



**FINANCIAL STATEMENTS**

FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021

*(Expressed in Canadian Dollars)*

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of New Found Gold Corp.

### Opinion on the Financial Statements

We have audited the accompanying statements of financial position of New Found Gold Corp. ("the Company") as of December 31, 2022 and 2021, the related statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current source of revenue, has incurred losses from inception and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that casts significant doubt as to the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

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

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

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

/s/ Crowe MacKay LLP

**Chartered Professional Accountants**

**Vancouver, Canada**

March 30, 2023

We have served as the Company's auditor since 2020.

**New Found Gold Corp.**  
**Statements of Financial Position**  
*(Expressed in Canadian Dollars)*

	Note	December 31, 2022 \$	December 31, 2021 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		82,165,273	100,484,576
Investments, at fair value	5	7,501,155	31,942,458
Prepaid expenses and deposits	6	1,445,711	2,179,057
Sales taxes recoverable		3,144,288	1,807,182
Other assets		76,303	107,376
<b>Total current assets</b>		<b>94,332,730</b>	<b>136,520,649</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	3	8,936,609	8,525,481
Property and equipment	4	7,267,014	2,914,459
Right-of-use assets	8	151,159	97,258
<b>Total non-current assets</b>		<b>16,354,782</b>	<b>11,537,198</b>
<b>Total Assets</b>		<b>110,687,512</b>	<b>148,057,847</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9,11	7,000,035	2,573,200
Flow-through share premium	7	20,063,350	10,129,196
Lease liabilities	8	81,388	54,250
<b>Total current liabilities</b>		<b>27,144,773</b>	<b>12,756,646</b>
Flow-through share premium	7	-	12,600,000
Lease liabilities	8	68,839	46,600
<b>Total non-current liabilities</b>		<b>68,839</b>	<b>12,646,600</b>
<b>Total liabilities</b>		<b>27,213,612</b>	<b>25,403,246</b>
<b>EQUITY</b>			
Share capital	10	229,632,005	181,795,493
Reserves	10	33,447,210	30,474,764
Deficit		(179,605,315)	(89,615,656)
<b>Total equity</b>		<b>83,473,900</b>	<b>122,654,601</b>
<b>Total Liabilities and Equity</b>		<b>110,687,512</b>	<b>148,057,847</b>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**  
**COMMITMENTS AND CONTINGENCIES (Note 16)**  
**SUBSEQUENT EVENTS (Note 19)**

These financial statements are authorized for issue by the Board of Directors on March 30, 2023. They are signed on the Company's behalf by:

"Collin Kettell" , Director  
"Douglas Hurst" , Director

**New Found Gold Corp.**  
**Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian Dollars)*

		Year ended December 31,	
	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Corporate development and investor relations		1,151,797	1,306,045
Depreciation	4,8	880,396	582,930
Exploration and evaluation expenditures	3,9,11	71,420,546	42,271,457
Office and sundry		1,213,903	469,476
Professional fees		1,629,038	955,337
Salaries and consulting	11	2,893,203	3,100,723
Share-based compensation	10,11	8,489,387	7,612,214
Transfer agent and regulatory fees		644,252	260,159
Travel		394,371	103,871
<b>Loss from operating activities</b>		<b>(88,716,893)</b>	<b>(56,662,212)</b>
Settlement of flow-through share premium	7	17,165,846	6,617,730
Foreign exchange (loss) gain		(43,054)	2,453
Gain on sale of exploration and evaluation assets	3	12,161	499,415
Gain on lease derecognition	8	2,027	-
Impairment of exploration and evaluation assets	3	-	(28,604)
Interest expense	8	(15,988)	(7,493)
Interest income		1,220,279	122,714
Net realized (losses) gains on disposal of investments	5	(4,675,084)	192,114
Net change in unrealized losses on investments	5	(14,938,953)	(1,376,192)
<b>Loss and comprehensive loss for the year</b>		<b>(89,989,659)</b>	<b>(50,640,075)</b>
<b>Loss per share – basic and diluted (\$)</b>	12	<b>(0.54)</b>	<b>(0.33)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>166,858,136</b>	<b>154,949,075</b>

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

**New Found Gold Corp.**  
**Statements of Cash Flows**  
*(Expressed in Canadian Dollars)*

	Year ended December 31,	
	2022	2021
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the year	(89,989,659)	(50,640,075)
Adjustments for:		
Depreciation	880,396	582,930
(Gain) on sale of exploration and evaluation assets	(12,161)	(499,415)
(Gain) on lease derecognition	(2,027)	-
Impairment of exploration and evaluation assets	-	28,604
Interest expense	15,988	7,493
Settlement of flow-through share premium	(17,165,846)	(6,617,730)
Share-based compensation	8,489,387	7,612,214
Net realized losses (gains) on disposal of investments	4,675,084	(192,114)
Net change in unrealized losses on investments	14,938,953	1,376,192
	<u>(78,169,885)</u>	<u>(48,341,901)</u>
Change in non-cash working capital items:		
Decrease in amounts receivable	-	2,837
Decrease (increase) in prepaid expenses and deposits	757,003	(920,854)
Decrease (increase) in other assets	38,008	(107,211)
(Increase) in sales taxes recoverable	(1,337,106)	(782,813)
Increase in accounts payable and accrued liabilities	4,331,483	1,637,860
Net cash used in operating activities	<u>(74,380,497)</u>	<u>(48,512,082)</u>
<b>Cash flows used in investing activities</b>		
Purchases of exploration and evaluation assets	(200,000)	(3,938,898)
Expenditures on claims staking and mineral license renewals	(16,294)	(111,130)
Proceeds on sale of exploration and evaluation assets	12,161	-
Proceeds on disposal of investments	4,827,266	1,313,462
Purchases of investments	-	(12,850,001)
Purchases of property and equipment	(5,361,007)	(1,484,104)
Net cash used in investing activities	<u>(737,874)</u>	<u>(17,070,671)</u>
<b>Cash flows from financing activities</b>		
Issuance of common shares in private placements	-	62,999,250
Issuance of common shares in prospectus offering	52,549,677	57,502,415
Share issue costs	(3,333,880)	(4,457,654)
Stock options exercised	7,649,906	1,236,170
Warrants exercised	55,140	1,156,523
Lease payments	(121,775)	(100,500)
Net cash generated from financing activities	<u>56,799,068</u>	<u>118,336,204</u>
<b>Net (decrease) increase in cash</b>	<u>(18,319,303)</u>	<u>52,753,451</u>
<b>Cash at beginning of year</b>	<u>100,484,576</u>	<u>47,731,125</u>
<b>Cash at end of year</b>	<u>82,165,273</u>	<u>100,484,576</u>

