HORIZON COPPER

Q4 2022

# 2022 Annual Report

Erfan Kazemi

The world needs more copper. With the approaching global transformation in energy demand moving towards electricity and the continued growth in construction in emerging markets, more copper is going to be needed than has ever been produced.

This comes at a time when copper mines are reaching the end of their expected lives, grades continue to decline, and projects become more challenging to develop. These factors were some of the key considerations in the creation of Horizon Copper in 2022. By establishing a new copper-focused company with a portfolio of top-tier copper assets, we can take advantage of these economic fundamentals in the years to come.

The transaction to form Horizon Copper included the acquisition of three foundational assets from Sandstorm Gold Royalties: a 30% non-operating interest in the Hod Maden copper-gold development project in Turkey, a 25% equity stake in Entrée Resources Ltd which holds a unique 20% carried interest in future phases of the Oyu Tolgoi copper mine in Mongolia, and a 1.66% net profits interest in the Antamina copper mine in Peru—the third largest copper mine in the world on a copper equivalent basis.

Since launching Horizon Copper, I have often been asked about the relationship with Sandstorm and how this aligns with the strategic direction of the Company. The answer to this question is multi-faceted but the most important aspects of this include:

---

*The acquisition of assets from Sandstorm provides Horizon with a world-class portfolio of interests in high-quality copper assets typically unheard of in a copper startup.*

---

*Sandstorm retains an interest in the precious metal component of these projects while Horizon gains exposure to the copper.*

---

*As a strategic partner, Sandstorm has provided Horizon with financing on friendly terms allowing Horizon to benefit from the leverage this provides, while Sandstorm participates in the* *growth potential through a combination of access to precious metal streams on future transactions and their continued 34% equity ownership in Horizon.*

*Horizon is able to work in partnership with Sandstorm, utilizing their world-class technical and corporate development teams to source new assets with a focus on copper mines with precious metal by-products.*

This relationship is truly a "win-win" for both Horizon and Sandstorm and an excellent path to future success.

As we look ahead to 2023, there are several key opportunities that we will be focused on at Horizon.

### Hod Maden

In 2022, the Hod Maden project obtained the final key permits required to proceed with construction and development. Progress of significant early works projects has continued while project financing discussions are advancing with prospective lenders. Lidya Madencilik, our partner and operator of the project, anticipates that approximately 65% of the capital costs will be funded by debt in the entity that holds the project. The remaining capex is expected to be funded by equity contributions by Horizon and Lidya. In 2023, we expect the project financing to be secured and full-scale construction to commence. With projected low all-in sustaining costs of US$1.12/lb on a co-product basis, we are excited to see this asset complete the next steps towards production when it is estimated to generate an average of US$23 million of annual cash flow to Horizon over an initial 13-year mine life.

### Antamina

The closing of the Antamina acquisition as the final part of the transaction with Sandstorm is dependent on Horizon raising between US$20 and $50 million. We are working diligently to close this financing and the acquisition of the Antamina net profit interest in the first half of 2023, after which we expect to generate approximately $10 million of average annual cash flows from this long-life asset.

### Growing Horizon

At Horizon Copper, we firmly believe in the market fundamentals that support a rising long-term copper price. Beyond our existing assets, we are focused on growing the Company through new accretive acquisitions to ensure Horizon can take full advantage of its leverage to copper when the industry enters a potential new super-cycle.

The time to grow is now. Horizon Copper is building a portfolio of truly extraordinary copper projects that are instrumental in meeting the world's growing need for copper. I want to assure you that your experienced management team is focused on growing Horizon in responsible, innovative and exciting ways. We're thrilled that you are a part of this unique Company, and we can't wait to show you what's in store for 2023 and beyond.

Erfan Kazemi

**President & CEO**

HORIZON
COPPER

Q4 2022

# Management's Discussion and Analysis

For The Year Ended December 31, 2022

This management's discussion and analysis ("MD&A") for Horizon Copper Corp. (formerly Royalty North Partners Ltd. ("RNP")) and its subsidiary entities (collectively "Horizon", or the "Company") should be read in conjunction with the audited consolidated financial statements of Horizon for the year ended December 31, 2022 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and are available on SEDAR at www.sedar.com. The information contained within this MD&A is current to February 16, 2023 and all figures are stated in U.S. dollars unless otherwise noted.

# Company Highlights

### Transformative Acquisitions

On August 31, 2022, the Company completed part of its previously announced acquisition of certain copper-gold assets from Sandstorm Gold Ltd. ("Sandstorm"), to create a new growth-focused copper mining company (the "Transaction"). The assets acquired include a 30% equity interest in the entity which holds the Hod Maden copper-gold project in Turkey ("Hod Maden"), a 55% interest in the Peninsula gold project located in Michigan, $10 million in cash, $8.3 million receivable from Sandstorm to fund the Company's share of the 2022 Hod Maden budgeted cash calls and a promissory note with a principal amount of C$43.2 million pursuant to the Company's acquisition of an approximate 25% equity stake in Entrée Resources Ltd. ("Entrée") in May 2022.

Upon completion of the Transaction, RNP changed its name to Horizon Copper Corp.

In consideration for the assets acquired, the Company:

- entered into a $200 million gold stream with Sandstorm on production from Hod Maden;
- issued approximately 25.5 million common shares to Sandstorm, corresponding to an approximate 34% equity interest in the Company; and
- issued Sandstorm a secured convertible promissory note with a principal amount of $95 million.

