,056)</b>	<b>(86)</b>
Finance costs, net	21	(2,527)	—
<b>Loss before income taxes</b>		<b>(29,583)</b>	<b>(86)</b>
Income tax expense	15	(7,344)	—
<b>Net loss</b>		<b>\$ (36,927)</b>	<b>\$ (86)</b>
<b>Loss per share attributable to shareholders</b>			
Basic and diluted	22	\$ (1.01)	\$ (0.02)

		Year ended December 31, 2024	
	Note	2025	(restated - Note 2c)
<b>Net loss</b>		<b>\$(36,927)</b>	<b>\$(86)</b>
<u>Other comprehensive loss, net of taxes</u>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustments		—	(20)
<b>Total other comprehensive loss</b>		<b>—</b>	<b>(20)</b>
<b>Total comprehensive loss</b>		<b>\$(36,927)</b>	<b>\$(106)</b>

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

## Hemlo Mining Corp.

Consolidated Statements of Changes in Equity

Expressed in thousands of United States dollars except share amounts, unless otherwise stated

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive deficit	Total
<b>At January 1, 2024 (restated - Note 2c)</b>	<b>3,476,033</b>	<b>\$ 55,525</b>	<b>\$ 5,461</b>	<b>\$ (60,847)</b>	<b>\$ 117</b>	<b>256</b>
Warrants exercised (Note 18)	303,334	60	—	—	—	60
Stock-based compensation (Note 23)	—	—	6	—	—	6
Net loss	—	—	—	(86)	—	(86)
Currency translation adjustments	—	—	—	—	(20)	(20)
<b>At December 31, 2024 (restated - Note 2c)</b>	<b>3,779,367</b>	<b>\$ 55,585</b>	<b>\$ 5,467</b>	<b>\$ (60,933)</b>	<b>\$ 97</b>	<b>216</b>
Shares issued in private placements (Note 18)	13,333,333	2,751	—	—	—	2,751
Shares issued on conversion of subscription receipts (Note 18)	251,995,603	538,250	—	—	—	538,250
Share issuance costs (Note 18)	—	(19,617)	—	—	—	(19,617)
Share consideration of Hemlo Acquisition (Note 6 and 18)	23,055,000	49,196	—	—	—	49,196
Shares issued for Hemlo Acquisition costs (Note 18)	3,333,333	7,113	—	—	—	7,113
Conversion of convertible debentures (Note 18)	833,332	2,108	—	—	—	2,108
Change in functional currency (Note 2)	—	(21,045)	(827)	21,964	(97)	(5)
Stock option cancellations	—	—	(79)	79	—	—
Stock-based compensation (Note 23)	—	—	3,353	—	—	3,353
Net loss	—	—	—	(36,927)	—	(36,927)
<b>At December 31, 2025</b>	<b>296,329,968</b>	<b>\$ 614,341</b>	<b>\$ 7,914</b>	<b>\$ (75,817)</b>	<b>\$ —</b>	<b>546,438</b>

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

# Hemlo Mining Corp.

Consolidated Statements of Cash Flows

Expressed in thousands of United States dollars, unless otherwise stated

		Years ended December 31,	
	Note	2025	2024 (restated - Note 2c)
<b>Operating activities</b>			
<b>Net loss</b>		<b>\$ (36,927)</b>	<b>\$ (86)</b>
<b>Adjustments for:</b>			
Change in fair value of Contingent Consideration	20	11,420	—
Change in fair value of Convertible Debentures	20	330	—
Interest and amortization of deferred financing costs			
borrowings	21	1,713	—
Accretion of gold stream liability	14	2,805	—
Accretion of asset retirement obligation	21	134	—
Stock-based compensation	23	3,353	6
Hemlo Acquisition costs settled in common shares	18	7,113	—
Closed mine rehabilitation costs	17	1,037	—
Depreciation expense	19	10	—
Loss on foreign exchange		205	—
Deferred income tax expense	15	5,733	—
Changes in working capital	24	(21,559)	2
<b>Net cash used in operating activities</b>		<b>\$ (24,633)</b>	<b>\$ (78)</b>
<b>Investing activities</b>			
Change in restricted cash		\$ (1,872)	\$ —
Cash paid for Hemlo Acquisition, net of cash acquired	6	(877,927)	—
Purchase of property, plant and equipment		(7,306)	—
<b>Net cash used in investing activities</b>		<b>\$ (887,105)</b>	<b>\$ —</b>
<b>Financing activities</b>			
Proceeds from warrant exercise	18	\$ —	\$ 60
Proceeds from private placement	18	2,751	—
Proceeds from subscription receipts	18	538,250	—
Share issuance costs paid	18	(19,617)	—
Proceeds from gold stream arrangement	14	300,000	—
Proceeds from borrowings	12	225,000	—
Financing costs paid for borrowings	12	(4,654)	—
Interest paid on borrowings	12	(1,502)	—
Proceeds from issuance of convertible debentures	20	1,778	—
Lease repayments	13	(181)	—
<b>Net cash generated from financing activities</b>		<b>\$ 1,041,825</b>	<b>\$ 60</b>
Net increase (decrease) in cash		130,087	(18)
Cash at beginning of year		216	255
Exchange gain (loss) on cash balance		1,653	(21)
<b>Cash at the end of year</b>		<b>\$ 131,956</b>	<b>\$ 216</b>

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

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

Expressed in thousands of United States dollars, unless otherwise stated

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## 1. Nature of operations

Hemlo Mining Corp. ("Hemlo" or the "Company") was formed by the amalgamation of Carcetti Capital Corp. and its wholly-owned subsidiary, 17276583 Canada Ltd., pursuant to Articles of Amalgamation filed under the *Canada Business Corporations Act* on November 27, 2025. The consolidated financial statements include the results and financial position of Carcetti Capital Corp. up to November 27, 2025.

The Company is principally engaged in the production and sale of gold, as well as related activities such as mine development and exploration. The Company operates the Hemlo Gold Mine ("Hemlo Mine") located in Bomby Township, in northwestern Ontario, Canada, through its wholly-owned subsidiary, Hemlo Mine Operating Corp. (formerly 1554943 B.C. Ltd.).

The address of the Company's registered office is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The address of the Company's principal place of business is 390 Bay Street, Suite 1720, Toronto, Ontario, Canada, M5H 2Y2. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "HMMC".

## 2. Basis of preparation

### a. Statement of compliance

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Accounting policies are consistently applied to all periods presented, unless otherwise stated.

These consolidated financial statements were approved by the Board of Directors of the Company on April 15, 2026.

### b. Basis of presentation

All amounts included in these consolidated financial statements have been presented in thousands of United States dollars ("USD" or "\$") unless otherwise noted. References to "CAD" or "C\$" refers to Canadian dollars.

On November 27, 2025, the Company completed a consolidation of its common shares on the basis of two new shares for every three pre-consolidation shares (3:2). The consolidation was approved by shareholders of the Company at a shareholders' meeting held on October 30, 2025. The Company's consolidated common shares began trading on the TSXV when markets opened on December 2, 2025. All references to number of shares and per share amounts are expressed as post-consolidation values.

### c. Change in accounting policy

#### Presentation and functional currency

As at December 31, 2025, the Company changed its presentation currency from CAD to USD. The change in presentation currency enhances comparability of the Company's financial results against its peers. The change in presentation currency is an accounting policy change and has been applied retrospectively with comparative figures restated for all periods presented as if the policy had always been applied, in accordance with IAS 8, *Accounting Policies, Changes In Accounting Estimates And Errors*.

On November 26, 2025, the Company changed its functional currency from CAD to USD to reflect that USD has become the predominant currency in the Company, accounting for a significant part of the Company's cash flows, cash management and financing. The change in functional currency was

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

Expressed in thousands of United States dollars, unless otherwise stated

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applied prospectively from the date of change in accordance with IAS 21, *The Effects Of Changes In Foreign Exchange Rates*. The functional currency of each of the Company's subsidiaries is measured using the currency of the primary economic environment in which they operate. The functional currency of the Company's subsidiaries is USD.

## 3. Material accounting policies

The accounting policy information set out below has been applied consistently to all periods presented in these financial statements.

### a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company. Control exists when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company's subsidiaries and their geographic locations as at December 31, 2025 were as follows:

Company	Location/Jurisdiction	Ownership Interest
Hemlo Mine Operating Corp. ("HMOC") <sup>(1)</sup>	British Columbia	100%
DB Operating Corporation	Ontario	100%
Williams Operating Corporation	Ontario	100%

1. On April 2, 2026, 1554943 B.C. Ltd. was continued under Ontario law as HMOC.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group are eliminated upon consolidation.

### b. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the acquisition date (the day on which the Company obtains control), which is calculated as the sum of the fair values of the assets transferred to the Company, the liabilities assumed by the Company to former owners of the acquiree, and the equity interests issued by the Company in exchange for control over the acquiree. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

When the consideration transferred by the Company in a business combination includes liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

Expressed in thousands of United States dollars, unless otherwise stated

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period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period, which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration are recognized in profit or loss.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of equity interests in the acquiree held previously by the Company exceeds the net fair value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount. A gain is recorded through profit or loss if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that time.

## c. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign currency exchange gains or losses are recognized in profit or loss.

## d. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a remaining maturity of 90 days or less at the date of acquisition.

## e. Revenue

### Gold and Silver Bullion Sales

The Company's revenue comes from the sale of gold and silver bullion. The Hemlo Mine produces doré, which is shipped to refiners for final processing in the form of bullion. Doré is an alloy consisting primarily of gold but also containing silver and other metals.