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Note 13)**

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

**New Found Gold Corp.**  
**Statements of Changes in Equity**  
*(Expressed in Canadian Dollars)*

	Share capital		Reserves			Total equity \$
	Number of shares	Amount \$	Equity settled share-based payments \$	Warrants \$	Deficit \$	
Balance at December 31, 2020	148,684,523	87,668,764	23,704,337	504,325	(38,975,581)	72,901,845
Issued pursuant to acquisition of exploration and evaluation assets	458,823	3,505,408	-	-	-	3,505,408
Issued in private placements	7,857,000	62,999,250	-	-	-	62,999,250
Issued in prospectus offering	5,048,500	57,502,415	-	-	-	57,502,415
Flow-through share premium	-	(29,161,495)	-	-	-	(29,161,495)
Share issue costs	-	(4,457,654)	-	-	-	(4,457,654)
Share-based compensation	-	-	7,612,214	-	-	7,612,214
Stock options exercised	1,273,000	2,096,982	(860,812)	-	-	1,236,170
Warrants exercised	883,854	1,641,823	-	(485,300)	-	1,156,523
Total loss and comprehensive loss for the year	-	-	-	-	(50,640,075)	(50,640,075)
Balance at December 31, 2021	164,205,700	181,795,493	30,455,739	19,025	(89,615,656)	122,654,601
Issued pursuant to acquisition of exploration and evaluation assets	39,762	194,834	-	-	-	194,834
Issued in prospectus offering	6,750,229	52,549,677	-	-	-	52,549,677
Flow-through share premium	-	(14,500,000)	-	-	-	(14,500,000)
Share issue costs	-	(3,629,986)	-	-	-	(3,629,986)
Share-based compensation	-	-	8,489,387	-	-	8,489,387
Stock options exercised	4,341,875	13,151,740	(5,501,834)	-	-	7,649,906
Warrants exercised	39,960	70,247	-	(15,107)	-	55,140
Total loss and comprehensive loss for the year	-	-	-	-	(89,989,659)	(89,989,659)
Balance at December 31, 2022	175,377,526	229,632,005	33,443,292	3,918	(179,605,315)	83,473,900

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

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

New Found Gold Corp. (the “Company”) was incorporated on January 6, 2016, under the Business Corporations Act in the Province of Ontario. On June 23, 2020, the Company continued as a British Columbia corporation under the Business Corporations Act in the Province of British Columbia. The Company’s registered office is located at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia V7X 1L3.

The Company is a mineral exploration company engaged in the acquisition, exploration and evaluation of resource properties with a focus on gold properties located in the Provinces of Newfoundland and Labrador and Ontario, Canada. The Company’s exploration and evaluation assets presently have no proven or probable reserves, and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared assuming the Company will continue on a going-concern basis and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As at December 31 2022, the Company had an accumulated deficit of \$179,605,315, shareholders’ equity of \$83,473,900. In addition, the Company has working capital of \$67,187,957, consisting primarily of cash, and negative cash flow from operating activities of \$74,380,497. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These items may cast a significant doubt on the company’s ability to continue as a going concern.

In March 2020, the COVID-19 pandemic has caused significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. In late February 2022, Russia launched a large scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. Consequently, the Company has limited access to capital and financing which is the primary source of cash for the Company. While the Company continues to monitor the investment portfolio and assess the impact that these events will have on its business activities, the extent of the effect of these events on the Company’s future activities is uncertain.

These financial statements were approved by the Board of Directors of the Company on March 30, 2023.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **a) Statement of compliance**

The Company’s financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), effective for the Company’s reporting for the years ended December 31, 2022 and 2021.



## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **b) Basis of presentation**

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

Certain comparative figures have been reclassified to conform to the current year presentation.

#### **c) Foreign currencies**

The presentation and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### **d) Exploration, evaluation and development expenditures**

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred. Once the legal right to explore has been acquired, the Company capitalizes the costs of acquiring rights or licenses, including those purchased from other parties or staked directly by the Company, until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs and costs of surveying, exploratory drilling, sampling, materials, fuel, equipment rentals or payments to contractors are expensed as incurred. Once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and economically recoverable reserves are developed, any direct exploration costs of the related property are capitalized as development costs.

Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

The Company does not have revenue from mining operations. The Company recognizes gains or losses on the sale of exploration and evaluation assets in accordance with the terms of the purchase and sale agreements. Gains or losses are recognized when a mining option is executed and the cost is derecognized in accordance with the percentage interest sold.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units ("CGU") to which the exploration activity relates. Each of the Company's properties is considered to be a separate CGU. 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. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **e) Cash and cash equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company does not have any cash equivalents as at December 31, 2022 and 2021.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **f) Decommissioning liabilities**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment when those obligations result from the acquisition, construction, development or normal operation of assets. The net present value of future reclamation costs is expensed as part of exploration and evaluation expenditures up until the point it is concluded that the technical feasibility and commercial viability of extracting a mineral resource from a particular project are demonstrable and economically recoverable reserves are developed, after which any such costs are capitalized as development costs with a corresponding increase in the reclamation provision in the period incurred.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation expenditures or exploration and evaluation assets and the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

#### **g) Property, plant and equipment**

Property, plant and equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over the estimated useful lives as follows:

Property and Buildings	10-25 years
Geological Equipment and Other Facilities	2-20 years
Computer Equipment	2-5 years
Office Furniture and Equipment	5 years
Vehicles	3 years

Depreciation of an asset begins once it is available for use.

Long-lived assets are comprised of property and equipment. At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained by the sale of the asset in any arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including an expansion project. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is assessed at the CGU level, which is identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **h) Leases**

The Company recognizes assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments for the lease agreements entered after the transition date which are not short term or low value leases.

The right-of-use asset is measured at cost, which is equal to the initial lease liability adjusted for any lease payments at or before the commencement date, less any lease incentives received. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for re-measurements of the lease liability. Right-of-use assets are depreciated over the term of the lease.

A lease liability is measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate. It is subsequently increased by the interest cost on the lease liability, less the lease payments made. Lease liabilities are re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or in the assessment of whether an extension option is reasonably certain to be exercised.

#### **i) Share-based payment transactions**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited/cancelled before vesting are transferred from equity settled share-based payment reserve to deficit. Charges for options that are expired remain in equity settled share-based payment reserve.

Where the terms and conditions of options are modified before they vest, the changes in fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

#### **j) Valuation of equity units issued in private placements**

The Company follows the pro-rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing quoted bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black- Scholes pricing model. In the event of a modification in warrants issued as private placement units, no re-measurement adjustment is recognized within equity.

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows have expired or substantially all risks and rewards of ownership have been transferred. Gains and losses on derecognition are generally recognized in profit and loss. Financial liabilities are derecognized when the Company's obligation has been discharged, cancelled or expired.

Financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income. Financial liabilities include accounts payable and lease liabilities, which are measured at amortized cost.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in profit or loss or other comprehensive income for the period. Financial assets and liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

The following table sets out the classifications of the Company's financial assets and liabilities:

Financial assets/liabilities	Classification under IFRS 9
Cash	Amortized cost
Investments	FVTPL
Deposits	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

IFRS requires an expected credit loss model for calculating the impairment of financial assets.

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **l) Investments**

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the fair value of investments are reflected in the statement of loss and comprehensive loss. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statement of loss and comprehensive loss as incurred. Interest income and other income are recorded on an accrual basis.

The fair value of investments is determined as follows:

- (a) Securities that are traded in an active market and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the date of statement of financial position. If there were no trades on the date of the statement of financial position, these securities are presented at the closing price on the last date the security traded. These investments are included in Level 1 of the fair value hierarchy.
- (b) Securities that are traded in an active market, but which are escrowed or otherwise restricted as to their sale or transfer, are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These investments are included in Level 2 of the fair value hierarchy.
- (c) Securities that are not traded in an active market or are valued based on unobservable market inputs are included in the Level 3 of the fair value hierarchy.

See Note 5 for details of investments held by the Company as at December 31, 2022 and 2021.