On completion of this part of the Transaction, 35,595,593 subscription receipts of the Company, which were issued in two tranches on March 8 and 18, 2022, for aggregate gross proceeds of approximately $16.3 million (C$21.4 million) pursuant to a non-brokered private placement of the Company at a price of C$0.60 per subscription receipt, were converted into 35,595,593 common shares of the Company and 35,595,593 common share purchase warrants (the "Warrants"), and the net subscription proceeds were released from escrow and delivered to the Company. Each Warrant entitles the holder to purchase one additional common share of Horizon at a price of C$0.80 until August 31, 2027.

Under the final part of the Transaction (the "Antamina Transaction"), the Company will acquire a 1.66% net profits interest on the Antamina copper mine (the "Antamina NPI"). The consideration that Horizon will issue to Sandstorm to acquire the Antamina NPI includes:

- a residual royalty on Antamina with payments equal to approximately one-third (1/3) of the total Antamina NPI after deducting the Antamina Silver Stream (as defined below) servicing commitments (the “Residual Royalty”);
- up to $50 million in cash payable to Sandstorm (the “Cash Consideration”), funded by way of a concurrent financing by the Company (the “Concurrent Financing”) which shall be a minimum of $20 million and a maximum of $50 million;
- a silver stream referenced to silver production from the Antamina mine (the “Antamina Silver Stream”) whereby the Company will sell to Sandstorm silver ounces equal to 1.66% of all silver produced at the Antamina mine at a price equal to 2.5% of the silver spot price. The Antamina Silver Stream will be secured by the 1.66% Antamina NPI;
- common shares of the Company issued to Sandstorm that will result in Sandstorm owning 34% of the issued and outstanding shares of the Company at the closing of the Antamina Transaction (the “Consideration Shares”). The “Consideration Share Amount” shall be the product of the Consideration Shares multiplied by the price of the Concurrent Financing and converted into US dollars; and
- a convertible promissory note secured by the Antamina NPI with a principal amount equal to $361 million less the sum of (i) the Cash Consideration, (ii) the value of the Residual Royalty and (iii) Consideration Share Amount (the “Antamina Note”). Assuming the Concurrent Financing raises $20 million, the principal amount of the Antamina Note is expected to be $150 million.

The proposed Concurrent Financing will be for gross proceeds of between $20 million and $50 million. Further details regarding the Concurrent Financing will be released once known. The purchase price of the Antamina NPI and the promissory note will be reduced by offsetting amounts to reflect cash flows received under the Antamina NPI between July 12, 2022 (the date Sandstorm acquired the Antamina NPI) and the closing date of the Antamina Transaction.

### Change in presentation currency

Effective September 30, 2022, the Company changed its presentation currency from Canadian dollars (“CAD”) to U.S. dollars (“USD”) due to the change in its most significant assets and liabilities following the Transaction and to be consistent with peer companies in the mining industry. The change in presentation currency requires retrospective restatement of all periods presented in the financial statements. To prepare the December 31, 2021 and January 1, 2021 statements of financial position, all assets and liabilities were restated in USD based on the closing exchange rates on December 31, 2021 and December 31, 2020. The accounting policy used to translate equity items prior to 2021, was to use the annual average exchange rate for each equity transaction that occurred in each of those years. For 2021, equity items were translated quarterly using the average exchange rate for each quarter. To prepare the statement of income (loss) for periods prior to September 30, 2022, all revenue and expenses were restated in USD based on the average exchange rate for each quarter.

# Overview

Horizon's objective is to actively grow its existing portfolio of assets, with a focus on copper projects. The Transaction and the expected completion of the acquisition of Antamina NPI in the first half of 2023 position Horizon as a competitive copper company with a portfolio of high-quality cash-flowing and development stage copper assets. Horizon now has the size and scale required to grow and diversify the Company while further strengthening the strategic partnership opportunities with Sandstorm.

# Outlook

The key areas of focus for the Company in 2023 include the following:

### Hod Maden

Following the completion of the Transaction to acquire an equity interest in Hod Maden in the third quarter of 2022, the Company will continue to fund its share of the ongoing development and construction of the project. In 2023, it is expected that project financing at the asset level will be secured and full-scale construction and development of the project will commence.

### Antamina

In the first half of 2023, the Company expects to close the financing of at least $20 million required to close the acquisition of the Antamina NPI from Sandstorm. Following completion of the acquisition, the Company will begin generating cash flows from this asset.

### Growth

During 2023, the Company will continue to evaluate new opportunities to grow its portfolio of assets with a focus on identifying interests in copper projects with precious metal by-products which could be partially funded by stream financing provided by Sandstorm.

# Key Assets

## Following the completion of the Transaction in 2022, the Company's key assets are as follows:

### Hod Maden

The Company has a 30% equity interest in the entity which holds Hod Maden, which is located in Artvin Province, northeastern Turkey. The project is operated and co-owned by a Turkish partner, Lidya Madencilik Sanayi ve Ticaret A.S. ("Lidya"), which owns the remaining interest in the project. Lidya is a strong local partner with experience exploring, developing, permitting, and operating projects in Turkey. Lidya is part of a large Turkish conglomerate called Çalik Holding and is currently involved in several projects in Turkey including a non-controlling interest in SSR Mining Inc.'s producing Çöpler mine.

In October 2021, the Hod Maden project received the final approval of the Environmental Impact Assessment ("EIA") for the project from the Ministry of Environment and Urbanization of Turkey.