The Company recognizes revenue at the agreed upon market price for the sale of gold and silver bullion when it satisfies the performance obligation of delivering gold and silver inventory to its customers, which occurs upon the transfer of gold and silver bullion credits, as this is the point at which the customer obtains the ability to direct the use and obtain substantially all of the remaining benefits of ownership of the asset.

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

Expressed in thousands of United States dollars, unless otherwise stated

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## Streaming arrangements

Under a gold streaming arrangement, the Company receives an up-front payment in exchange for delivering a portion of gold production in the future, subject to certain deductions. As the up-front payment is received well in advance of when gold deliveries occur, a gold streaming arrangement provides the Company with a significant benefit of financing and therefore contains a significant financing component ("SFC"). The consideration transferred, in this case the gold stream liability, should be adjusted for the effects of a SFC, and its effects should be accounted for separately. The Company records the impact of the SFC using its estimate of the discount rate that would be reflected in a separate financing transaction between the Company and the counterparty for the streaming arrangement at inception of the stream. This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the gold stream liability to reflect the effects of financing in each period.

## **f. Royalties**

The Company is subject to royalty arrangements based on mineral production, primarily a net smelter return ("NSR") royalty and net profits interest royalty ("NPI"). Under a NSR royalty, the Company pays the holder an amount calculated as the royalty percentage multiplied by the value of gold production at market gold prices less third-party smelting, refining and transportation costs. Under a NPI royalty, the Company pays the holder an amount based on the operating profit as defined in the royalty contract. Royalty expense is recorded on completion of the sales process in cost of sales. Other types of royalties include gross revenue royalty.

## **g. Exploration and evaluation expenditures**

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of: (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, pre-feasibility and final feasibility studies.

Exploration and evaluation costs are expensed in the period incurred unless there is an expectation that future economic benefit is probable. Once the technical feasibility and commercial viability of a program or project has been demonstrated, future expenditures are accounted for as incurred in the development of that project in accordance with the policy for property, plant and equipment. Development decisions are made based upon consideration of project economics, including future metal prices, mineral reserves and resources, and estimated operating and capital costs.

## **h. Taxation**

Income tax expense or recovery represents the sum of the income taxes and mining taxes currently payable or receivable and deferred taxes.

# Hemlo Mining Corp.

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## Current income tax

Current income tax is based on taxable income for the year. Taxable income differs from "loss before income taxes" as reported on the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible. The Company's current tax expense or recovery is calculated using income tax rates that have been enacted or substantively enacted by the end of the reporting period and includes adjustments to income tax payable or recoverable in respect of previous periods.

## Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences and carryforward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that does not affect either taxable income or net income before income taxes.

In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill. Deferred tax liabilities and assets are measured at the income tax rates that are expected to apply in the period in which the liability is expected to be settled or the asset realized, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at the end of the reporting period, reflecting the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## Current and deferred tax for the period

Current and deferred tax expense or recovery are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax expenses are also recognized in other comprehensive income or directly in equity, respectively. Where current and deferred taxes arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## Ontario Mining Tax

The Hemlo Mine is subject to Ontario Mining Tax ("OMT"), a profit-based tax on mineral extraction activities from mines in the Province of Ontario, Canada as governed by the *Mining Tax Act (Ontario)*. OMT is considered as an income tax under IAS 12, *Income Taxes* and is calculated at a rate of 10% for non-remote mines and 5% for remote mines, after a C\$500,000 annual deduction shared among associated corporations. The Hemlo Mine is classified as a "non-remote mine" under the Mining Tax Act and is subject to the rate of 10% on taxable profits after the C\$500,000 annual deduction.

### **i. Inventories**

Material extracted is classified as either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Ore is accumulated in stockpiles that are subsequently processed into gold in a saleable form. Work in process represents

# Hemlo Mining Corp.

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gold in the processing circuit that has not completed the production process and is not yet in a saleable form. Finished goods inventory represents gold in saleable form.

Metal inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labour, materials and contractor expenses; depreciation on property, plant and equipment; and an allocation of general and administrative costs. As stockpiled ore is removed for processing, costs are removed based on the average cost per ounce in the stockpile. Net realizable value is determined with reference to relevant market prices less applicable variable selling and processing costs.

Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items. Provisions are recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete.

Provisions are reversed to reflect subsequent recoveries in net realizable value.

## **j. Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss. Fair value estimates are made at the end of each reporting period based on relevant market information and information about the financial instrument. All financial instruments are classified into either: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- 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.

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in other comprehensive income with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVTPL, including all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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The Company's financial instruments are classified as follows:

	<b>Classification</b>
<b>Financial assets</b>	
Cash	Amortized cost
Account receivables	Amortized cost
Restricted cash	Amortized cost
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Borrowings	Amortized cost
Lease liabilities	Amortized cost
Contingent consideration	FVTPL

### Derecognition of financial assets and liabilities

A financial asset is derecognized when contractual rights to the cash flows of the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

### Impairment of financial assets

Financial assets, other than those classified as measured at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have decreased.

### Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss as the Company does not apply hedge accounting. If the remaining maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months, the fair value of derivatives is presented as a non-current asset or a non-current liability. If the remaining maturity of the instrument is less than twelve months, the fair value of derivatives is presented as a current asset or liability.

### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## **k. Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Costs incurred that do not extend the

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productive capacity or useful economic life of an asset are considered repairs and maintenance costs and charged to profit or loss during the period in which they occur.

Buildings, plant and equipment are depreciated on a straight-line basis or using the units of production ("UOP") method over the shorter of the estimated economic life of the asset or the life of mine ("LOM"). The method of depreciation is determined based on that which best represents usage of the assets. Mobile equipment, light vehicles, furniture, computer and office equipment are depreciated on a straight-line basis. The estimated useful lives of major asset categories are outlined below:

<b>Asset category</b>	<b>Estimated useful life</b>
Buildings, plant and equipment	7 - 13 years; LOM
Mobile equipment	5 - 7 years
Light vehicles	2 - 3 years
Furniture, computer and office equipment	2 - 3 years

Depreciation on equipment utilized in the development of assets, including underground mine development, is capitalized as development costs attributable to the related asset.

### Mineral properties

Exploration and evaluation costs are expensed in the period incurred unless there is an expectation that future economic benefit is probable. Property acquisition costs, development costs and amounts paid under development option agreements are capitalized. Development decisions are made based upon consideration of project economics, including future metal prices, mineral reserves and resources, and estimated operating and capital costs.

Mineral properties include the fair value of mineral reserves and mineral resources acquired in a business combination or an asset acquisition. Upon commercial production, mineral properties are depreciated on a UOP basis, whereby the denominator is the total of estimated ounces of gold in proven and probable mineral reserves and the portion of mineral resources considered probable of economic extraction based on the current LOM.

### Underground mine development costs

The Company incurs development costs to build new shafts, drifts and ramps that will enable it to physically access ore underground. The time over which these costs will be incurred depends on the mine life. Underground development costs are capitalized as incurred.

Capitalized underground development costs are depreciated on a UOP basis, whereby the denominator is the total of estimated ounces of gold in proven and probable mineral reserves and the portion of mineral resources considered probable of economic extraction based on the current LOM plan that benefit from the development.

### Open pit mine development costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide access to the ore body are capitalized as open pit mine development costs.

Capitalized open pit mine development costs are depreciated on a UOP basis whereby the denominator is the total of estimated ounces of gold in proven and probable mineral reserves and the portion of mineral resources considered probable of economic extraction based on the current LOM plan that benefit from the development.

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## Construction-in-progress

Assets under construction are capitalized as construction-in-progress until the asset is available for use. The cost of construction-in-progress comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress amounts related to development projects are included in the carrying amount of the development project. Construction-in-progress amounts incurred at operating mines are presented as a separate asset within property, plant and equipment. Construction-in-progress also includes deposits on long lead items. Construction-in-progress is not depreciated. Depreciation commences once the asset is complete and ready for its intended use.

## **I. Leases**

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Company considers the lease term to be the non-cancellable period of the lease, including any extension options where the Company is reasonably certain to exercise the option, and any termination option where the Company is reasonably certain not to exercise the option.

Right-of-use assets are initially measured at cost, which comprise the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial incentives received, any indirect costs, and any restoration costs. After initial recognition, amortization of right-of-use assets is calculated on the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Lease liabilities include the net present value of fixed lease payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. Future lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. The incremental borrowing rate is the rate that the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Each lease payment is allocated between the liability and finance cost. The finance cost component is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (defined as leases with a term of 12 months or less). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## **m. Impairment of non-financial assets**

The Company reviews and tests the carrying amounts of property, plant and equipment when an indicator of impairment exists. Impairment assessments on property, plant and equipment are conducted at the level of the cash generating unit ("CGU"), which is the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and includes most liabilities specific to the CGU. The Hemlo Mine is defined and reviewed by management as one CGU for impairment testing. The recoverable amount of a CGU is the higher of its value in use ("VIU") and

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fair value less costs of disposal ("FVLCD"). An impairment loss is recognized for any excess of the carrying amount of a CGU over its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

## n. Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the present value of the consideration required to settle. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

### Asset retirement obligation

Asset retirement obligations are decommissioning and restoration costs when the Company has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs, whether this occurs during mine development or during the production phase. The amount recognized as a liability for asset retirement obligation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset using the UOP method. The unwinding of the discount, referred to as accretion, is included in finance costs and results in an increase in the amount of the provision.