#### **m) Flow-through shares**

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery of flow-through premium liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are required to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

#### **n) Earnings and loss per share**

The Company presents basic and diluted earnings and loss per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share does not adjust the earnings or loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **o) Income taxes**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at year end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### **p) Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates may be pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

##### **(i) Critical accounting estimates**

###### *Valuation of Options Granted and Warrants Issued*

The fair value of common share purchase options granted and warrants issued is determined at the issue date using the Black-Scholes option pricing model. The Black-Scholes model involves six key inputs to determine the fair value of an option, which are: risk-free interest rate, exercise price, market price at the grant date, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense. These estimates impact the values of stock-based compensation expense, share capital, and reserves.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **p) Significant accounting estimates and judgments (continued)**

##### **(i) Critical accounting estimates (continued)**

###### *Fair Value of Financial Derivatives*

Investments in warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable market inputs, a Black-Scholes option pricing model is used. The Black-Scholes model involves six key inputs to determine the fair value of a warrant, which include: risk free interest rate, exercise price, market price at the grant date, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control.

###### *Fair Value of Investments in Private Companies*

The determination of fair value requires judgment and is based on market information, where available and appropriate. All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 17.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

###### *Computation of Income Taxes*

The determination of tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings which affect the extent to which potential future tax benefits may be used.

The Company is subject to assessments by taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. We provide for such differences where known based on our best estimate of the probable outcome of these matters.

###### *Shares Issued to Acquire Exploration and Evaluation Assets*

From time to time, the Company issues common shares in the course of acquiring exploration and evaluation assets. When shares are issued without cash consideration, the transaction is recognized at the fair value of the assets received. In the event that the fair value of the assets cannot be reliably determined, the Company will recognize the transaction at the fair value of the shares issued. These estimates impact the value of share capital and exploration and evaluation assets.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **p) Significant accounting estimates and judgments (continued)**

##### **(i) Critical accounting estimates (continued)**

###### *Valuation of flow-through premium*

The determination of the valuation of flow-through premium is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature.

###### *Reclamation provision*

The valuation of any reclamation provision is subject to significant judgement and estimates. Assumptions, based on the current economic environment, are made to estimate the future liability recognized in Note 9. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management and are based on current regulatory requirements. Significant changes in estimates of discount rate, contamination, restoration standards and techniques will result in changes to the provision from period to period. Actual reclamation and closure costs will ultimately depend on future market prices for the costs which will reflect the market condition at the time the expenditures are actually incurred. The final cost of the reclamation provision currently recognized may be higher or lower than currently provided for.

##### **(ii) Critical accounting judgments**

###### *Impairment of Exploration and Evaluation Assets*

Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The carrying value of each exploration and evaluation asset is reviewed regularly for conditions that may suggest impairment.

This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Management has determined that there were no indicators of impairment as at December 31, 2022 (December 31, 2021 - \$28,604). Refer to Note 3 for further information.

###### *Presentation of financial statements as a going concern*

Presentation of the Company's financial statements as a going concern which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due involves significant judgment by management.



## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### q) Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period

The IASB issued certain new accounting standards or amendments that are mandatory for accounting periods on or after January 1, 2022, including amendments to IAS 16 Property, Plant and Equipment and IAS 37 Provisions, Contingent Liabilities and Contingent Assets – onerous contracts. The effect of such new accounting standards or amendments did not have a material impact on the Company and therefore the Company did not record any adjustments to the financial statements.

#### r) New and amended IFRS standards not yet effective

Certain new accounting standards or interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards and interpretations are not expected to have a material impact on the Company's financial statements.

### 3. EXPLORATION AND EVALUATION ASSETS

The schedules below summarize the carrying costs of acquisition costs and exploration expenditures incurred to date for each exploration and evaluation asset that the Company is continuing to explore as at December 31, 2022 and December 31, 2021:

	Newfoundland		Ontario <sup>(iii)</sup>	Total
	Queensway <sup>(i)</sup>	Other		
Year ended December 31, 2022	\$	\$	\$	\$
<b>Exploration and evaluation assets</b>				
Balance as at December 31, 2021	8,236,181	17,700	271,600	8,525,481
Additions				
Acquisition costs	364,738	30,096	-	394,834
Claim staking and license renewal costs	15,774	120	400	16,294
Balance as at December 31, 2022	8,616,693	47,916	272,000	8,936,609
<b>Exploration and evaluation expenditures</b>				
Cumulative exploration expense -				
December 31, 2021	51,439,957	59,646	2,350,201	53,849,804
Assays	9,741,609	12,545	233,314	9,987,468
Drilling	36,118,624	352,056	449,063	36,919,743
Environmental studies	537,234	-	-	537,234
Geochemistry	48,116	-	-	48,116
Geophysics	1,894,010	-	177,916	2,071,926
Imagery and mapping	95,893	-	-	95,893
Metallurgy	65,644	-	-	65,644
Office and general	672,019	50	4,811	676,880
Property taxes, mining leases and rent	103,750	-	3,205	106,955
Petrography	9,372	-	-	9,372
Reclamation	2,464,985	-	-	2,464,985
Salaries and consulting	11,166,116	43,866	155,729	11,365,711
Supplies and equipment	5,204,988	71,187	35,182	5,311,357
Technical reports	458,439	-	9,567	468,006
Travel and accommodations	1,341,562	648	9,046	1,351,256
Exploration cost recovery	(60,000)	-	-	(60,000)
	69,862,361	480,352	1,077,833	71,420,546
Cumulative exploration expense -				
December 31, 2022	121,302,318	539,998	3,428,034	125,270,350

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. EXPLORATION AND EVALUATION ASSETS (continued)

	Newfoundland		Ontario <sup>(ii)</sup>	Total
	Queensway <sup>(i)</sup>	Other		
Year ended December 31, 2021	\$	\$	\$	\$
<b>Exploration and evaluation assets</b>				
Balance as at December 31, 2020	685,930	13,100	300,204	999,234
Additions				
Acquisition costs	7,444,306	-	-	7,444,306
Claim staking and license renewal costs	106,530	4,600	-	111,130
Disposal of exploration and evaluation assets	(585)	-	-	(585)
Impairment of exploration and evaluation assets	-	-	(28,604)	(28,604)
Balance as at December 31, 2021	8,236,181	17,700	271,600	8,525,481
<b>Exploration and evaluation expenditures</b>				
Cumulative exploration expense -				
December 31, 2020	10,245,545	45,851	1,286,951	11,578,347
Assays	5,611,068	-	53,447	5,664,515
Drilling	19,102,621	-	277,748	19,380,369
Environmental studies	395,015	-	-	395,015
Geophysics	3,257,813	-	374,660	3,632,473
Imagery and mapping	104,665	-	-	104,665
Office and general	512,922	-	1,631	514,553
Property taxes, mining leases and rent	59,997	-	-	59,997
Petrography	-	-	7,996	7,996
Reclamation	335,783	-	732	336,515
Salaries and consulting	6,391,133	12,295	165,863	6,569,291
Supplies and equipment	3,893,748	923	62,338	3,957,009
Technical reports	854,541	-	22,479	877,020
Travel and accommodations	742,796	577	18,641	762,014
Trenching	9,860	-	77,715	87,575
Exploration cost recovery	(77,550)	-	-	(77,550)
	41,194,412	13,795	1,063,250	42,271,457
Cumulative exploration expense -				
December 31, 2021	51,439,957	59,646	2,350,201	53,849,804

#### (i) Queensway Project – Gander, Newfoundland

As at December 31, 2022, the Company owns a 100% interest in 94 (December 31, 2021 – 86) mineral licenses including 6,649 (December 31, 2021 – 6,041) claims comprising 166,225 (December 31, 2021 – 151,030) hectares of land located in Gander, Newfoundland. The project rights were acquired by map staking mineral licenses and making staged payments in cash and common shares of the Company from 2016 through 2022 under ten separate option agreements, of which nine are completed. The Queensway Project carries various net smelter return (“NSR”) royalties ranging from 0.4% to 2.5% and include buy-back provisions that allows the Company, at its option, to reduce the NSR by making lump-sum payments ranging from \$250,000 to \$1,000,000 to the holders of the royalties. The total cost of the NSR’s if the Company were to exercise all of its buy-back rights is \$5,250,000 resulting in NSR’s ranging from 0.4% to 1.5% for the mineral licenses subject to an NSR royalty.