In November 2021, a Feasibility Study was released. The results demonstrate a Proven and Probable Mineral Reserve of 2.5 million ounces of gold and 129,000 tonnes of copper being mined over a 13-year mine life (8.7 million tonnes at 8.8 grams per tonne gold and 1.5% copper or 11.1 grams per tonne gold equivalent using a breakeven cut-off value of $82 per tonne and incremental cut-off values of $63 per tonne for stopes and $40 per tonne for development). The study projects a pre-tax net present value (5% discount rate) of $1.3 billion and an internal rate of return of 41%. It is estimated that copper will be produced at an all-in sustaining cost ("AISC")[1] on a co-product basis of $1.12 per pound.

With the approval of the EIA, the release of the Feasibility Study and the receipt of all major permits (with the award of the final permit from the Ministry of Forestry in 2022), Hod Maden moved into the next stage of development including securing project debt financing and initiating long-lead construction items. Lidya has commenced two out of four planned early works projects at site: (i) the access road and pad preparation for the electrical substation is almost complete and, (ii) the road upgrades in the Salicor Valley to the north are well underway. Once installed, the electrical substation will tie to the existing overhead high-voltage lines. The other two early works projects that are permitted and set to begin are the main access road upgrade and tunnel to the North Valley.

The Company entered into a gold stream on Hod Maden as part of the consideration paid to acquire the asset. Under the terms of the stream, Sandstorm will receive 20% of all gold produced from Hod Maden (on a 100% basis) and will make ongoing payments of 50% of the gold spot price until 405,000 ounces of gold are delivered (the "Delivery Threshold"). Once the Delivery Threshold has been reached, Sandstorm

1 Refer to section on non-IFRS and other measures of this MD&A.

will receive 12% of the gold produced for the life of the mine for ongoing payments of 60% of the gold spot price.

### Oyu Tolgoi (Hugo North Extension & Heruga)

The Company has a 25% equity interest in Entrée which holds a 20% interest in the Hugo North Extension and Heruga deposits located in Mongolia, (the “Hugo North Extension” and “Heruga”, respectively).

The Hugo North Extension is a copper-gold porphyry deposit and Heruga is a copper-gold-molybdenum porphyry deposit. Both projects are located in the South Gobi Desert of Mongolia, approximately 570 kilometres south of the capital city of Ulaanbaatar and 80 kilometres north of the border with China. The Hugo North Extension and Heruga are part of the Oyu Tolgoi mining complex and are managed by Oyu Tolgoi LLC, a subsidiary of Rio Tinto plc and the Government of Mongolia.

In 2021, Entrée announced the completion of an updated Feasibility Study on its interest in the Entrée/Oyu Tolgoi joint venture property. The updated report aligns Entrée's disclosure with that of other Oyu Tolgoi project stakeholders on development of the first lift of the underground mine. Entrée further announced that optimization studies on Panel 1 are currently underway which have the potential to further improve Lift 1 economics for the Entrée/Oyu Tolgoi joint venture.

The Company is not required to contribute any further capital, exploration, or operating expenditures to Entrée and Entrée has a carried joint venture interest in the Hugo North Extension and Heruga.

### Other

The Company also has a 55% interest in the Peninsula gold project located in Michigan on the southern edge of the Superior Province in Archean aged rocks of the Ishpeming Greenstone Belt (IGB). The IGB covers an area of approximately 300 sq km and is an extension of the Wawa Sub province into the Upper Peninsula.

Exploration and development activities at the Peninsula Project have been limited since 2015. In 2022, exploration activities recommenced pursuant to the terms of a joint venture agreement between a subsidiary of the Company and Minerals Processing Corporation. Over the next 12-18 months, the joint venture has developed a work program for $0.9 million, which includes a budget for 2,500 metres of core drilling for resource delineation and exploration purposes. Additional work plans include geological mapping, soil sampling and geochemical analysis, together with additional metallurgical testing at the project.

## Following the anticipated completion of the Antamina Transaction in 2023, the Company's key assets will also include:

### Antamina

Antamina is an open-pit copper mine located in the Andes Mountain range of Peru, 270 kilometres north of Lima. It is the world's third-largest copper mine on a copper equivalent ("CuEq") basis, producing approximately 560,000 CuEq tonnes per annum. Antamina has been in consistent production since 2001, including a throughput expansion completed in 2012 to the mine's current operating capacity of 145,000 tonnes per day. Since 2006, the 1.66% net profits interest ("NPI") has paid between $7–$40 million per year, with an average annual payment of $19 million. The asset operates in the first cost quartile of copper mines. The NPI is paid by a Canadian affiliate of Teck Resources Limited ("Teck") and is guaranteed by Teck.

# Summary of Annual Results

## Years Ended

| In $000s (except for per share amounts in $) | Dec. 31, 2022 | Dec. 31, 2021 (restated) | Dec. 31, 2020 (restated) |
|---|---|---|---|
| Net income (loss) | (15,822) | 2,808 | (84) |
| Basic income (loss) per share | (0.46) | 0.20 | (0.01) |
| Diluted income (loss) per share | (0.46) | 0.19 | (0.01) |
| Cash flows from operating activities | (172) | 882 | 632 |
| Total assets | 300,706 | 9,045 | 6,467 |
| Total long-term liabilities | 273,382 | - | 45 |