The asset retirement obligation is reviewed and adjusted each period to reflect developments which could include changes in expected timing of reclamation activities, legislation, discount rate or estimated future costs. The changes in estimate are accounted for as a change in the corresponding cost of the related asset and depreciated prospectively, except where a reduction in the provision is greater than the remaining net book value of the related asset, in which case the value is reduced to nil and the remaining adjustment is recognized in profit or loss. In the case of closed mine sites, changes in estimates and assumptions are recognized immediately in profit or loss. Provisions are discounted to their present value using the current real risk-free pre-tax discount rate.

Abnormal costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event that gives rise to an obligation occurs and reliable estimates of the required rehabilitation costs can be made.

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## **o. Share-based compensation**

Awards under share-based compensation plans are measured at fair value on the date of grant and expensed to profit or loss over the vesting period. For awards with graded vesting, the grant date fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company assesses its estimates of the number of awards that are expected to ultimately vest and recognizes the impact of the revision in profit or loss.

### Stock options

Stock options are equity-settled and recorded to contributed surplus within shareholders' equity. The grant date fair value of stock options is determined using the Black-Scholes option pricing model. Management exercises judgment in determining the underlying share price volatility, the expected life of the option, the expected forfeitures and other assumptions used to determine grant date fair values. The expense for stock options is recognized over the vesting period. If, and when, stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

### Restricted share units ("RSUs")

RSUs are equity-settled and recorded to contributed surplus within shareholders' equity. The grant date fair value of RSUs is determined based on the quoted market price of Company's common shares at the date of grant. The expense for RSUs is recognized over the vesting period. Upon exercise of any RSUs, the applicable amounts of contributed surplus is transferred to share capital.

### Performance share units ("PSUs")

PSUs are equity-settled and recorded to contributed surplus within shareholders' equity. The grant date fair value of PSUs with non-market performance conditions is determined based on the quoted market price of the Company's common shares at the date of grant. The expense for PSUs with non-market performance conditions is recognized over the vesting period adjusted for the number of PSUs that are expected to ultimately vest.

The grant date fair value of PSUs with market performance conditions reflects the probability of satisfying the market conditions and is determined using a Monte-Carlo simulation model. The expense for PSUs with market performance conditions is recognized over the vesting period. No adjustment is made to the expense for PSUs with market performance conditions for failures to meet market performance conditions. The expense for PSUs with market performance conditions is adjusted for failures to meet service conditions.

Upon exercise of any PSUs, the applicable amount of contributed surplus is transferred to share capital.

### Deferred share units ("DSUs")

DSUs are cash-settled and recorded to other current liabilities. DSUs are measured at fair value using the quoted market price of Company's common shares at the date of the grant. At the end of each reporting period, DSUs are revalued based on the period-end share price with a corresponding charge to share-based compensation expense. The expense for DSUs is recognized over the vesting period.

## **p. Earnings per share ("EPS")**

Basic earnings per share is calculated based on the weighted average number of common shares and common share equivalents outstanding for the period. Diluted earnings per share is calculated

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using the treasury method, except when assessing the dilution impact of equity-settled RSUs and PSUs, where the "if converted" method is used.

The treasury method assumes that outstanding stock options with an exercise price below the average market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period, except where such inclusion would be anti-dilutive. The "if converted" method assumes that all equity-settled RSUs and PSUs have been converted in determining fully diluted loss per share, except where such conversion would be anti-dilutive.

## 4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These estimates and judgments are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from estimates. The key areas where judgments, estimates and assumptions have been made are summarized below:

### *Determination of LOM plans and mineral reserves and resources*

Estimates of the quantities of proven and probable mineral reserves and mineral resources form the basis of the Company's LOM plans, which are used for a number of important business and accounting purposes, including: the calculation of depreciation expense; the recognition of deferred revenue related to the gold streaming arrangement, and forecasting the timing of the payments related to the asset retirement obligation. In addition, the underlying LOM plans are used in the impairment tests for non-current assets and in measuring the fair value of assets acquired in a business combination. In certain cases, these LOM plans have made assumptions about the Company's ability to obtain the necessary permits required to complete the planned activities. The Hemlo Mine's ore reserves and mineral resources are estimated based on information compiled by qualified persons as defined in accordance with Canadian Securities Administrators' National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* technical report requirements.

There are numerous uncertainties inherent in estimating mineral reserves and resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and resources and may, ultimately, result in mineral reserves and resources being restated.

### *Assessment for impairment of non-financial assets*

At the end of each reporting period, the Company assesses whether there are any indicators that the carrying amount of non-financial assets, including property, plant and equipment, and mineral properties subject to depreciation, may be impaired. There are a number of potential indicators that could trigger an impairment, which may require critical accounting judgments to determine the extent to which external and/or internal factors may impact the assets' recoverable amount.

External sources of information considered include changes in the market, economic, legal and permitting environment in which the CGU operates that are not within its control and affect the recoverable amount of mineral interests. Internal sources of information considered include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

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## Income taxes

Management is required to assess uncertainties and make judgments and estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes such as mining taxes.

Judgment is required in determining whether deferred income tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable profit are affected by, among other things, the market price of gold, production costs, quantities of proven and probable mineral reserves, interest rates and foreign currency exchange rates. If actual results are significantly different than our estimates, the ability to realize the deferred tax assets could be impacted.

## Asset retirement obligations

Management is required to make significant estimates and assumptions in determining the Company's ultimate obligation for decommissioning and restoration liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in foreign exchange and discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Actual future expenditures may differ from the amounts currently provided for if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

## Determination of functional currency

Judgement is required when selecting the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions affecting the Company and its subsidiaries. In exercising this judgement management considers relevant factors such as the currency that most affects cash flows, financing and other transactions.

## Business combinations

Business combinations are accounted for using the acquisition method of accounting. The Company determines the fair value of the identifiable assets acquired and the liabilities assumed using various valuation techniques, including using discounted cash flow models, comparable transactions of similar assets in an open market, replacement cost, corroborated by other valuation techniques.

The process of determining these fair values requires the Company to make estimates and assumptions of a long term nature regarding future production levels, operating and capital costs, future gold prices, discount rates and values of mineral resources outside the LOM. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. Refer to Note 6 for further details on acquisitions.

## Gold stream arrangement

The up-front payment received under the gold stream arrangement has been accounted for as deferred revenue as it will be settled through delivery of gold, a non-financial item, produced from the Hemlo Mine rather than cash or other financial assets. If the Company fails to settle its obligations under the gold stream arrangement from its own gold production, the stream arrangement would be accounted for as a

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derivative, resulting in revaluation of the fair value of the stream arrangement through profit and loss on a recurring basis.

At initial inception of the gold stream arrangement, the Company makes significant estimates and assumptions to determine an applicable discount rate to account for the SFC of the gold stream arrangement, including estimates and assumptions related to anticipated future production of the life of mine, the future prices for gold and the Company's credit spread. In addition, consideration received from payments for deliveries made under the gold stream arrangement is considered variable and subject to changes in the timing and quantity of estimated gold ounces to be delivered. Changes in the expected timing and quantity of gold deliveries under the gold stream arrangement will result in a cumulative catch-up adjustment to be recorded to gold stream liability, revenue and finance cost, as appropriate, in the period of the change in estimate.

In order to determine the amount of gold stream revenue that is to be recognized as revenue when the Company makes deliveries of gold ounces to the streamer, the Company makes estimates with respect to future production of the life of mine. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

## Fair value of contingent consideration

The Company's contingent consideration liability (Note 16) is measured at fair value at the end of each reporting period using a Monte-Carlo simulation model. The Company makes significant estimates and assumptions on various inputs including, future gold production, future gold prices, gold price volatility, cost of carry for gold and the Company's credit spread. The actual amount and timing of future cash outflow may differ if the estimates made are significantly different than actual results on settlement of the contingent consideration liability.

## 5. Accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Company intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, which are not expected to impact the Company have not been listed.

### **Presentation and Disclosure in Financial Statements (IFRS 18)**

In April 2024, IFRS 18, *Presentation and Disclosure in Financial Statements* was issued to replace IAS 1, *Presentation of Financial Statement*. IFRS 18 aims to achieve comparability of the financial performance of similar entities and introduces the following key new requirements:

- All income and expenses must be classified into five categories on the income statement: operating, investing, financing, discontinued operations, and income tax.
- A newly defined subtotal for operating profit is required, though net profit will remain unchanged.
- Management-defined performance measures must be disclosed together in a single note to the financial statements.
- The standard provides enhanced guidance on how to aggregate and present information in the financial statements.
- Entities using the indirect method for the statement of cash flows must start with the new operating profit subtotal.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is currently assessing the impact of the new standard.

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## **Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)**

In May 2024, amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* was issued. The amendments included the following key changes:

- Clarification of the recognition and derecognition date for certain financial assets and liabilities.
- Revised requirements for the settlement of financial liabilities using electronic payment systems.
- Additional disclosure requirements for financial instruments with contingent features not directly related to basic lending risks and costs.
- Amendments to the disclosure of equity instruments designated at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. The Company is currently assessing the impact of the amendments.