## **New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **3. EXPLORATION AND EVALUATION ASSETS (continued)**

On November 2, 2022, the Company entered into a definitive property option agreement to acquire a 100% interest in five mineral licenses located in Gander, Newfoundland. Under the terms of this agreement, the Company may exercise the option by issuing an aggregate of 487,078 common shares in the capital of the Company and making aggregate cash payments of \$2,350,000 to the optionors as follows:

- \$200,000 (paid) and 39,762 common shares (issued) on the later of (i) staking confirmation date as defined in the Option Agreement and (ii) the receipt of the TSX-Venture Exchange's approval;
- \$200,000 and 39,762 common shares on or before November 2, 2023;
- \$250,000 and 69,583 common shares on or before November 2, 2024;
- \$300,000 and 89,463 common shares on or before November 2, 2025;
- \$600,000 and 129,224 common shares on or before November 2, 2026; and
- \$800,000 and 119,284 common shares on or before November 2, 2027.

On November 25, 2021, the Company entered into three royalty purchase agreements with arm's length royalty holders (together, the "Vendors" and each, a "Vendor"), to purchase 100% of each Vendor's royalty interests, each equal to 0.2%, for an aggregate of 0.6% of net returns from the Company's Linear and JBP Linear properties (the "Royalty Interests") for cash consideration of \$1,300,000 (paid) and the issuance of 152,941 common shares (issued) in the capital of the Company to each Vendor, for aggregate cash consideration of \$3,900,000, aggregate share consideration of 458,823 common shares with a value of \$3,505,408 and the Company incurred \$38,898 in legal and filing fees, for total consideration paid of \$7,444,306 in connection with the transaction.

#### *Disposal of Newfoundland Properties*

During the year ended December 31, 2022, there were no disposals of exploration and evaluation assets.

During the year ended December 31, 2021, the Company sold a stand-alone claim that was part of the Queensway Project (claim 023951M also known as Unknown Brooke claim) to Long Range Exploration Corporation ("Long Range") for non-cash consideration of 5,000,000 common shares of Long Range valued at \$500,000 (Note 5). The Company recognized a gain on sale of exploration and evaluation assets in the amount of \$499,415 and derecognized exploration and evaluation assets at their carrying value of \$585. The Company retained a 1% NSR on future production from the mineral claim, 0.5% of which can be repurchased by Long Range for \$750,000.

#### **(ii) Ontario Projects**

As at December 31, 2022, the Company owns a 100% interest in the Lucky Strike project in Kirkland Lake, Ontario comprising 11,684 hectares, as well as a portfolio of mining and royalty interests throughout northeastern Ontario. The project rights were acquired by map staking mineral licenses and making staged payments in cash and common shares of the Company from 2016 through 2019 under a fully executed option agreement. The optioned lands carry an NSR ranging from 1% to 2%.

During the year ended December 31, 2022, the Company recorded an impairment of \$Nil (2021 - \$28,604) in acquisition costs related to projects no longer being explored.

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 4. PROPERTY AND EQUIPMENT

	Property and Buildings \$	Computer Equipment \$	Geological Equipment and Other Facilities \$	Vehicles \$	Office Furniture and Equipment \$	Total \$
<b>Cost</b>						
Balance at January 1, 2021	836,009	15,860	336,020	304,500	-	1,492,389
Additions	1,291,476	16,532	487,102	226,740	-	2,021,850
Balance at December 31, 2021	2,127,485	32,392	823,122	531,240	-	3,514,239
Additions	4,065,427	61,106	724,332	248,648	30,148	5,129,661
Balance at December 31, 2022	6,192,912	93,498	1,547,454	779,888	30,148	8,643,900
<b>Accumulated Depreciation</b>						
Balance at January 1, 2021	6,998	4,090	45,474	58,698	-	115,260
Depreciation	46,656	13,017	288,000	136,847	-	484,520
Balance at December 31, 2021	53,654	17,107	333,474	195,545	-	599,780
Depreciation	87,872	26,682	454,124	208,016	412	777,106
Balance at December 31, 2022	141,526	43,789	787,598	403,561	412	1,376,886
<b>Carrying Amount</b>						
At December 31, 2021	2,073,831	15,285	489,648	335,695	-	2,914,459
At December 31, 2022	6,051,386	49,709	759,856	376,327	29,736	7,267,014

### 5. INVESTMENTS

The Company classifies its investments at FVTPL. Realized gains and losses on disposal of investments and unrealized gains and losses in the fair value of investments are reflected in the statement of loss and comprehensive loss in the period in which they occur.

Investments consisted of the following as at December 31, 2022 and 2021:

	December 31, 2022 \$	December 31, 2021 \$
Equities held (i)	7,474,287	28,578,556
Warrants held (ii)	26,868	3,363,902
Total Investments	7,501,155	31,942,458

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. INVESTMENTS (continued)

#### (i) Equities held

The Company held the following equities as at December 31, 2022 and 2021:

	Quantity	Cost \$	Fair Value December 31, 2022 \$
Exploits Discovery Corp.	13,229,466	8,462,704	3,770,398
Labrador Gold Corp.	12,555,556	8,850,000	3,703,889
Long Range	5,000,000	500,000	-
Total Equities		17,812,704	7,474,287

	Quantity	Cost \$	Fair Value December 31, 2021 \$
Exploits Discovery Corp.	13,229,466	8,462,704	7,276,206
Labrador Gold Corp.	12,555,556	8,850,000	11,300,000
Long Range	5,000,000	500,000	500,000
Novo Resources Corp.	6,645,000	16,014,450	9,502,350
Total Equities		33,827,154	28,578,556

Investments in Exploits Discovery Corp., Labrador Gold Corp. and Novo Resources Corp. represent investments in public companies that are quoted on an active exchange and are measured using the quoted market price of these companies.

Long Range is a private company without observable market prices for its common shares and is measured at its estimated fair value based on valuation techniques that use inputs derived by management and is considered Level 3 in the fair value hierarchy (Note 17).

#### (ii) Warrants held

The Company held the following warrants as at December 31, 2022 and 2021:

	Quantity	Cost \$	Fair Value December 31, 2022 \$
Exploits Discovery Corp.	6,666,667	-	10,331
Labrador Gold Corp.	6,277,778	-	16,537
Total Warrants		-	26,868

	Quantity	Cost \$	Fair Value December 31, 2021 \$
Exploits Discovery Corp.	6,666,667	-	837,381
Labrador Gold Corp.	6,277,778	-	2,526,521
Total Warrants		-	3,363,902

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. INVESTMENTS (continued)

Warrants held by the Company are classified at fair value through profit or loss, with any gains or losses arising on remeasurement recognized in profit or loss. Warrants that do not have a quoted market price are valued using a Black-Scholes option pricing model using assumptions including risk free interest rate, expected dividend yield, expected volatility, and expected remaining life of the warrant, which are supported by observable market conditions.