# Summary of Quarterly Results

## Quarters Ended

| In $000s<br>(except for per share amounts in $) | Dec. 31, 2022 | Sep. 30, 2022 | Jun. 30, 2022 | Mar. 31, 2022 |
|---|---|---|---|---|
| | | | (restated) | (restated) |
| Net income (loss) | (5,366) | (9,775) | (757) | 76 |
| Basic income (loss) per share | (0.07) | (0.29) | (0.05) | 0.01 |
| Diluted income (loss) per share | (0.07) | (0.29) | (0.05) | 0.01 |
| Cash flows from operating activities | 3 | (413) | 154 | 84 |
| Total assets | 300,706 | 300,134 | 58,495 | 25,748 |
| Total long-term liabilities | 273,382 | 266,043 | 33,839 | - |

| In $000s<br>(except for per share amounts in $) | Dec. 31, 2021 | Sep. 30, 2021 | Jun. 30, 2021 | Mar. 31, 2021 |
|---|---|---|---|---|
| | (restated) | (restated) | (restated) | (restated) |
| Net income | 192 | 1,621 | 364 | 631 |
| Basic income per share | 0.01 | 0.12 | 0.03 | 0.05 |
| Diluted income per share | 0.01 | 0.11 | 0.02 | 0.04 |
| Cash flows from operating activities | 209 | 223 | 135 | 322 |
| Total assets | 9,045 | 8,849 | 7,538 | 7,001 |
| Total long-term liabilities | - | - | 47 | 46 |

Prior to August 31, 2022, the results of the Company reflect those of RNP and are therefore not indicative of expected results of Horizon in future periods. The results of each of the quarterly periods prior to Q3 2022 have been restated in USD following the Company's change in presentation currency in Q3 2022.

## Three Months Ended December 31, 2022
## Compared to the Three Months Ended December 31, 2021

For the three months ended December 31, 2022, net loss was $5.4 million, compared with net income of $0.2 million for the comparable period in 2021. The increase in net loss is primarily attributable to a number of non-cash items related to assets acquired and liabilities assumed in the Transaction where there were no such amounts for the comparable period in 2021, including:

- The fair value movement on the gold stream liability of $2.6 million during the fourth quarter of 2022, primarily driven by an increase to the gold price forward curve, partially offset by a change in the assumption of the timing of production at Hod Maden to be nine months later than previously forecast.
- The share of loss in the Company's investments in associates of $0.7 million.
- Accretion expense related to the Company's Promissory note with Sandstorm of $2.5 million, including a $1.2 million adjustment related to changes in the estimated timing of cash flows in the fourth quarter.

## Year Ended December 31, 2022
## Compared to the Year Ended December 31, 2021

For the year ended December 31, 2022, net loss was $15.8 million, compared with net income of $2.8 million for the comparable period in 2021. The increase in net loss is primarily attributable to:

- A $2.3 million unrealized foreign exchange loss as a result of remeasuring the Company's USD denominated liabilities into CAD, the Company's functional currency. The USD strengthened by 3.3% with reference to the CAD between the Transaction date (August 31, 2022) and the end of the year. This was partially offset by an unrealized foreign exchange gain of $0.9 million as a result of remeasuring the Company's USD denominated assets into C$.
- The fair value movement on the gold stream liability of $8.7 million between the date of the Transaction and the end of the year, primarily driven by an increase to the gold price forward curve, partially offset by a change in the assumption of the timing of production at Hod Maden to be nine months later than previously forecast.
- The share of loss in the Company's investments in associates of $1.5 million.
- Accretion expense related to the Company's Promissory note with Sandstorm of $2.8 million, including a $1.2 million adjustment related to changes in the estimated timing of cash flows in the fourth quarter.

For the year ended December 31, 2022, adjusted net loss[2] was $1.1 million compared to adjusted net income of $2.8 million in the comparable period in 2021. The decrease in adjusted net income to an

2 Refer to section on non-IFRS and other measures of this MD&A.

adjusted net loss related to the reduction in revenue generated from RNPs royalty investments (including fair value adjustments thereon).

### Three Months Ended December 31, 2022 Compared to the Other Quarters Presented

When comparing net loss of $5.4 million and cash flow used in operating activities of $0.0 million for the three months ended December 31, 2022 with net income (loss) and cash flows from operating activities for the other quarters presented, the following items impact comparability:

- For periods prior to June 30, 2022, movements in net income (loss) and cash flows from operating activities were primarily driven by changes in revenue from RNP's royalty investments. Net income was also impacted by fair value adjustments on these investments each period. All of RNP's legacy royalty investments have now been settled.
- The non-cash items related to the assets acquired and liabilities assumed in the Transaction which did not exist prior to August 31, 2022.

## Change in Total Assets

Changes in total assets during each of the quarterly periods from December 31, 2020 to December 31, 2021 were primarily as a result of changes in fair value of RNP's loan and royalty investments, all of which have now been settled or disposed of.

Total assets increased by $16.7 million from December 31, 2021 to March 31, 2022 as a result of an increase of $16.5 million in restricted cash held in escrow related to the subscription receipt financing completed in March 2022.

Total assets increased by $32.7 million from March 31, 2022 to June 30, 2022 as a result of the acquisition of the investment in Entrée Resources for $33.7 million in May 2022; partially offset by a reduction in the fair value of RNP's loan and royalty investment of $0.7 million.

Total assets increased by $241.6 million from June 30, 2022 to September 30, 2022 as a result of the acquisition of the assets in the Transaction with Sandstorm.

There were no material changes in total assets from September 30, 2022 to December 31, 2022.