## **6. Business combination**

On November 26, 2025, the Company, through its wholly-owned subsidiary, 1554943 B.C. Ltd., completed the acquisition of all of the issued and outstanding common shares of 1539041 B.C. ULC (the "Hemlo Acquisition") from certain wholly-owned subsidiaries of Barrick Mining Corporation ("Barrick"). 1539041 B.C. ULC held all of the shares of DB Operating Corporation and Williams Operating Corporation, mining rights related to the Hemlo Mine, and contracts that related exclusively to Hemlo Mine operations. Upon the closing of the Hemlo Acquisition, 1554943 B.C. Ltd. amalgamated with 1539041 B.C. ULC. On April, 2, 2026, 1554943 B.C. Ltd. was continued as an Ontario corporation, HMOC. The Company, through HMOC, wholly-owns the Hemlo Mine.

In accordance with IFRS 3, *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. For an integrated set of activities and assets to be considered a business, the set of activities needs to contain inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The Company determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting.

The total purchase consideration had a fair value of \$1.0 billion is comprised of \$873.6 million cash consideration, \$49.2 million shares consideration and \$100.1 million contingent consideration related to the estimated fair value of future Gold Price Linked payments ("Contingent Consideration"). The Contingent Consideration is payable to Barrick based on incremental revenue per ounce of gold over certain gold price thresholds over a five-year period. Refer to Note 16 for details. The tables below summarize the provisional purchase price allocation of the purchase consideration of \$1.0 billion.

## Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

Expressed in thousands of United States dollars, unless otherwise stated

	Note	Amount as at November 26, 2025
<b>Assets acquired</b>		
Cash		\$ 198
Account receivables		377
Inventories		27,259
Other current assets		5,584
Property, plant and equipment	10	1,509,123
<b>Total assets acquired</b>		<b>\$ 1,542,541</b>
<b>Liabilities assumed</b>		
Accounts payable and other current liabilities		\$ 49,590
Lease liabilities	13	8,603
Deferred tax liabilities	15	441,699
Asset retirement obligation	17	19,591
Other non-current liabilities		244
<b>Total liabilities assumed</b>		<b>519,727</b>
<b>Fair value of identifiable net assets acquired</b>		<b>\$ 1,022,814</b>

	Note	Amount as at November 26, 2025
<b>Purchase consideration</b>		
Cash consideration		\$ 873,568
Share consideration	18	49,196
Contingent Consideration	16	100,050
<b>Total purchase consideration</b>		<b>1,022,814</b>
Fair value of identifiable net assets acquired		(1,022,814)
<b>Goodwill</b>		<b>\$ —</b>

	Note	Fair values as at November 26, 2025
<b>Net cash outflow on acquisition</b>		
Cash consideration		\$ 873,568
Working Capital Adjustment	7	4,557
<b>Cash paid at closing of Hemlo Acquisition</b>		<b>878,125</b>
Cash acquired		(198)
<b>Net cash outflow on closing of Hemlo Acquisition</b>		<b>\$ 877,927</b>

The Company engaged an independent appraiser to determine the fair value of material assets acquired and liabilities assumed, using income, market and cost valuation methods. The fair value of property, plant and equipment acquired were estimated using a discounted cash flow model and comparable transactions. Discounted cash flow of expected future cash flows are based on estimates of future gold prices, future production level based on estimated quantities of mineral reserves and resources, expected future operating costs and capital expenditures based on the life of mine plans at the acquisition date, as well as an applicable discount rate. The fair values of the tangible capital assets acquired were estimated using replacement cost and market approaches. The fair values of assets acquired and liabilities assumed were classified as Level 3 under the fair value hierarchy.

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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The significant assumptions used in the determination of the fair value of mineral interests using a discounted cash flow model were as follows:

## Assumptions

Gold price - 2025 to 2029	\$3,200 - \$4,000 per ounce
Long-term gold price	\$2,900 per ounce
Discount rate	7.9 %
Mine life	13 years
Gold price - Mineral reserves estimate	\$1,700 per ounce
Gold price - Mineral resources estimate	\$1,900 per ounce
Average grade over LOM	1.8 grams per tonne
Average recovery rate	93 %

The Company incurred \$15.9 million of costs related to the Hemlo Acquisition which were included in the consolidated statement of loss and comprehensive loss.

The Company has up to one year from the acquisition date of November 26, 2025 to reflect new information obtained about facts and circumstances that existed, but not known, as of the acquisition date and, if known, would have resulted in the recognition of additional assets or liabilities, or affected the fair values of assets acquired or liabilities assumed.

Included in the consolidated statement of loss and comprehensive loss are revenue and net loss of the Hemlo Mine since November 26, 2025 of \$nil and \$10.9 million, respectively. If the Hemlo Acquisition had occurred as of January 1, 2025, then consolidated revenue and net profit would have been \$429.6 million and \$83.6 million, respectively.

## 7. Account receivables

	As at December 31,	
	2025	2024
Receivables related to the Hemlo Acquisition	\$ 8,479	\$ —
Others	634	—
<b>Total account receivables</b>	<b>\$ 9,113</b>	<b>\$ —</b>

Pursuant to the terms of the Hemlo Acquisition, the Company was required to provide a statement setting forth the difference between the estimated cash consideration paid to Barrick at closing of the Hemlo Acquisition of \$878.1 million and the cash consideration calculated using the actual closing working capital and debt at the closing date ("Working Capital Adjustment"), within 60 business days after the closing date. As at December 31, 2025, the Company recognized a receivable of \$8.5 million from Barrick related to the Working Capital Adjustment, which includes certain tax refunds received by Barrick subsequent to the closing of the Hemlo Acquisition. The receivable related to the Hemlo Acquisition was subsequently received in March 2026.

## Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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### 8. Inventories

	As at December 31,	
	2025	2024
Work in process	\$ 10,198	\$ —
Finished products	39,407	—
Supplies inventory	9,589	—
<b>Total inventories</b>	<b>\$ 59,194</b>	<b>\$ —</b>

### 9. Other current assets

	As at December 31,	
	2025	2024
Canadian sales taxes recoverable	\$ 3,180	\$ —
Prepaid expenses	5,127	22
<b>Total other current assets</b>	<b>\$ 8,307</b>	<b>\$ 22</b>

### 10. Property, plant and equipment

	Buildings, plant and equipment	Mineral property costs subject to depreciation	Amounts not subject to depreciation	Total
<b>Cost</b>				
<b>At December 31, 2024 and January 1, 2024</b>	\$ —	\$ —	\$ —	\$ —
Acquired from Hemlo Acquisition (Note 6)	457,683	980,475	70,965	1,509,123
Additions	727	1,395	5,061	7,183
Change in estimate of asset retirement obligation (Note 17)	—	21,808	—	21,808
<b>At December 31, 2025</b>	<b>\$ 458,410</b>	<b>\$ 1,003,678</b>	<b>\$ 76,026</b>	<b>\$ 1,538,114</b>
<b>Accumulated depreciation</b>				
<b>At December 31, 2024 and January 1, 2024</b>	\$ —	\$ —	\$ —	\$ —
Depreciation expense	(4,694)	(10,290)	—	(14,984)
<b>At December 31, 2025</b>	<b>\$ (4,694)</b>	<b>\$ (10,290)</b>	<b>\$ —</b>	<b>\$ (14,984)</b>
<b>Net book value</b>				
<b>At December 31, 2024</b>	\$ —	\$ —	\$ —	\$ —
<b>At December 31, 2025</b>	<b>\$ 453,716</b>	<b>\$ 993,388</b>	<b>\$ 76,026</b>	<b>\$ 1,523,130</b>

## Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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Amounts not subject to depreciation are comprised of the following:

	As at December 31,	
	2025	2024
Construction in progress	\$ 23,026	\$ —
Acquired mineral resources and exploration potential	53,000	—
<b>Total mining property costs not subject to depreciation</b>	<b>\$ 76,026</b>	<b>\$ —</b>

Movement in right-of-use assets included in buildings, plant and equipment are as follows:

	Note	Years ended December 31,	
		2025	2024
<b>Net book value at beginning of year</b>		\$ —	\$ —
Acquired from Hemlo Acquisition	6, 13	8,603	—
Additions	13	461	—
Depreciation		(234)	—
<b>Net book value at end of year</b>		<b>\$ 8,830</b>	<b>\$ —</b>

All of the Company's property, plant and equipment is pledged as security for the Company's borrowings (Note 12) and its obligations under the gold stream arrangement (Note 14).

As at December 31, 2025, the Company had contractual capital commitments for purchases totalling \$15.2 million (2024 - \$nil).

### 11. Accounts payable and accrued liabilities

	As at December 31,	
	2025	2024
Trade payable	\$ 16,326	\$ 22
Accrued liabilities <sup>(1)</sup>	29,098	—
Payroll accruals	4,782	—
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 50,206</b>	<b>\$ 22</b>

1. Includes accrued royalties of \$14.8 million (2024 - \$nil).

### 12. Borrowings

	As at December 31,	
	2025	2024
Term Facility	\$ 150,000	\$ —
Revolving Credit Facility	75,000	—
<b>Total principal outstanding</b>	<b>225,000</b>	<b>—</b>
Less: Unamortized financing costs	(4,595)	—
<b>Total borrowings</b>	<b>\$ 220,405</b>	<b>\$ —</b>

## Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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	As at December 31,	
	2025	2024
Current	\$ 14,695	\$ —
Non-current	205,710	—
<b>Total borrowings</b>	<b>\$ 220,405</b>	<b>\$ —</b>

On November 26, 2025, the Company entered into a secured credit agreement ("Credit Agreement") led by a Canadian bank. The Credit Agreement provides for a \$250.0 million senior-secured credit facility, consisting of a \$100 million senior-secured revolving credit facility ("Revolving Credit Facility") and a \$150 million senior-secured non-revolving term loan facility ("Term Facility", together, the "Facilities"), each maturing on November 28, 2028.