An analysis of investments including related gains and losses for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31,	
	2022	2021
	\$	\$
Investments, beginning of year	31,942,458	21,089,997
Investments received in sale of exploration and evaluation assets	-	500,000
Purchases of investments	-	12,850,001
Disposition of investments	(4,827,266)	(1,313,462)
Realized (loss) gain on investments	(4,675,084)	192,114
Unrealized (loss) on investments	(14,938,953)	(1,376,192)
Investments, end of year	7,501,155	31,942,458

### 6. PREPAID EXPENSES AND DEPOSITS

	December 31,	December 31,
	2022	2021
	\$	\$
Prepaid expenses	1,218,184	1,966,959
Mineral license deposits	227,527	212,098
Prepaid expenses and deposits, end of year	1,445,711	2,179,057

### 7. FLOW-THROUGH SHARE PREMIUM

	Issued June 4, 2020 \$	Issued June 10, 2020 \$	Issued April 8, 2021 \$	Issued August 24, 2021 \$	Issued November 25, 2021 \$	Issued December 14, 2022 \$	Total \$
Balance at December 31, 2020	160,811	24,620	-	-	-	-	185,431
Liability incurred on flow-through shares issued	-	-	1,971,330	14,590,165	12,600,000	-	29,161,495
Settlement of flow-through share premium on expenditures incurred	(160,811)	(24,620)	(1,971,330)	(4,460,969)	-	-	(6,617,730)
Balance at December 31, 2021	-	-	-	10,129,196	12,600,000	-	22,729,196
Liability incurred on flow-through shares issued	-	-	-	-	-	14,500,000	14,500,000
Settlement of flow-through share premium on expenditures incurred	-	-	-	(10,129,196)	(7,036,650)	-	(17,165,846)
Balance at December 31, 2022	-	-	-	-	5,563,350	14,500,000	20,063,350

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 7. FLOW-THROUGH SHARE PREMIUM (continued)

Flow-through share arrangements entitle the holder of the flow-through share to a 100% tax deduction in respect of qualifying Canadian exploration expenses as defined in the Income Tax Act, Canada (“Qualifying CEE”).

During the year ended December 31, 2022, the Company incurred \$66,727,234 (2021 – \$33,254,971) in Qualifying CEE and amortized a total of \$17,165,846 (2021 - \$6,617,730) of its flow-through liabilities.

The flow-through premium liability does not represent a cash liability to the Company and is to be fully amortized to the statement of loss and comprehensive loss pro-rata with the amount of qualifying expenditures that will be incurred.

As at December 31, 2022, the Company must spend another \$21,193,715 of Qualifying CEE by November 24, 2023 to satisfy its remaining current flow-through liability of \$5,563,350. The Company must also spend another \$50,000,000 of Qualifying CEE by December 31, 2023 to satisfy its remaining current flow-through liability of \$14,500,000.

### 8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company leases certain assets under lease agreements. The lease liabilities consist of residential, office and equipment leases. The leases are non-interest bearing and expiry dates for these leases range from May 2023 to September 2042. The related lease liabilities were measured at the present value of the remaining lease payments discounted using an incremental borrowing rate upon commencement of the lease estimated at 12% - 18% for leases that commenced in 2022.

As at December 30, 2022 and 2021, the Company’s right-of use assets were as follows:

	Total \$
<b>Cost</b>	
Balance at December 31, 2020	85,532
Additions	141,633
Balance at December 31, 2021	227,165
Additions	159,066
Derecognition	(6,565)
Balance at December 31, 2022	379,666
<b>Accumulated Depreciation</b>	
Balance at December 31, 2020	31,497
Depreciation	98,410
Balance at December 31, 2021	129,907
Depreciation	103,290
Derecognition	(4,690)
Balance at December 31, 2022	228,507
<b>Carrying Amount</b>	
At December 31, 2021	97,258
At December 31, 2022	151,159

**New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)***8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

As at December 30, 2022 and 2021, the Company's lease liabilities were as follows:

<b>Lease liability</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current portion	\$ 81,388	\$ 54,250
Non-current portion	68,839	46,600
<b>Total lease liabilities</b>	<b>\$ 150,227</b>	<b>\$ 100,850</b>

A reconciliation of debt arising from lease liabilities is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Lease liabilities beginning of year	\$ 100,850	\$ 53,201
Additions to lease liabilities	159,066	141,633
Derecognition of lease liabilities	(3,902)	-
Principal payments on lease liabilities	(105,787)	(93,984)
	<b>\$ 150,227</b>	<b>\$ 100,850</b>

As at December 31, 2022 and 2021, the Company is committed to minimum lease payments as follows:

<b>Maturity analysis</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than one year	\$ 100,299	\$ 62,517
One to five years	48,066	22,130
More than five years	210,590	106,188
<b>Total undiscounted lease liabilities</b>	<b>\$ 358,955</b>	<b>\$ 190,835</b>

<b>Amounts recognized in profit or loss</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Interest on lease liabilities	\$ 15,988	\$ 6,516
Expenses related to short-term leases	\$ -	\$ -

<b>Amounts recognized in the statement of cash flows</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Principal payments on lease liabilities	\$ 105,787	\$ 93,984
<b>Total cash outflows for leases</b>	<b>\$ 121,775</b>	<b>\$ 100,500</b>



## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	\$	\$
Accounts payable and accrued liabilities	5,588,742	2,573,200
Reclamation provision <sup>(1)</sup>	1,411,293	-
Accounts payable and accrued liabilities, end of year	7,000,035	2,573,200

<sup>(1)</sup> Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other reclamation activities. The Company's reclamation provision is based on known requirements.

The breakdown of the reclamation provision is as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Balance beginning of year	-	-
Additions to reclamation provision	1,411,293	-
Balance end of year	1,411,293	-

The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at December 31, 2022 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$1,411,293 (December 31, 2021 - \$Nil). The Company has included these costs in the total amount of exploration and evaluation expenditures in the statement of loss and comprehensive loss for the year.

### 10. SHARE CAPITAL AND RESERVES

#### Authorized Share Capital

At December 31, 2022, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### Details of Common Shares Issued in 2022

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of shares	Gross proceeds	Number of shares	Gross proceeds
ATM program <sup>(1)</sup>	500,229	\$ 2,549,677	-	-
Total	500,229	\$ 2,549,677	-	-

<sup>(1)</sup> In August 2022, the Company filed a prospectus supplement to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to US\$100,000,000. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the TSX Venture Exchange and the NYSE American stock exchange. During the year ended December 31, 2022, the Company sold 500,229 (2021 - Nil) common shares of the Company under the ATM program at an average price of \$5.10 (2021 - \$Nil) for gross proceeds of \$2,549,677 (2021 - \$Nil) or net proceeds of \$2,489,754, and paid an aggregate commission of \$59,923. In aggregate, the Company incurred \$912,359 in professional fees and other direct expenses in connection with the prospectus offering and the ATM, which is included in share issue costs in the statement of changes in equity for the year ended December 31, 2022 (2021 - \$Nil). At December 31, 2022, the Company completed \$2,549,677 of the ATM program.

## **New Found Gold Corp.**

Notes to the Financial Statements

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### **10. SHARE CAPITAL AND RESERVES (continued)**

On November 16, 2022, the Company issued 39,762 common shares with a value of \$194,834 pursuant to the acquisition of exploration and evaluation assets in accordance with the terms of certain property option agreements (Note 3).

On December 14, 2022, the Company completed a bought-deal prospectus offering of 6,250,000 flow-through common shares at a price of \$8.00 per common share for gross proceeds of \$50,000,000. The Company paid share issuance costs of \$2,717,627 in cash of which \$2,104,250 was paid to the underwriters. The premium received on the flow-through shares issued was determined to be \$14,500,000.