## Non-IFRS and Other Measures

The Company has included, throughout this document, adjusted income (loss) and all-in sustaining costs ("AISC") per copper pound as non-IFRS performance measures. The presentation of these non-IFRS measures is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and other companies may calculate these measures differently.

i. Adjusted net income (loss) is a non-IFRS financial measure and is calculated by taking net income / (loss) and deducting share of loss in associates, fair value changes on the stream obligation and warrant liabilities, accretion of promissory notes and unrealized foreign exchange gains (losses). The Company presents Adjusted net income (loss) as it believes that certain investors use this information to evaluate the Company's performance in comparison to other companies. Figure 1.1 provides a reconciliation of Adjusted net income (loss).

| **Figure 1.1**<br>**In $000s** | **Year Ended December 31, 2022** | **Year Ended December 31, 2021** |
|---|---|---|
| Net income (loss) | $ (15,822) | $ 2,808 |
| **Add (Deduct):** | | |
| Share of loss in associates | 1,467 | - |
| Fair value changes on stream obligation | 8,716 | - |
| Fair value changes on warrant liability | - | (46) |
| Accretion expense on promissory note | 3,194 | - |
| Unrealized foreign exchange loss | 1,370 | 12 |
| **Equals:** | | |
| **Adjusted net income (loss)** | **$ (1,075)** | **$ 2,774** |

ii. The Company has also used the non-IFRS measure of AISC per copper pound on a co-product basis. AISC per copper pound on a co-product basis is a non-IFRS financial ratio that uses AISC on a co-product basis, a non-IFRS financial measure, as a component. With respect to the Hod Maden project, AISC on a co-product basis is calculated by summing certain costs (operating costs, royalties, treatment, refining & transport costs, sustaining capital, G&A, and other costs) associated with the copper produced. The resulting figure is then divided by the payable copper ounces produced. The Company presents AISC per copper pound as it believes that certain investors use this information to evaluate the Company's investment in Hod Maden in comparison to other companies in the mining industry. Figure 1.2 provides a reconciliation of AISC per copper pound using information from the Hod Maden Project Feasibility Study with an effective date of February 28, 2021.

| Figure 1.2<br>In $ millions (except for ounces and per ounce amounts) | | AISC on a co-product basis |
|---|---|---|
| Operating Costs | $ | 135 |
| Royalties | | 53 |
| Treatment, Refining and Transport Costs | | 42 |
| Sustaining Capital | | 23 |
| G&A | | 19 |
| Other Costs | | 13 |
| **All-in sustaining costs** | **$** | **285** |
| **Divided by:** | | |
| Payable Copper Pounds (Mlbs) | | 255 |
| **Equals:** | | |
| **All-in sustaining cost per copper pound** | **$** | **1.12** |
| **Historical all-in sustaining cost per copper pound** | **$** | **-** |

# Liquidity and Capital Resources

As of December 31, 2022, the Company had cash and cash equivalents of $32.7 million (December 31, 2021 – $3.6 million) and working capital of $41.2 million (December 31, 2021 – $3.6 million).

During the year ended December 31, 2022, the Company had cash outflows from operating activities of $0.2 million compared with cash flows generated from operating activities of $0.9 million during the comparable period in 2021. When comparing the change, the primary drivers were:

- Cash inflows from RNP's legacy royalty investments of $0.4 million in 2022 compared to $1.2 million in 2021.
- An increase in general and administrative expenses of $0.5 million in 2022 compared to 2021 as a result of costs incurred in connection with Transaction.

During the year ended December 31, 2022, the Company had net cash inflows from investing activities of $14.0 million which were primarily the result of the settlement of RNP's Advance Wire Products Ltd. ("AWP") investment for $4.3 million and net cash acquired through the acquisition from Sandstorm of $9.7 million. During the year ended December 31, 2021, cash flows from investing activities were related to the settlement of the Blue 360 LLC royalty investment for $3.0 million.

During the year ended December 31, 2022, the Company had net cash inflows from financing activities of $15.9 million related to the net proceeds from the private placement completed in March 2022. During the year ended December 31, 2021, the Company had net cash outflows from financing activities of $0.2 million related to the repayment of convertible debentures previously held by RNP.

### Equity financings

On completion of the Transaction, 35,595,593 subscription receipts of the Company, which were issued in two tranches on March 8 and 18, 2022, for aggregate gross proceeds of approximately $16.3 million (C$21.4 million) pursuant to a non-brokered private placement of the Company at a price of C$0.60 per subscription receipt, were converted into 35,595,593 common shares of the Company and 35,595,593 common share purchase warrants (the "Warrants"), and the net subscription proceeds were released from escrow and delivered to the Company. Each Warrant entitles the holder to purchase one additional common share of Horizon at a price of C$0.80 for a period of five years following conversion of the subscription receipts.

### Debt

On May 26, 2022, pursuant to the Transaction, the Company completed the purchase of 49,672,515 common shares in the capital of Entrée from Sandstorm, in consideration for a promissory note in the principal amount of C$43.2 million (the "Entrée Promissory Note").

During the period from May 26, 2022 to August 31, 2022, the Company accrued C$0.2 million of interest in accordance with the terms of the Entrée Promissory Note and as such, the Entrée Promissory Note had a carrying value of C$43.4 million at August 31, 2022. On August 31, 2022, upon closing of the Transaction, the Entrée Promissory Note was assigned to the Company.

On August 31, 2022, the Company issued a promissory note in the principal amount of $95 million to Sandstrom as part of the consideration for the assets acquired under the Transaction (the "Hod Maden Promissory Note"). Interest on the Hod Maden Promissory Note is to be paid quarterly at the Secured Overnight Financing Rate ("SOFR") + 2% commencing the earlier of (i) January 1, 2026; or (ii) when Horizon receives dividends from its investment in Hod Maden. The Hod Maden Promissory Note may be settled at any time in Horizon shares at the election of the holder based on a 20-day volume weighted average price ("VWAP") of the market price of the shares unless the holder would beneficially own in excess of 34% of the number of Common Shares outstanding immediately after giving effect to such conversion or issuance. Horizon also has the option to settle the Hod Maden Promissory Note by issuing common shares if the share price is above a floor of C$0.55. The Hod Maden Promissory Note matures on August 31, 2032. The Hod Maden Promissory Note replaced the C$43.4 million promissory note issued by the Company to Sandstorm in connection with the acquisition of the Entrée shares.