On November 26, 2025, the Company drew \$75.0 million from the Revolving Credit Facility and fully drew on the \$150.0 million Term Facility for a total of \$225.0 million in cash from the Facilities to fund a portion of the Hemlo Acquisition and general working capital purposes.

Principal amounts drawn under the Term Facility are to be repaid in nine consecutive quarterly installments of \$7.5 million each commencing August 26, 2026, with the remaining balance payable on November 27, 2028. The Company may make early repayments of all or a portion of the Term Facility at any time without penalty. Early repayments of the Term Facility may not be re-drawn and will be applied in inverse order of maturity. Principal amounts under the Revolving Credit Facility are payable at maturity.

As at December 31, 2025, there were also \$3.5 million of outstanding letters of credit issued under the Revolving Credit Facility as financial support for environmental remediation and reclamation obligations and lease liabilities. As at December 31, 2025, \$21.5 million was available under the Revolving Credit Facility.

The Facilities bear interest at either the Term Secured Overnight Financing Rate plus 0.10% to 0.25% (depending on the tenor) plus an applicable margin between 2.75% to 3.75% (except for a minimum margin of 3.25% for the first two quarters) payable no less than every three months, or the base rate, as defined in the Credit Agreement, plus an applicable margin ranging from 1.75% to 2.75% (except for a minimum margin of 2.25% for the first two quarters) payable monthly. For the Revolving Credit Facility only, by way of letters of credit with fees ranging from 1.833% to 2.5% per annum for non-financial letters and 2.75% to 3.75% per annum for financial letters. The applicable margin is based on the Company's leverage ratio at the end of each fiscal quarter. For the year ended December 31, 2025, the interest rate on the Facilities was 7.3% (2024 - n/a).

Total financing costs of \$4.7 million, which included underwriting and related legal fees, were offset in borrowings and are being amortized over the term of the Facilities.

The Facilities are subject to certain financial covenants measured at the end of each quarter. The Company was in compliance with all financial covenants as at December 31, 2025.

## Hemlo Mining Corp.

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### 13. Leases

	Note	Years ended December 31,	
		2025	2024
<b>Balance at beginning of year</b>		\$ —	\$ —
Lease liabilities recognized on Hemlo Acquisition	6	8,603	—
Additions	10	461	—
Lease payments		(240)	—
Accretion	21	59	—
Foreign currency translation		227	—
<b>Balance at end of year</b>		<b>\$ 9,110</b>	<b>\$ —</b>
Current		\$ 2,252	\$ —
Non-current		6,858	—
<b>Total lease liabilities</b>		<b>\$ 9,110</b>	<b>\$ —</b>

The Company leases certain assets such as equipment, office premise and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the year ended December 31, 2025, payments related to short-term leases not included in the measurement of lease liabilities totalled \$0.4 million (2024 - \$nil) and were recognized in the consolidated statements of loss and comprehensive loss.

Future minimum annual lease payments are \$2.8 million in 2026, \$2.8 million in 2027, \$2.9 million in 2028 and \$1.7 million in 2029, totalling \$10.2 million. Future minimum annual lease payments are based on contractual undiscounted cash flows and may not agree with the amounts disclosed in the consolidated statements of financial position.

### 14. Gold stream liability

	Note	Years ended December 31,	
		2025	2024
<b>Balance at beginning of year</b>		\$ —	\$ —
Deposit from Wheaton		300,000	—
Accretion of gold stream liability	21	2,805	—
<b>Balance at end of year</b>		<b>\$ 302,805</b>	<b>\$ —</b>
Current		\$ 29,057	\$ —
Non-current		273,748	—
<b>Total gold stream liability</b>		<b>\$ 302,805</b>	<b>\$ —</b>

On November 24, 2025, the Company entered into a Precious Metals Purchase Agreement ("Streaming Arrangement") with Wheaton Precious Metals Corp. ("Wheaton"), whereby the Company received an up-front payment of \$300.0 million at closing of the Hemlo Acquisition in exchange for delivery of a portion of future gold production ("Stream Percentage"), subject to certain deductions, as outlined below:

- 10.125% of payable gold until a total of 135,750 gold ounces have been delivered ("First Dropdown Threshold");
- 6.75% of payable gold until a further total of 117,998 gold ounces have been delivered ("Second Dropdown Threshold"); and
- 4.50% of payable gold thereafter.

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Each of the First Dropdown Threshold and the Second Dropdown Threshold will be subject to adjustment if there are delays in deliveries relative to an agreed schedule, and commencing in 2033, if deliveries fall behind the agreed schedule by 10,000 gold ounces or more, the Stream Percentage will be increased by 5% until deliveries catch up with the agreed schedule.

The payable gold will be reduced by half with respect to gold production from certain claims comprising the Interlake deposit (which is subject to a 50% NPI). Payable gold is calculated using a fixed payable factor of 99.95%.

The Streaming Arrangement has an initial term of 20 years to October 31, 2045 and will automatically renew for successive 10-year periods unless Wheaton provides written notice to terminate the Streaming Arrangement prior to the end of the then-current term. If the Streaming Arrangement is terminated and the Company has not delivered sufficient gold ounces to Wheaton to reduce the \$300.0 million up-front payment to nil in accordance with the Streaming Arrangement, then the Company is required to pay the remaining balance to Wheaton immediately upon demand.

In addition to the up-front payment, Wheaton will pay the Company cash equal to 20% of the market price of gold for each gold delivery.

For accounting purposes, the Streaming Arrangement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front payment of \$300.0 million is accounted for as a prepayment of undelivered ounces under the contract and is recorded as a gold stream liability. Revenue is recognized on settlement of the gold stream liability as gold ounces are delivered to Wheaton. The Company has determined a discount rate of approximately 9.7% to account for the effects of the SFC. This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the gold stream liability to reflect the effects of financing in each period.

## 15. Income tax

Income tax expense recognized in the consolidated statements of loss and comprehensive loss comprise of the following:

	Years ended December 31,	
	2025	2024
Current income tax expense	\$ (1,611)	\$ —
Deferred income tax expense	(5,733)	—
<b>Total income tax expense</b>	<b>\$ (7,344)</b>	<b>\$ —</b>

## Hemlo Mining Corp.

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Reconciliation of effective income tax rate for the year is as follows:

	Years ended December 31,	
	2025	2024
<b>Loss before income taxes</b>	\$ (29,583)	\$ (86)
Loss before income taxes multiplied by the blended rate of Canadian corporate tax rate of 26.5% (2024 - 26.5%)	(7,839)	(23)
Effects of:		
Rate differential	320	(1,059)
Non-deductible expenses / non-taxable income	6,343	—
Impact of local mining taxes	811	—
Impact of foreign exchange	(1,920)	—
Deferred tax assets not recognized	9,807	1,081
Other, net	(178)	1
<b>Total income tax expense</b>	\$ 7,344	\$ —

The tax rates used for the reconciliation above are the Canadian statutory tax rates payable by entities in the Company on taxable profits under tax laws where they are domiciled and industry they operate in.

Changes in deferred income tax liability as follows:

	Note	Years ended December 31,	
		2025	2024
<b>Balance at beginning of year</b>		\$ —	\$ —
Recognized from Hemlo Acquisition	6	441,699	—
Deferred income tax expense recognized in net loss		5,733	—
<b>Balance at end of year</b>		\$ 447,432	\$ —

Components of deferred income tax liability are as follows:

	As at December 31,	
	2025	2024
Accounting value of property, plant and equipment in excess of tax value	\$ (351,715)	\$ —
Other deductible temporary differences	1,016	—
Ontario Mining Tax	(96,733)	—
<b>Total deferred income tax liability</b>	\$ (447,432)	\$ —

As at December 31, 2025, the Company had Canadian non-capital losses of \$31.9 million expiring between 2031 and 2045 (2024 - \$22.6 million expiring between 2031 to 2043) and Canadian capital losses of \$41.2 million (2024 - \$46.3 million) with no expiry.

As at December 31, 2025, the Company had unrecognized deferred income tax assets in respect of aggregate loss carryforwards and deductible temporary differences of \$73.7 million (2024 - \$47.0 million).

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## 16. Contingent consideration

The Contingent Consideration represents contingent cash payments over a five-year term from January 1, 2027 to December 31, 2031. The Company is required to make annual payments to Barrick based on three incremental pricing thresholds:

1. 20.0% of incremental revenue per ounce of payable gold production at or above \$3,300/oz but less than \$3,500/oz;
2. 22.5% of incremental revenue per ounce of payable gold production at or above \$3,500/oz but less than \$3,700/oz; and
3. 25.0% of incremental revenue per ounce of payable gold production at or above \$3,700/oz.

The maximum cumulative amount payable under the Contingent Consideration is \$165.0 million.

The Company has classified the Contingent Consideration payable to Barrick as a derivative financial liability as the amount due is dependent on future gold prices over a five-year period. The Company estimated the fair value of the Contingent Consideration using a Monte-Carlo simulation model based on the gold forward curve, expected volatility of 20% (November 26, 2025 - 24%), the Company's credit spread of 1% (November 26, 2025 - 1%), risk-free rate of 3% (November 26, 2025 - 3%) and the Company's planned production during the five-year period. The Monte-Carlo simulation projects potential gold price paths over the five-year term and applies the contractual incremental revenue percentages for each pricing threshold subject to the cumulative maximum of \$165.0 million.