During the year ended December 31, 2022, 4,341,875 stock options were exercised at a weighted average exercise price of \$1.76 per share for gross proceeds of \$7,649,906.

During the year ended December 31, 2022, 39,960 warrants were exercised at a weighted average exercise price of \$1.38 per share for gross proceeds of \$55,140.

#### *Details of Common Shares Issued in 2021*

During the year ended December 31, 2021, 1,273,000 stock options were exercised at a weighted average exercise price of \$0.97 per share for gross proceeds of \$1,236,170.

During the year ended December 31, 2021, 883,854 warrants were exercised at a weighted average exercise price of \$1.31 per share for gross proceeds of \$1,156,523.

On April 8, 2021, the Company completed a non-brokered private placement financing of 2,857,000 flow-through common shares at a price of \$5.25 per common share for gross proceeds of \$14,999,250. The Company paid share issuance costs of \$587,641 in cash of which \$524,974 were finder's fees. The premium received on the flow-through shares issued was determined to be \$1,971,330.

On August 24, 2021, the Company completed a bought-deal prospectus offering of 5,048,500 flow-through common shares at a price of \$11.39 per common share for gross proceeds of \$57,502,415, which included the full exercise of the underwriter's over-allotment option. The Company paid share issuance costs of \$3,254,048 in cash of which \$2,734,547 was paid to the underwriters. The premium received on the flow-through shares issued was determined to be \$14,590,165.

On November 24, 2021, the Company completed a non-brokered private placement financing of 5,000,000 flow-through common shares at a price of \$9.60 per common share for gross proceeds of \$48,000,000. The Company paid share issuance costs of \$615,965 in cash of which \$480,000 were finder's fees. The premium received on the flow-through shares issued was determined to be \$12,600,000.

On November 25, 2021, the Company issued 458,823 common shares with a value of \$3,505,408 as a portion of the consideration paid to acquire royalty interests for an aggregate of 0.6% of net returns from the Company's Linear and JBP Linear properties (Note 3).

#### *Share Purchase Option Compensation Plan*

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares not exceeding 10% in the aggregate and 5% with respect to any one optionee of the Company's outstanding common shares in any twelve-month period. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

## New Found Gold Corp.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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### 10. SHARE CAPITAL AND RESERVES (continued)

The exercise price and vesting terms of each share purchase option is set by the Board of Directors at the time of grant. Share purchase options granted are subject to a four-month hold period and exercisable for a period determined by the Board of Directors which cannot exceed ten years.

The continuity of share purchase options for the year ended December 31, 2022 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2021	Granted	Exercised	Cancelled/ Forfeited/ Expired	Outstanding December 31, 2022	Exercisable December 31, 2022
September 30, 2023	\$0.40	150,000	-	-	-	150,000	150,000
December 17, 2024	\$0.50	1,925,000	-	(200,000)	-	1,725,000	1,725,000
April 18, 2025	\$1.00	1,450,000	-	(1,350,000)	-	100,000	100,000
May 23, 2025	\$1.075	200,000	-	(125,000)	-	75,000	75,000
August 11, 2025	\$1.40	2,900,000	-	(1,775,000)	-	1,125,000	1,125,000
September 3, 2025	\$2.07	115,000	-	(40,000)	-	75,000	75,000
October 1, 2025	\$2.15	25,000	-	-	-	25,000	25,000
December 31, 2025	\$4.10	6,155,000	-	(850,000)	-	5,305,000	5,305,000
April 29, 2026	\$6.79	1,294,250	-	(1,875)	(33,750)	1,258,625	1,168,625
May 17, 2026	\$8.62	200,000	-	-	-	200,000	200,000
September 27, 2026	\$8.70	125,000	-	-	-	125,000	50,000
November 26, 2026	\$8.04	55,750	-	-	(750)	55,000	22,000
January 4, 2027	\$8.98	-	30,000	-	(5,625)	24,375	7,500
August 19, 2027	\$5.75	-	340,000	-	-	340,000	169,000
September 8, 2027	\$5.00	-	20,000	-	-	20,000	10,000
December 27, 2027	\$5.68	-	2,257,500	-	-	2,257,500	1,834,500
		14,595,000	2,647,500	(4,341,875)	(40,125)	12,860,500	12,041,625
Weighted average exercise price \$		3.01	5.72	1.76	7.12	4.01	3.85
Weighted average contractual remaining life (years)		3.71	4.93	-	-	3.24	3.15

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### 10. SHARE CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2021 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2020			Cancelled/ Forfeited/ Expired	Outstanding December 31, 2021	Exercisable December 31, 2021
		Granted	Exercised				
February 20, 2022	\$0.15	75,000	-	(75,000)	-	-	-
September 30, 2023	\$0.40	250,000	-	(100,000)	-	150,000	150,000
December 17, 2024	\$0.50	2,685,000	-	(760,000)	-	1,925,000	1,925,000
April 18, 2025	\$1.00	1,500,000	-	(50,000)	-	1,450,000	1,450,000
May 23, 2025	\$1.075	225,000	-	(25,000)	-	200,000	200,000
August 11, 2025	\$1.40	2,965,000	-	(65,000)	-	2,900,000	2,900,000
September 3, 2025	\$2.07	215,000	-	(100,000)	-	115,000	115,000
October 1, 2025	\$2.15	25,000	-	-	-	25,000	25,000
December 31, 2025	\$4.10	6,242,500	-	(87,500)	-	6,155,000	6,155,000
April 29, 2026	\$6.79	-	1,369,000	(10,500)	(64,250)	1,294,250	1,118,000
May 17, 2026	\$8.62	-	200,000	-	-	200,000	200,000
September 27, 2026	\$8.70	-	125,000	-	-	125,000	12,500
November 26, 2026	\$8.04	-	62,500	-	(6,750)	55,750	6,250
		14,182,500	1,756,500	(1,273,000)	(71,000)	14,595,000	14,256,750
Weighted average exercise price \$		2.36	5.39	0.97	6.91	3.01	2.92
Weighted average contractual remaining life (years)		4.58	4.38	-	-	3.71	3.71

The weighted average fair value of share purchase options exercised during the year ended December 31, 2022 is \$1.27 (2021 - \$0.68).

The weighted average share price of options exercised at the date of exercise during the year ended December 31, 2022 is \$6.36 (2021 - \$8.84).

The weighted average fair value of share purchase options granted during the year ended December 31, 2022 is \$3.72 (2021 - \$5.15).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31,	
	2022	2021
Risk-free interest rate	3.21%	0.95%
Expected option life in years	5.0	5.0
Expected share price volatility <sup>(i)</sup>	88.06%	95.13%
Grant date share price	\$5.39	\$7.18
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

(i) The expected share price volatility is based on the average historical share price of comparable companies over the life of the option.