### Stream obligation

As part of the consideration for the acquisition of the 30% interest in the Hod Maden project from Sandstorm, Horizon entered into a gold purchase agreement (gold stream) whereby it will be required to sell and deliver:

- 20% of the gold produced by the Hod Maden mine until 405,000 ounces have been sold and delivered;
- 12% of the gold produced by the Hod Maden mine thereafter.

Sandstorm will pay 50% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered (for the first 405,000 ounces) and 60% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered thereafter.

# Commitments and Contingencies

The following table shows the Company's contractual obligations as they fall due as at December 31, 2022 and December 31, 2021:

| In $000s | Within 1 year | 2-5 years | Over 5 years | Total December 31, 2022 | Total December 31, 2021 |
|---|---|---|---|---|---|
| Accounts payable | 141 | - | - | 141 | 97 |
| Promissory note | - | - | 95,000 | 95,000 | - |
| | **141** | **-** | **95,000** | **95,141** | **97** |

In the fourth quarter of 2022, a lawsuit was filed by a former employee of the predecessor company to Artmin Madencilik Sanayi ve Ticaret A.S ("Artmin"), the Turkish entity which holds the Hod Maden project. The former employee claims that he is entitled to 1% of the value of the project as a finder fee. The Company, in conjunction with Artmin, has evaluated the claim with the assistance of Turkish legal counsel and considers it to be without merit. Artmin will defend itself vigorously against this claim.

# Share Capital

As of February 16, 2023, the Company had 74,927,903 common shares outstanding.

A summary of the Company's stock options as of February 16, 2023 is as follows:

| Year of expiry | Number outstanding | Vested | Exercise price per share (CAD) |
|---|---|---|---|
| 2023 | 464,000 | 464,000 | 0.10 |
| 2024 | 167,261 | 167,261 | 0.14 |
| 2025 | 167,260 | 167,260 | 0.25 |
| | **798,521** | **798,521** | **0.14**[1] |

1) Weighted average exercise price of options that are exercisable.

A summary of the Company's warrants as of February 16, 2023 is as follows:

| Year of expiry | Number outstanding | Vested | Exercise price per share (CAD) |
|---|---|---|---|
| 2025 | 1,144,570 | 1,144,570 | 0.35 |
| 2027 | 35,595,593 | 35,595,593 | 0.80 |
| | **36,740,163** | **36,740,163** | **0.79**[1] |

1) Weighted average exercise price of warrants that are exercisable.

# Related Party Transactions

Sandstorm is a related party as a result of it having significant influence through its 34% equity interest in the Company. The transaction with Sandstorm during the year related to the acquisition of assets in the Transaction as described above.

The Company has entered into a services agreement with Sandstorm for C$5,000 per month for general administrative services including rent and other shared office costs. The amount outstanding related to this agreement as at December 31, 2022 was C$15,000.

Entrée is a related party as a result of the Company having significant influence through its approximate 25 % interest in Entrée. There were no transactions with Entrée during the year.

## Key Management Compensation

The remuneration of directors and those persons having authority and responsibility for planning, directing, and controlling activities of the Company is as follows:

| In $000s | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Salaries and benefits | $ 90[1] | $ 141 |
| Change of control payments | 221 | - |
| Share-based payments | - | 7 |
| **Total key management compensation expense** | **$ 311** | **$ 148** |

1) Includes a recharge of C$15,000 of salary costs borne by Sandstorm related to key management personnel of the Company and C$15,000 related to a consulting agreement with the former CFO as part of the transition following the Transaction.

# Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables, the Hod Maden Promissory Note and stream obligation. The fair value of cash and cash equivalents, receivables and trade and other payables, approximate their carrying values as at December 31, 2022 due to the short term nature of these instruments. The stream obligation is measured at fair value as at December 31, 2022. The fair value of the Hod Maden Promissory Note was $70.3 million at December 31, 2022.

### Credit Risk

The Company's credit risk is limited to cash and cash equivalents, the receivable from Sandstorm and the remaining receivable from AWP. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits in several high-quality financial institutions. The impact of expected credit losses on trade receivables and financial assets held at amortized cost is not material.

### Currency Risk

Financial instruments that impact the Company's net income (loss) due to currency fluctuations include the US dollar denominated receivable from Sandstorm and the Hod Maden Promissory Note. Based on the Company's US dollar denominated monetary assets and monetary liabilities at December 31, 2022, a 5% increase (decrease) of the value of the Canadian dollar relative to the US dollar would have a $5.3 million impact on net income.

### Liquidity risk

The Company manages liquidity risk through a planning and budgeting process, which is reviewed and updated on a regular basis, to help determine future funding requirements. As at December 31, 2022, the Company had cash and cash equivalents of $32.7 million available to settle its accounts payable and accrued liabilities, as well as its short term funding obligations related to its equity interest in Hod Maden. In addition, the Company has a receivable of $8.3 million from Sandstorm to fund its share of the remaining 2022 budget for Hod Maden to be spent in 2023.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the Hod Maden Promissory note which bears interest at SOFR + 2%, commencing from the earlier of January 1, 2026 or when Horizon has started to receive dividends from its equity interest in Hod Maden. Changes in interest rates also have an impact on the discount rate used to determine the fair value of the gold stream obligation.