On November 26, 2025, the fair value of the Contingent Consideration was estimated to be \$100.1 million. As at December 31, 2025, the Company re-measured the Contingent Consideration which resulted in an increase in the liability of \$11.4 million to \$111.5 million recorded as a non-current liability (2024 - \$nil).

During the year ended December 31, 2025, the Company recognized a fair value loss on Contingent Consideration of \$11.4 million (2024 - \$nil).

## 17. Asset retirement obligation

	Note	Years ended December 31,	
		2025	2024
<b>Balance at beginning of year</b>		\$ —	\$ —
Assumed from Hemlo Acquisition	6	19,591	—
Accretion	21	134	—
Change in measurement		22,845	—
Foreign currency translation		1,332	—
<b>Balance at end of year</b>		<b>\$ 43,902</b>	<b>\$ —</b>

The asset retirement obligation was initially recognized at fair value on November 26, 2025 using a market-based discount rate as required by IFRS 3, *Business Combinations*. The subsequent remeasurement under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* resulted in a \$22.8 million increase in the provision, of which \$21.8 million related to operating sites was recognized as an adjustment to property, plant and equipment (Note 10), and \$1.0 million related to non-operating sites was expensed.

The asset retirement obligation has been recorded initially as a liability based on management's best estimate of future cash flows, excluding the effect of inflation, discounted to their present value using a Canadian dollar real pre-tax risk-free rate of 1.9% (2024 - n/a). Reclamation activities are expected to occur over a period of 40 years, with the majority occurring in the years following the cessation of mining operations.

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As at December 31, 2025, the Company was required to provide reclamation bonding totalling \$64.0 million. The Company has satisfied its bonding obligations by engaging a surety to provide the reclamation bond. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As the specific requirements are met, the beneficiary of the associated instrument cancels and/or returns the instrument to the issuing entity. Generally, bonding requirements associated with environmental regulation are becoming more restrictive. However, the Company believes it is in compliance with all applicable bonding obligations and will be able to satisfy future bonding requirements through existing or alternative means, as they arise.

## 18. Share Capital

On November 27, 2025, the Company completed a consolidation of its common shares on the basis of two new shares for every three pre-consolidation shares (3:2). All references to number of shares and per share amounts are expressed as post-consolidation values.

### Authorized shares

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares (issuable in series), all of which are without nominal or par value.

On February 9, 2026, the Board of Directors approved the adoption of a shareholder rights plan ("Rights Plan"). While the Rights Plan is effective as of the February 9, 2026, it is subject to ratification by the Company's shareholders within six months of its adoption. The Board of Directors intends to recommend the ratification of the Rights Plan at its next annual and special meeting of shareholders.

Pursuant to the Rights Plan, one right was issued and attached to each common share outstanding as of the effective time under the Rights Plan. A right will also be attached to each common share issued after February 9, 2026 in accordance with the terms of the Rights Plan. Subject to the terms of the Rights Plan, the rights become exercisable in the event that any person (together with its affiliates and associates and persons acting in concert with it) becomes a beneficial holder of 20% or more of the Company's outstanding common shares, without complying with the "Permitted Bid" provisions under the Rights Plan. In such event, holders of the rights (other than the acquiring person and its related parties) will be permitted to exercise their rights to purchase additional common shares of the Company at a substantial discount to the then market price of the Company's common shares. Taking up common shares pursuant to a "Permitted Bid" would not trigger the Rights Plan. While the Rights Plan is effective as of February 9, 2026, it is subject to ratification by the Company's shareholders within six months of its adoption. Subject to ratification by the Company's shareholders, and reconfirmation at the Company's annual meetings in 2029 and 2032, the Rights Plan will expire upon the conclusion of Company's annual meeting in 2035.

	Number of shares	Amount
<b>Balance at January 1, 2024</b>	<b>3,475,750</b>	<b>\$ 55,525</b>
Warrants exercised <sup>(i)</sup>	303,333	60
<b>Balance at December 31, 2024</b>	<b>3,779,083</b>	<b>\$ 55,585</b>
Share issued in private placements <sup>(ii)</sup>	13,333,333	2,751
Share issued on conversion of subscription receipts <sup>(iii)</sup>	251,995,603	538,250
Share issuance costs <sup>(iii)</sup>	—	(19,617)
Share consideration of Hemlo Acquisition <sup>(iv)</sup>	23,055,000	49,196
Hemlo Acquisition costs settled in common shares <sup>(v)</sup>	3,333,333	7,113
Conversion of Convertible Debentures (Note 20)	833,332	2,108
Change in functional currency (Note 2)	—	(21,045)
<b>Balance at December 31, 2025</b>	<b>296,329,684</b>	<b>\$ 614,341</b>

# Hemlo Mining Corp.

## Notes to the Consolidated Financial Statements

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- (i) In May 2024, the Company issued 303,333 common shares of the Company in connection with the exercise of 303,333 warrants at an exercise price of C\$0.27 per share for gross proceeds of C\$81,900.
- (ii) In August 2025, the Company completed a non-brokered private placement of 4,000,000 common shares at C\$0.53 per share for gross proceeds of C\$2.1 million. In June 2025, the Company completed a non-brokered private placement of 9,333,333 common shares at C\$0.19 per share for gross proceeds of C\$1.8 million.
- (iii) In October 2025, the Company executed Subscription Receipt Agreements in respect of the following private placement arrangements to fund a portion of the Hemlo Acquisition:
  - 1. Brokered private placement of 226,178,933 subscription receipts at a price of C\$3.00 per subscription receipt for aggregate gross proceeds of C\$678.5 million.
  - 2. Non-brokered private placement of 5,749,698 subscription receipts at a price of C\$3.00 per subscription receipt for aggregate gross proceeds of C\$17.2 million.
  - 3. Non-brokered private placement of 20,066,972 subscription receipts at a price of \$2.16 per subscription receipt for aggregate gross proceeds of \$43.3 million.

The subscription receipts were converted into common shares of the Company upon closing of the Hemlo Acquisition on November 26, 2025 and satisfaction of the relevant terms under the Subscription Receipt Agreement. Total costs incurred in connection with the Subscription Receipt Agreement totalled \$19.6 million, including a 5% underwriters' fee, legal fees, TSXV fees and transfer agent's fees, and have been recorded to share capital.

- (iv) In connection with the Hemlo Acquisition (Note 6), the Company issued 23,055,000 common shares to Barrick on November 26, 2025. The common shares were measured at \$49.2 million, using a price of C\$3.00 per common share, representing the estimated fair value of the Company's common shares on the issuance date.
- (v) On September 24, 2025, the Company entered into an agreement with KEWA Financial Inc. ("KEWA"), pursuant to which KEWA agreed to act as the Company's exclusive advisor in connection with aspects of the Hemlo Acquisition related to reclamation and financial assurance requirements. Upon completion of the Hemlo Acquisition, the Company paid KEWA a cash fee equal to \$1.9 million and issued 3,333,333 common shares at a deemed price of C\$3.00 per share for an aggregate value of C\$10.0 million which were included in Other expenses (Note 20).

## 19. General and administrative expenses

		Years ended December 31,	
	Note	2025	2024
Office and general		\$ 186	\$ 1
Travel and related		77	—
Insurance expense		54	5
Director fees		58	—
Salaries and benefits		597	9
Share-based compensation expense	23	3,353	6
Depreciation		10	52
Professional fees		956	—
Shareholders' information		70	12
Investor relations		38	—
<b>Total general and administrative expenses</b>		<b>\$ 5,399</b>	<b>\$ 85</b>

## Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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### 20. Other expenses

	Note	Years ended December 31,	
		2025	2024
Change in fair value of Contingent Consideration	16	\$ 11,420	\$ —
Change in fair value of foreign exchange forward contract <sup>(1)</sup>		(7,490)	—
Change in fair value of embedded derivative in Convertible Debentures <sup>(2)</sup>		330	—
Others		(433)	1
<b>Total other expenses</b>		<b>\$ 3,827</b>	<b>\$ 1</b>

1. On September 17, 2025, the Company entered into a foreign exchange forward contract to sell CAD and purchase USD in the amount of C\$584.0 million for \$422.9 million. The foreign exchange forward contract was classified as a derivative financial instrument and was measured at fair value through profit or loss.

On closing of the Hemlo Acquisition (Note 6), the Company realized a fair value gain of \$7.5 million, representing the difference between market foreign exchange rates and the foreign exchange forward contract.

2. On November 6, 2025, the Company entered into two five-year non-interest-bearing, unsecured Convertible Debenture Agreements totalling C\$2.5 million ("Convertible Debentures"). The Convertible Debentures were convertible, at the holder's option, into common shares of the Company at a price of C\$3.00 per share any time prior to maturity after completion of the Hemlo Acquisition. The Convertible Debentures were repayable on demand by the debenture holders (representing a put) or prepayable by the Company at any time (representing a call) (together the "Redemption Feature"). The Redemption Feature was considered an embedded derivative and deemed to not be closely related to the host liability and was separately recorded. On initial recognition, the fair value of the embedded derivative was estimated to be an asset of \$0.3 million.

On December 10, 2025, all Convertible Debentures were converted into common shares of the Company and the Redemption Feature was unexercised, resulting in a fair value loss on embedded derivative in the Convertible Debentures of \$0.3 million.