## New Found Gold Corp.

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### 10. SHARE CAPITAL AND RESERVES (continued)

#### Warrants

The continuity of warrants for the year ended December 31, 2022 is as follows:

Expiry Date	Exercise Price	Outstanding December 31, 2021	Issued	Exercised	Cancelled/ Expired	Outstanding December 31, 2022
May 12, 2022	\$1.30	25,154	-	(24,000)	(1,154)	-
May 13, 2022	\$1.50	8,372	-	-	(8,372)	-
June 4, 2022	\$1.50	15,960	-	(15,960)	-	-
		49,486	-	(39,960)	(9,526)	-
Weighted average exercise price \$		1.40	-	1.38	1.48	-
Weighted average contractual remaining life (years)		0.38	-	-	-	-

The continuity of warrants for the year ended December 31, 2021 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2020	Issued	Exercised	Cancelled/ Expired	Outstanding December 31, 2021
August 11, 2021	\$1.30	714,462	-	(714,462)	-	-
August 13, 2021	\$1.30	113,399	-	(113,399)	-	-
May 12, 2022	\$1.30	39,475	-	(14,321)	-	25,154
May 13, 2022	\$1.50	36,052	-	(27,680)	-	8,372
June 4, 2022	\$1.50	25,845	-	(9,885)	-	15,960
June 10, 2022	\$1.30	4,107	-	(4,107)	-	-
		933,340	-	(883,854)	-	49,486
Weighted average exercise price \$		1.31	-	1.31	-	1.40
Weighted average contractual remaining life (years)		0.70	-	-	-	0.38

The weighted average fair value of warrants exercised during the year ended December 31, 2022 is \$0.38 (2021 - \$0.55).

The weighted average share price of warrants exercised at the date of exercise during the year ended December 31, 2022 is \$8.39 (2021 - \$8.18).

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### 11. RELATED PARTY BALANCES AND TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and on terms and conditions that are similar to those of transactions with unrelated parties and are measured at the amount of consideration paid or received. A summary of the Company's related party transactions with corporations having similar directors and officers is as follows:

	Year ended December 31,	
	2022	2021
	\$	\$
Amounts paid to EarthLabs Inc. (i) exploration and evaluation	(266,737)	(1,356,384)
Amounts paid to DigiGeoData Inc. (i) for corporate development and investor relations	(1,800)	-
Options exercised by members of key management	-	666,875

(i) EarthLabs Inc. (formerly Goldspot Discoveries Inc.) is a related entity having the following common director and officer to the Company: Denis Laviolette, Director and President.

As at December 31, 2022, there were no amounts payable to related parties for exploration and evaluation expenditures or corporate development and investor relations (December 31, 2021 - \$225,619 was owed to EarthLabs Inc.).

There are no ongoing contractual commitments resulting from these transactions with related parties.

#### *Key management personnel compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	Salaries and Consulting	Share-based compensation	Bonus	Year ended December 31, 2022
	\$	\$	\$	\$
Executive Chairman and Chief Executive Officer	360,000	1,844,584	180,000	2,384,584
Former Chief Executive Officer	105,000	-	-	105,000
President	252,000	1,291,209	126,000	1,669,209
Chief Financial Officer	108,000	507,261	54,000	669,261
Chief Operating Officer	234,000	461,146	117,000	812,146
Chief Development Officer	182,000	391,207	78,000	651,207
Non-executive directors	113,110	1,390,778	-	1,503,888
Total	1,354,110	5,886,185	555,000	7,795,295

	Salaries and Consulting	Share-based compensation	Bonus	Year ended December 31, 2021
	\$	\$	\$	\$
Executive Chairman	300,000	1,291,220	100,000	1,691,220
Chief Executive Officer	300,000	1,291,220	100,000	1,691,220
President	210,000	1,291,220	70,000	1,571,220
Chief Financial Officer	72,000	-	-	72,000
Chief Operating Officer	195,000	544,192	65,000	804,192
Non-executive directors	80,129	1,546,426	-	1,626,555
Total	1,157,129	5,964,278	335,000	7,456,407

## New Found Gold Corp.

Notes to the Financial Statements

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### 11. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at December 31, 2022, there was \$276,016 payable to key management personnel in respect of key management compensation and expense reimbursements included in accounts payable and accrued liabilities (December 31, 2021 - \$31,034). The amounts are unsecured, non-interest bearing and without fixed terms of repayment.

Under the terms of their management agreements, certain officers of the Company are entitled to 18 months of base pay in the event of their agreements being terminated without cause.

### 12. LOSS PER SHARE

	Year ended December 31,	
	2022	2021
Loss attributable to common shareholders (\$)	89,989,659	50,640,075
Weighted average number of common shares outstanding	166,858,136	154,949,075
Loss per share attributed to common shareholders	\$0.54	\$0.33

Diluted loss per share did not include the effect of 12,860,500 (2021 - 14,595,000) share purchase options and Nil (2021 - 49,486) common share purchase warrants as they are anti-dilutive.

### 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year ended December 31,	
	2022	2021
	\$	\$
Non-cash investing and financing activities:		
Investments received for exploration and evaluation assets	-	500,000
Issued pursuant to acquisition of exploration and evaluation assets	194,834	3,505,408
Right-of-use assets and liabilities	152,501	97,423
Property and equipment included in accounts payable and accrued liabilities	306,400	537,746
Share issuance costs included in accounts payable and accrued liabilities	296,106	-
Cash paid for income taxes	-	-
Cash paid for interest	-	-
Cash received for interest	1,220,279	122,714

### 14. SEGMENTED INFORMATION

The Company's operations are limited to a single reportable segment, being mineral exploration and evaluation. All of the Company's evaluation and exploration assets are located in Canada.

## New Found Gold Corp.

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### 15. INCOME TAXES

The recovery of income taxes shown in the statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2022	2021
	\$	\$
(Loss) before income taxes	<u>(89,989,659)</u>	<u>(50,640,075)</u>
Statutory tax rate	<u>27.00%</u>	<u>27.00%</u>
Income tax (recovery) expense at statutory rate	(24,297,000)	(13,673,000)
Flow-through shares and other non-deductible differences	17,468,000	8,136,000
Change in unrecognized deductible temporary differences	<u>6,829,000</u>	<u>5,537,000</u>
Income tax expense (recovery)	<u>-</u>	<u>-</u>

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2022	2021
	\$	\$
Investments	10,291,000	941,000
Exploration and evaluation assets	14,290,000	12,674,000
Non-capital tax losses carryforward	18,416,000	8,537,000
Net capital losses carryforward	11,528,000	167,000
Capital assets	1,362,000	556,000
Reclamation provision	1,411,000	-
Other	<u>7,096,000</u>	<u>5,319,000</u>
Total	<u>64,394,000</u>	<u>28,194,000</u>

As at December 31, 2022, the Company has Canadian non-capital loss carry forwards of approximately \$18,416,00 that may be available for tax purposes. The Company's non-capital losses expire as follows:

Expiry Date	\$
2040	791,000
2041	7,661,000
2042	<u>9,964,000</u>
	<u>18,416,000</u>

As at December 31, 2022, the Company also has capital loss carry forwards of approximately \$11,528,000 that may be available for tax purposes. These losses can be carried forward indefinitely.



## **New Found Gold Corp.**

Notes to the Financial Statements

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### **16. COMMITMENTS AND CONTINGENCIES**

#### *Claims and Legal Proceedings*

On November 15, 2019, ThreeD Capital Inc. (“ThreeD”) and 1313366 Ontario Inc. (“131” and together with ThreeD, the “Plaintiffs”) each entered into share purchase agreements (the “Share Purchase Agreements”) with Palisades Goldcorp Ltd. (“Palisades”) under which Palisades agreed to purchase the 13,500,000 common shares owned by ThreeD and the 4,000,000 common shares owned by 131 for \$0.08 per common share. The transactions closed on November 20, 2019. As a private company with restrictions on the transfer of its common shares, the Company had to approve the proposed transfer, which it did by a consent resolution of the Board.

On March 10, 2020, ThreeD Capital Inc. and 131 filed a statement of claim in the Ontario Superior Court of Justice against Collin Kettell, Palisades and the Company (the “ThreeD Claim”). Pursuant to the ThreeD Claim, the Plaintiffs are challenging the validity of the sale of 17,500,000 common shares by the Plaintiffs to Palisades on November 20, 2019.