# Other Risks to Horizon

The primary risk factors affecting Horizon are set forth in the Company's Management Information Circular dated July 29, 2022, which is available on www.sedar.com.

# Other

### Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the periods presented. The critical accounting estimates used in the preparation of the consolidated financial statements of Horizon for the year ended December 31, 2022 are the same as the key sources of estimation uncertainty disclosed in Note 3 to those consolidated financial statements.

### Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2022 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company along with the consolidated financial statements and MD&A on SEDAR at www.sedar.com.

# Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking information under applicable Canadian securities laws. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may contain forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. The forward-looking information contained herein may include, but is not limited to, information with respect to: the ability of Horizon to complete the Antamina Transaction; the expected timing of the Antamina Transaction, the state of the financial markets for Horizon’s securities; the state of the natural resources sector; recent market volatility and potentially negative capital raising conditions; Horizon's ability to raise the necessary capital to be able to complete the Antamina Transaction or to be fully able to implement its business strategies; business prospects and strategy; anticipated trends and challenges in Horizon’s business and the markets in which it operates; Horizon's financial position and other risks and factors that Horizon is unaware of at this time. By identifying such information and statements in this manner, Horizon is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Horizon to be materially different from those expressed or implied by such information and statements.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in its forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as required by applicable law. These forward-looking statements involve risks and uncertainties relating to, among other things, the ability of the Company to complete the Antamina Transaction, the expected timing of the Antamina Transaction, the state of the financial markets for Horizon’s securities; the state of the natural resources sector in the event the Antamina Transaction is completed; recent market volatility and potentially negative capital raising conditions; Horizon's ability to raise the necessary capital or to be fully able to implement its business strategies, the need for additional financing; the relative speculative and illiquid nature of an investment in Horizon; the volatility of Horizon's share price; Horizon’s ability to generate sufficient revenues and cash flows from operations; dependence on the operations, assets and financial health of investee companies; limited ability to exercise control or direction over investee companies; potential defaults by investee companies; Horizon’s ability to enforce on any default by an investee company; competition with other investment entities; tax matters; reliance on key personnel; dilution of shareholders’ interest through future financings; and general economic and political conditions; as well as the risks discussed above under the heading “Other Risks to Horizon”. Actual results may differ materially from those expressed or implied by such forward-looking statements or forward-looking information.

To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

HORIZON COPPER

Q4 2022

# Consolidated Financial Statements

For The Year Ended December 31, 2022

# Independent auditor's report

To the Shareholders of Horizon Copper Corp.

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Horizon Copper Corp. and its subsidiaries (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

**What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of income (loss) for the year then ended;
- the consolidated statement of comprehensive income (loss) for the year then ended;
- the consolidated statement of cash flow for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of the consideration paid in the acquisition of assets from Sandstorm Gold Ltd. (Sandstorm)**<br><br>*Refer to note 3 – Key sources of estimation uncertainty and accounting judgements, note 5 – Asset acquisition, note 8 – Promissory note and note 9 – Stream obligation of the notes to the consolidated financial statements.*<br><br>On August 31, 2022, the Company acquired certain copper-gold assets from Sandstorm for purchase consideration of $279 million. The fair value of the consideration paid included a $200 million stream obligation (the stream obligation) and a $68 million promissory note payable. To estimate the fair value of the stream obligation, management used a discounted cash flow model which required the use of key assumptions related to the production profile and mineral reserves., the long term gold price and the real after-tax discount rate. To estimate the fair value of the promissory note, management used a discounted cash flow model which required the use of a key assumption related to the nominal before-tax discount rate. The production profile and mineral reserves are based on the information in the published Feasibility Study for the Hod Maden project compiled by qualified persons and assessed by management's experts.<br><br>We considered this a key audit matter due to the judgement by management in estimating the fair value of the consideration paid with respect to the stream obligation and promissory note, including | Our approach to addressing the matter included the following procedures, among others:<br><br>• Tested how management estimated the fair value of the stream obligation and promissory note, which included the following:<br><br>– Read the acquisition agreements.<br><br>– Evaluated the appropriateness of management's discounted cash flow models and tested the mathematical accuracy thereof.<br><br>– Tested the underlying data used by management in the discounted cash flow models.<br><br>– Evaluated the reasonableness of the long term gold price by comparing it to external market and industry data.<br><br>– The work of management's experts were used in performing procedures to evaluate the reasonableness of the production profile and mineral reserves based on the published Feasibility Study for the Hod Maden project. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| the development of the key assumptions. This in turn led to a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. The audit effort also involved the use of professionals with specialized skill and knowledge in the field of valuation. | experts, tests of the data used by management's experts and an evaluation of their findings.<br>– Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the reasonableness of the real after-tax discount rate and the nominal before tax discount rate used within the models. |
| **Fair value of the stream obligation**<br><br>*Refer to note 2 – Summary of significant accounting policies, note 3 – Key sources of estimation uncertainty and accounting judgements and note 9 – Stream obligation of the notes to the consolidated financial statements.*<br><br>The stream agreement with Sandstorm is a derivative liability due to the variability caused by changes in future commodity prices and production levels. The stream obligation is classified as fair value through profit (loss) and accordingly, is recorded on the consolidated statements of financial position at fair value. Gains and losses on the stream obligation are recorded within the consolidated statements of income (loss). As at December 31, 2022, the fair value of the stream obligation was $202 million.<br><br>The calculation of the fair value at each period end utilizes a discounted cash flow model with key assumptions related to the gold price forward curve, discount rate, and the production profile and mineral reserves. The production profile and mineral reserves are based on the information in the published Feasibility Study for the Hod Maden project compiled by qualified persons and assessed by management's experts.<br><br>We considered this a key audit matter due to the significant judgement by management in | Our approach to addressing the matter included the following procedures, among others:<br><br>• With the assistance of professionals with specialized skill and knowledge in the field of valuation, (i) developed an independent point estimate of the fair value of the stream obligation, which included developing an independent expectation for the gold price forward curve and the discount rate; and (ii) compared the independent point estimate to management's estimate to evaluate the reasonableness of the value of the stream obligation.<br>• Used the work of management's experts in performing procedures to evaluate the reasonableness of the production profile and mineral reserves based on the published Feasibility Study for the Hod Maden project. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| estimating the fair value of the stream obligation, including the development of the key assumptions. This in turn led to a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. The audit effort also involved the use of professionals with specialized skill and knowledge in the field of valuation. | • Tested the underlying data used in developing the independent point estimate.<br>• Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the key assumptions used by management. |