### 21. Finance costs, net

	Note	Years ended December 31,	
		2025	2024
<b>Finance income</b>			
Interest income		\$ 2,410	\$ —
<b>Total finance income</b>		<b>\$ 2,410</b>	<b>\$ —</b>
<b>Finance costs</b>			
Interest and amortization of deferred financing costs borrowings	12	\$ (1,713)	\$ —
Accretion of asset retirement obligation	17	(134)	—
Accretion of lease liabilities	13	(59)	—
Accretion of gold stream liability	14	(2,805)	—
Others		(226)	—
<b>Total finance costs</b>		<b>(4,937)</b>	<b>—</b>
<b>Total finance costs, net</b>		<b>\$ (2,527)</b>	<b>\$ —</b>

## Hemlo Mining Corp.

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### 22. Loss per share

	Years ended December 31,	
	2025	2024
<b>Net loss</b>	\$ (36,927)	\$ (86)
Weighted average number of common shares for basic EPS	36,478,899	3,660,851
<b>Weighted average number of common shares for diluted EPS</b>	<b>36,478,899</b>	<b>3,660,851</b>
<b>Basic loss per share</b>	\$ (1.01)	\$ (0.02)
<b>Diluted loss per share</b>	\$ (1.01)	\$ (0.02)

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 8.3 million stock options and 3.1 million RSUs that were anti-dilutive for the year (2024 - 68,222 stock options).

### 23. Share-based compensation

On October 30, 2025, the Company's shareholders approved an Omnibus Equity Incentive Plan ("Omnibus Plan") that would allow the Company to grant various equity awards to its directors, officers, employees or consultants. Under the terms of the Omnibus Plan, the maximum number of common shares that may be issued upon the exercise or settlement of equity awards (together with awards under other security based compensation arrangements) is 10% of the Company's total issued and outstanding common shares.

The Omnibus Plan replaced a legacy stock option plan (the "Legacy Plan"), approved by the shareholders on September 25, 2024. Options which were outstanding under the Legacy Plan were deemed to be governed by and subject to the terms of the Omnibus Plan, except to the extent that the terms of the Omnibus Plan are more restrictive than the terms of the Legacy Plan, in which case the provisions of the Legacy Plan would govern.

#### a. Restricted Share Units

RSUs represent the right to receive an amount equal to the market value of a Company common share on grant date. RSUs are equity-settled share-based compensation measured at fair value using the price of the Company's common shares at the grant date and expensed over the vesting period. The grant date fair value takes into account any non-vesting conditions. The expensing of the grant date fair value over the vesting period involves the Company's estimation of the number of RSUs that will ultimately vest and adjusts for the likelihood of achieving service conditions. The RSU vesting periods range from one year to three years following the date of grant. RSUs do not have an exercise price and become exercisable for one common share of the Company on the vesting date. However, the Company, at its sole discretion, may settle the RSUs in shares, cash or a combination thereof.

The following table sets out the activity of outstanding RSUs during the year:

	Number of RSUs
<b>At December 31, 2024 and January 1, 2024</b>	—
Granted	3,089,945
<b>Balance at December 31, 2025</b>	<b>3,089,945</b>

For the year ended December 31, 2025, share-based compensation expense related to RSUs totalled \$0.6 million (2024 - \$nil).

## Hemlo Mining Corp.

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### b. Stock options

Stock options convert into one common share of the Company upon exercise. Stock options may be exercised at any time from the date of vesting to the date of their expiry. Stock option vesting periods range from six months to three years following the date of grant. The exercise price of stock options are equal to the market price of the Company's common shares on the date of grant. Stock options expire five years from the date of grant if unexercised. Stock options carry neither rights to dividends nor voting rights.

The following table sets out the activity of outstanding stock options during the year:

	Number of stock options	Weighted average exercise price per share
<b>At December 31, 2024 and January 1, 2024</b>	<b>68,222</b>	<b>C\$4.68</b>
Granted	8,222,590	C\$3.00
Cancelled	(8,222)	C\$36.00
<b>Balance at December 31, 2025</b>	<b>8,282,590</b>	<b>C\$2.98</b>

The following table sets forth the outstanding stock options to purchase common shares of the Company as at December 31, 2025:

Exercise price <sup>(1)</sup>	Number of options		Expiry date	Remaining contractual life (years) <sup>(i)</sup>
	Outstanding	Exercisable		
C\$0.39	60,000	60,000	November 8, 2028	2.9
C\$3.00 <sup>(2)</sup>	1,629,995 <sup>(1)</sup>	—	August 8, 2030	4.6
C\$3.00	6,592,595	—	November 26, 2030	4.9
<b>C\$2.98</b>	<b>8,282,590</b>	<b>60,000</b>		<b>4.8</b>

1. Total represents weighted average.

2. On August 8, 2025, the Company granted 1,629,995 stock options ("August 2025 Options") to certain directors, officers and consultants of the Company, exercisable at a price of C\$0.53 per share for a period of five years with 50% of the options vesting on the date of grant and 50% vesting one year from the date of grant. Pursuant to the requirements of the TSXV, on closing of the Hemlo Acquisition, the August 2025 Options had their exercise price increased from C\$0.53 per share to C\$3.00 per share and cannot vest until disinterested shareholder approval has been specifically obtained. Following disinterested shareholder approval, 50% of the August 2025 Options will vest immediately with the remaining 50% vesting on August 8, 2026.

As disinterested shareholder approval is required, the grant date, as defined under IFRS 2, *Share-based Payment*, has not yet occurred. The Company estimated the fair value of the August 2025 Options using the Black-Scholes option pricing model at December 31, 2025 to recognize expenses for the services received. Once the grant date is established upon disinterested shareholder approval, previously recognized expense for the August 2025 Options will be revised to reflect the grant date fair value. This revision is considered a change in accounting estimate.

# Hemlo Mining Corp.

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The fair value of stock options was calculated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2025	November 26, 2025
Grant date share price	C\$5.18	C\$3.00
Weighted average grant-date fair value	C\$2.83	C\$1.22
Exercise price	C\$3.00	C\$3.00
Expected life of stock options (in years)	2.3 - 2.6	3.0 - 4.0
Risk-free rate	2.6 %	2.4% - 2.6 %
Expected share price volatility <sup>(i)</sup>	56.1% - 57.2 %	56.5% - 58.3 %
Expected dividend yield	— %	— %

(i) The Company used the historical volatility of peer group companies to estimate the expected volatility of the Company's share price.

For the year ended December 31, 2025, share-based compensation expense related to stock options totalled \$2.8 million (2024 - \$nil).

## 24. Other cash flow items

	Years ended December 31,	
	2025	2024
<b>Changes in working capital:</b>		
Account receivables	\$ (4,170)	\$ —
Other current assets	(2,938)	6
Inventories	(16,961)	—
Other liabilities	(3)	—
Current tax liability	1,611	—
Accounts payable and accrued liabilities	902	(4)
<b>Total changes in working capital</b>	<b>\$ (21,559)</b>	<b>\$ 2</b>

During the year ended December 31, 2025, the Company received interest income of \$2.4 million (2024 - \$nil).

## 25. Contingent liabilities and commitments

### Community development commitments

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. In addition to its operational commitments, the Company has commitments related to community development programs of \$8.1 million as at December 31, 2025.

### Gold offtake agreement

The Company entered into a refined gold offtake agreement ("Offtake Agreement") to sell and deliver 50% of refined gold produced from minerals processed at the Hemlo Mine, subject to certain deductions. The agreement remains in effect until 3.2 million ounces of refined gold have been produced from the Hemlo Mine and the offtaker receives delivery of its portion of refined gold, unless terminated earlier pursuant to the Offtake Agreement which may result in a lump-sum payment to the offtaker.

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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## Defined contribution pension plan

The Company provides a defined contribution pension plan ("DCPP") to employees of the Hemlo Mine, whereby it makes cash contributions of 12% of an employee's base earnings, defined as an employee's regular salary or regular scheduled hours worked multiplied by their hourly rate of pay. Contributions made by the Company are immediately vested to the employee's account. Salaried full-time employees are eligible to participate after three months of continuous employment and hourly full-time employees are eligible after one year of continuous employment. Salaried and hourly part-time employees are eligible to participate after two years of service, having earned a minimum of 35% of the year's maximum pensionable earnings and having worked a minimum of 700 hours in each of the two consecutive calendar years prior to joining the plan. Employees may make voluntary contributions to the DCPP as long as the total contributions to their individual account do not exceed the limits specified under the Income Tax Act of Canada.

Contributions made by the Company to the DCPP are expensed in the year they are earned by the employee and recorded to payroll costs. Expenses related to the DCPP for the year ended December 31, 2025 were \$0.2 million (2024 - \$nil).

## 26. Financial instruments and fair value measurement

The Company's cash, account receivables, restricted cash, accounts payable and accrued liabilities, lease liabilities and borrowings are carried at amortized cost. The carrying values of cash, account receivables, restricted cash, accounts payable and accrued liabilities approximate their fair values largely due to the short-term maturities of these instruments and their nature as non-interest bearing. The carrying value of lease liabilities approximates its fair value given the short duration from when they were measured at fair value on November 26, 2025 (Note 6) and December 31, 2025. The Contingent Consideration is measured at fair value. The face value of the Company's borrowings approximates its fair value due to a floating interest rate that is linked to a market rate. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs, are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly; and
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels of the fair value hierarchy during the year.

As at December 31, 2025, the Contingent Consideration (Note 16) was classified as Level 2 under the fair value hierarchy.

# Hemlo Mining Corp.

Notes to the Consolidated Financial Statements

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## 27. Financial risk and capital risk management

### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, ensure sufficient financial flexibility to achieve both short and long-term business objectives including funding of future growth and development and exploration opportunities, and to maintain an optimal capital structure to maximize shareholders return through maximizing long-term free cash flows. The Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, accumulated deficit and accumulated other comprehensive deficit, which at December 31, 2025 totalled \$546.4 million (2024 - \$0.2 million).