ThreeD and 131 claim that at the time of negotiation and execution of the Share Purchase Agreements, Palisades and Mr. Kettell were aware of positive drill results from the Company’s 2019 Drill Program and the results were not disclosed to ThreeD and 131 to their detriment. Palisades and Mr. Kettell strongly deny ThreeD and 131’s allegations. ThreeD and 131 have made specific claims for (a) rescission of the Share Purchase Agreements on the basis of oppression or unfair prejudice; (b) or alternatively, damages in the amount of \$21,000,000 for the alleged improper actions by ThreeD and 131, (c) a declaration that Palisades and Collin Kettell, as shareholder or director and/or officer of the Company, have had acted in a manner that is oppressive, unfairly prejudicial or unfairly disregarded their interests, (d) a declaration that Palisades and Collin Kettell engaged in insider trading contrary to section 138 of the *Securities Act* (Ontario), (e) unjust enrichment and (f) interests and costs. Palisades and Mr. Kettell refute each of the specific claims made by the Plaintiffs.

The Company filed a statement of defence in response to the ThreeD Claim on June 12, 2020, pursuant to which, among other things, the Company denies that it is a proper party to the ThreeD Claim and the allegations against it therein, including because no relief is claimed against the Company in paragraph 1 of the ThreeD Claim.

The action has now progressed through the production of documents and oral examinations for discovery stages. In early 2022, the Plaintiffs formally amended their statement of claim to increase the amount claimed to \$229,000,000 and to advance a direct claim of oppressive conduct against the Company. While continuing to deny any and all liability to the Plaintiffs, the Company has amended its defence to include specific denials of the new allegations of oppressive conduct against it. The parties completed an additional round of examinations for discovery in January 2023, following which the plaintiffs set the action down for trial. For its part, the Company is in the process of requesting that the case be transferred from the General List to the Commercial List of the Ontario Superior Court of Justice. The Company anticipates that the case will not go to trial before early 2024.

The outcome of this claim cannot be determined at this time and therefore no amount has been accrued for.

### **17. FINANCIAL INSTRUMENTS**

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### **(a) Fair Values**

Financial assets and liabilities measured at fair value are recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

## New Found Gold Corp.

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### 17. FINANCIAL INSTRUMENTS (continued)

#### (a) Fair Values (continued)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's only financial instrument measured at fair value are its investments, for which the fair value is determined using closing prices at the statement of financial position date with any unrealized gain or loss recognized in profit or loss.

The carrying values of other financial instruments, including cash, deposits, accounts payable and accrued liabilities, and lease liabilities approximate their fair values due to the short-term maturity of these financial instruments.

		Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Recurring measurements	Carrying amount	Fair value			
Investments, at fair value					
December 31, 2022	7,501,155	7,474,287	26,868	-	7,501,155
December 31, 2021	31,942,458	28,078,556	3,363,902	500,000	31,942,458

There was no movement between levels during the year ended December 31, 2022.

The following table represents the changes in fair value measurements of financial instruments classified as Level 3. Within Level 3, the Company includes private company investments which are not quoted on an active exchange. These financial instruments are measured at fair value utilizing non-observable market inputs.

	Balance at January 1	Additions	Net Unrealized Gains/(Losses)	Balance at December 31
	\$	\$	\$	\$
2022	500,000	-	(500,000)	-
2021	-	500,000	-	500,000

The balance at December 31, 2022 and 2021 relates to the investment in shares of Long Range (Note 5(i)). Long Range is a private company without observable market prices for its common shares and is measured at its estimated fair value based on valuation techniques that use inputs derived by management. The key assumptions used in the valuation of this investment include, but are not limited to, the value at which a recent financing was completed by the investee, company-specific information, review of adjusted net book values, liquidation analysis, trends in general market conditions, share performance of comparable publicly-traded companies and a strategic review. The fair value of this investment has been estimated at \$Nil at December 31, 2022 (December 31, 2021 - \$500,000).

## **New Found Gold Corp.**

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For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **17. FINANCIAL INSTRUMENTS (continued)**

#### **(b) Financial Instrument Risk Exposure**

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not have financial instruments that potentially subject the Company to credit risk. Overall, the Company's credit risk has not changed significantly from the prior year. Sales taxes recoverable are due from the Canada Revenue Agency and the Company places its cash with financial institutions with high credit ratings, therefore in management's judgment, credit risk is low.

There have been no changes in management's methods for managing credit risk during the years ended December 31, 2022 and 2021.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to fund exploration programs and may require doing so again in the future. As at December 31, 2022, the Company has total liabilities of \$27,213,612 and cash of \$82,165,273 which is available to discharge these liabilities (December 31, 2021 – total liabilities of \$25,403,246 and cash of \$100,484,576). Accordingly, in management's judgment, liquidity risk is low.

There have been no changes in management's methods for managing liquidity risk during the years ended December 31, 2022 and 2021.

##### ***Market risk***

###### ***(i) Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuation include cash accounts denominated in US dollars. Fluctuations in the exchange rate between the US dollar and the Canadian dollar at December 31, 2022 would not have a material impact on the Company's net earnings and other comprehensive income.

###### ***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the Company deposits its cash into demand accounts with minimal interest rates, the interest rate risk is not significant.

###### ***(iii) Commodity price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold. Commodity prices, especially gold, greatly affect the value of the Company and the potential value of its property and investments.

## **New Found Gold Corp.**

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For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **17. FINANCIAL INSTRUMENTS (continued)**

#### **(b) Financial Instrument Risk Exposure (continued)**

##### ***(iv) Equity price risk***

Equity price risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments in unfavorable market conditions which could result in dispositions of investments at less than favorable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability. The sensitivity of the Company's net loss to changes in market prices at December 31, 2022 would change the Company's net loss by \$750,115 as a result of a 10% change in the market price of its investments.

There have been no changes in management's methods for managing market risks during the years ended December 31, 2022 and 2021.

### **18. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- To safeguard our ability to continue as a going concern in order to develop and operate our current projects;
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

In assessing our capital structure, we include in our assessment the components of equity consisting of common shares, stock options and warrants, and deficit that as at December 31, 2022 totalled \$83,473,900 (December 31, 2021 - \$122,654,601). In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitors and reviews actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company's current capital resources are sufficient to carry out our exploration plans and support operations through the current operating period.

The Company is not subject to any capital requirements imposed by a regulator.

There were no changes in the Company's approach to capital management during the years ended December 31, 2022 and 2021.

### **19. SUBSEQUENT EVENTS**

#### ***Lucky Strike Project***

On February 16, 2023, the Company entered into an agreement with Warrior Gold Inc. ("Warrior Gold"), pursuant to which Warrior Gold will acquire the Lucky Strike project in exchange for total consideration of 28,612,500 Warrior Gold shares, issued on a post-consolidation basis at the time of closing, and a 1.0% net smelter return royalty to the Company, on the closing date. The completion of the agreement is subject to the approval of the shareholders of Warrior Gold, the approval of the TSX Venture Exchange, the completion of a concurrent private placement financing by Warrior Gold for gross proceeds of not less than \$10,000,000, and completion of other customary closing conditions as specified in the agreement.

**New Found Gold Corp.**

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

**19. SUBSEQUENT EVENTS** *(continued)*

*Stock Options Expired*

Subsequent to December 31, 2022, the following stock options expired:

- 1,875 stock options with an exercise price of \$8.98 per share;
- 261,000 stock options with an exercise price of \$6.79 per share.