Through the ongoing management of its capital, the Company will make adjustments to the structure of its capital based on changing economic, industry, and business conditions in the jurisdictions in which it operates in an effort to meet its objectives. To maintain or adjust the capital structure, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. Management reviews its capital management strategy for reasonability on an ongoing basis and believes that this approach is reasonable. The Credit Agreement requires the Company to comply with certain financial covenants. As at December 31, 2025, the Company was in compliance with such financial covenants.

### Financial risk management objectives

Management's objective is to protect the Company and its subsidiaries, on a consolidated basis, against financial risks that could adversely affect the Company's financial assets, liabilities or future cash flows including:

- a. Market risk, including commodity price risk, foreign exchange rate risk, interest rate risk;
- b. Credit risk; and
- c. Liquidity risk.

The following describes the types of financial instrument risk to which the Company is exposed and its objectives and policies for managing those risk exposures.

#### a) Market risk

Market risk is the risk that changes in market factors, such as commodity prices, foreign exchange rates or interest rates, will affect the value of financial instruments.

##### Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market price of gold. The market price of gold is the primary driver of profitability and the ability to generate both operating and free cash flow. Profitability depends on sales prices for gold. Gold is sold in the world market. Metal prices are affected by numerous factors such as interest rates, inflation or deflation, fluctuations in the US dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. Except as disclosed in Note 30, the Company's future gold revenue is not hedged.

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The Contingent Consideration is exposed to commodity price risk as the expected future price of gold is a significant input used in estimating its fair value at the end of each reporting period. Refer to Note 16 for details.

## Foreign currency rate risk

Foreign currency rate risk is the risk that the fair values or future cash flows of Company's financial instruments will fluctuate from changes in foreign currency exchange rates. Exchange rate fluctuations may affect costs incurred in Company's operations. Gold is sold in USD and costs are primarily incurred in CAD. The appreciation of CAD against the USD can increase the cost of gold production and capital expenditures in USD terms. Consequently, fluctuations in USD against the CAD increase volatility of cost of sales, general and administrative expenses, exploration and evaluation expenditures, other expenses, income tax expense and overall net loss, when translated to USD.

## Foreign currency risk - sensitivity analysis

The Company is primarily exposed to the CAD. The following table details the Company's sensitivity to a 5% change in CAD against the USD. The sensitivity analysis includes all outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation as at the end of the reporting period for a 5% change in foreign currency rates.

Gain / (loss)	5% appreciation against USD		5% depreciation against USD	
	Years ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
CAD	\$ (3,275)	\$ —	\$ 2,963	\$ —

## Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company has exposure to interest rate risk relating to its bank balances and borrowings.

## Interest rate risk - sensitivity analysis

If interest rates had been higher or lower by 50 basis points and all other variables were held constant, the profit and net assets would increase or decrease by:

(Loss) profit	50 basis points increase		50 basis points decrease	
	Years ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
(Loss) profit	\$ (39)	\$ 1	\$ 39	\$ (1)

## **b) Credit risk**

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash, account receivables and restricted cash. To mitigate the inherent exposure to credit risk on these financial assets, policies are in place to limit the concentration of credit risk and counterparty creditworthiness. The Company maintains its cash in highly rated financial institutions. Gold production will be sold to the world market and to financial institutions with strong credit ratings.

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As at December 31, 2025, the Company's maximum exposure to credit risk was the carrying value of each of the financial assets comprised of cash of \$132.0 million (2024 - \$0.2 million), accounts receivable of \$9.1 million (2024 - \$nil) and restricted cash of \$1.9 million (2024 - \$nil).

## c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as and when they fall due. Liquidity risk arises from the Company's financial obligations and the management of its assets, liabilities and capital structure. The Company manages liquidity risk by monitoring forecasted and actual cash flows, and regularly evaluating its liquid financial resources to fund current and non-current obligations and capital commitments.

The following table outlines the Company's remaining contractual maturities for its financial liabilities with contractual repayment periods and certain other commitments as at December 31, 2025. The table reflects the undiscounted cash flows of financial liabilities and certain other commitments based on the earliest date on which the Company can be required to pay, including both interest and principal. To the extent that interest rates are floating, the undiscounted amount is derived from the interest rate effective at December 31, 2025.

<b>As at December 31, 2025</b>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 50,206	\$ —	\$ —	\$ —	\$ 50,206
Capital commitments	15,239	—	—	—	15,239
Lease liabilities	2,775	2,811	4,642	—	10,228
Community commitments	404	411	846	6,390	8,051
Borrowings – principal	15,000	30,000	180,000	—	225,000
Borrowings – interest	15,590	13,454	10,546	—	39,590
Reclamation surety	4,991	3,071	7,295	11,518	26,875
<b>Total</b>	<b>\$ 104,205</b>	<b>\$ 49,747</b>	<b>\$ 203,329</b>	<b>\$ 17,908</b>	<b>\$ 375,189</b>

The Contingent Consideration is payable over a five-year term from January 1, 2027 to December 31, 2031. As at December 31, 2025, the actual amount and timing of future cash outflows is dependent on future gold price and production, and therefore was not included in the table above. The maximum cumulative amount payable under the Contingent Consideration is \$165.0 million. Refer to Note 16.

## 28. Segment information

### a. Operating segments

The Company's Chief Operating Decision Maker, its Chief Executive Officer, reviews the operating results, assesses the performance and makes capital allocation decisions of the Company viewed as a single operating segment engaged in production and sale of gold from the Hemlo Mine located in Canada. All amounts disclosed in the consolidated financial statements represent this single segment. The Company's corporate division is considered incidental to the activities of the Company and does not meet the definition of an operating segment as defined in IFRS 8, *Operating Segments*.

# Hemlo Mining Corp.

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## b. Geographic segments

The Company is in the business of production and sale of gold in Canada. Information regarding the Company geographic locations are as follows:

Non-current assets	As at December 31,	
	2025	2024
Canada	\$ 1,525,050	\$ —
<b>Total non-current assets</b>	<b>\$ 1,525,050</b>	<b>\$ —</b>

## 29. Related party transactions

Related parties include the key management personnel, their close family members, and entities controlled by these individuals. Certain consultants who perform functions similar to key management personnel are also considered related parties.

### Compensation of key management personnel

The Company's key management personnel consists of directors of the Company and officers who have authority and responsibility for strategic decision-making.

Remuneration of such key management personnel was as follows:

	Years ended December 31,	
	2025	2024
Salaries and fees	\$ 174	\$ 9
Benefits	11	—
Share-based compensation	2,618	6
<b>Total key management personnel compensation</b>	<b>\$ 2,803</b>	<b>\$ 15</b>

As at December 31, 2025, amounts owing to such related parties amounted to \$0.2 million (2024 - \$nil).

### Consulting services

During the year ended December 31, 2025, there were transactions totalling \$1.0 million (2024 - \$nil) between the Company and entities controlled by the Company's key management personnel for consulting services.

### Financing transactions

On November 6, 2025, the Company entered into the C\$2.5 million Convertible Debentures solely with related parties (Note 20).

During the year ended December 31, 2025, the Company issued the following common shares to related parties:

- 5,086,667 common shares at C\$0.19 per share pursuant to a private placement in June 2025 (Note 18 (ii)).
- 1,686,667 common shares at C\$0.53 per share pursuant to a private placement in August 2025 (Note 18 (ii)).
- 4,899,999 common shares at C\$3.00 per share pursuant to private placements in October 2025 (Note 18 (iii)).

## Hemlo Mining Corp.

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### 30. Subsequent events

Pursuant to the Credit Agreement, the Company was required to hedge a portion of its 2026 to 2028 gold production. In February 2026, the Company entered into a series of put options to sell up to 31,000 ounces of gold at \$3,600 per ounce from February 2026 to December 2026, as well as a series of zero-cost collars for 33,078 ounces of gold at a floor price of \$4,000 per ounce and ceiling prices ranging from \$6,610 per ounce to \$7,290 per ounce settling in 2027 and 2028.

On March 5, 2026, the Company granted the following equity awards:

- 489,867 RSUs granted to certain employees of the Company. Each RSU will vest in thirds over three years from the date of grant and entitles the holder to receive one common share.
- 358,051 PSUs granted to certain employees of the Company. Each PSU vests on the third anniversary of the date of grant and entitles the holder to receive common shares of the Company, based on:
  - The relative total shareholder return of the Company as compared to the VanEck Vectors Junior Gold Miners ETF (“GDXJ”) (weighted at 60%); and
  - The Company’s three-year mineral reserve growth (weighted at 40%).
- 404,028 stock options granted to certain employees of the Company. The stock options vests in thirds over three years from the date of grant. Each vested stock option is exercisable to acquire one common share of the Company at an exercise price of C\$7.06 per common share and has a five-year term from the date of grant.
- 33,993 RSUs and 11,331 DSUs granted to non-executive directors of the Company. Each RSU vests one year from the date of grant and entitles the holder to receive one common share of the Company. Each DSU vests on the date the grantee ceases to be a director of the Company or otherwise be an eligible participant in the Omnibus Plan and shall be settled in cash only.

On March 30, 2026, the Company repaid \$75.0 million drawn on the Revolving Credit Facility. The Revolving Credit Facility remains available to the Company for general corporate purposes and working capital needs.