## Emphasis of matter – Restated comparative information

We draw attention to note 2b to the consolidated financial statements, which explain that the comparative information presented:

- for the year ended December 31, 2021 has been restated.
- as at January 1, 2021 has been derived from the consolidated statement of financial position as of December 31, 2020 (not presented herein) and restated.

Our opinion is not modified in respect of this matter.

The consolidated financial statements for the years ended December 31, 2021 and 2020 (not presented herein but from which the comparative information as of January 1, 2021 has been derived), excluding the adjustments that were applied to restate the comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 11, 2022.

As part of our audit of the consolidated financial statements for the year ended December 31, 2022, we also audited the adjustments related to the change in presentation currency to United States dollars described in note 2b of the consolidated financial statements that were applied to restate the comparative information for the year ended December 31, 2021 and as at January 1, 2021. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restated the comparative information, we were not engaged to audit, review or apply any procedures to the consolidated financial statements:

- for the year ended December 31, 2021;
- for the year ended December 31, 2020 (not presented herein); or
- as at January 1, 2021.

Accordingly, we do not express an opinion, conclusion or other form of assurance on those consolidated financial statements taken as a whole.

## Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia
February 16, 2023

## Consolidated Statements of Financial Position

Expressed in U.S. Dollars ($000s)

| | Note | | December 31, 2022 | | December 31, 2021 (Restated: Note 2b) | | January 1, 2021 (Restated: Note 2b) |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Current** | | | | | | | |
| Cash and cash equivalents | | $ | 32,695 | $ | 3,596 | $ | 40 |
| Receivables and other current assets | 5 | | 8,665 | | 54 | | 158 |
| | | $ | 41,360 | $ | 3,650 | $ | 198 |
| **Non-Current** | | | | | | | |
| Hod Maden and Entrée investments in associates | 6 | | 258,934 | | - | | - |
| Mineral interests | | | 412 | | - | | - |
| Loan and royalty investments | 7 | | - | | 5,395 | | 6,269 |
| **Total assets** | | **$** | **300,706** | **$** | **9,045** | **$** | **6,467** |

| | Note | | December 31, 2022 | | December 31, 2021 (Restated: Note 2b) | | January 1, 2021 (Restated: Note 2b) |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| **Current** | | | | | | | |
| Trade and other payables | | $ | 141 | $ | 96 | $ | 29 |
| Convertible debentures | | | - | | - | | 240 |
| **Non-Current** | | | | | | | |
| Promissory note | 8 | | 71,163 | | - | | - |
| Stream obligation | 9 | | 202,219 | | - | | - |
| Warrant liability | | | - | | - | | 45 |
| | | $ | 273,523 | $ | 96 | $ | 314 |
| **Equity** | | | | | | | |
| Share capital | 10 | | 31,269 | | 8,976 | | 8,973 |
| Reserves | | | 6,518 | | 2,189 | | 2,186 |
| Retained deficit | | | (17,799) | | (1,977) | | (4,785) |
| Accumulated other comprehensive income (loss) | | | 7,195 | | (239) | | (221) |
| | | $ | 27,183 | $ | 8,949 | $ | 6,153 |
| **Total liabilities and equity** | | **$** | **300,706** | **$** | **9,045** | **$** | **6,467** |

On Behalf of the Board: *“Greg Smith”*, Director *“Erfan Kazemi”*, Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statements of Income (Loss)

Expressed in U.S. Dollars ($000s)
Except for per share amounts

| | Note | Year Ended December 31, 2022 | Year Ended December 31, 2021 (Restated: Note 2b) |
|---|---|---|---|
| **Investment revenue** | | $ (355) | $ 2,957 |
| | | | |
| **Expenses and other (income)** | | $ | $ |
| Administration expenses | | 762 | 259 |
| Exploration expense | | 42 | - |
| Loss on revaluation of stream obligation | 9 | 8,716 | - |
| Share of loss in associate | | 1,467 | - |
| Finance expense | | 3,194 | - |
| Finance income | | (84) | |
| Foreign exchange and other | | 1,370 | (110) |
| **Net income (loss) for the year** | | **$ (15,822)** | **$ 2,808** |
| | | | |
| Basic earnings (loss) per share | 10 (e) | $ (0.46) | $ 0.20 |
| Diluted earnings (loss) per share | 10 (e) | $ (0.46) | $ 0.19 |
| | | | |
| Weighted average number of common shares outstanding | | | |
| Basic | 10 (e) | 34,267,132 | 13,838,054 |
| Diluted | 10 (e) | 34,267,132 | 14,658,381 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statements of Comprehensive Income (Loss)

Expressed in U.S. Dollars ($000s)

| | Note | Year Ended December 31, 2022 | Year Ended December 31, 2021 (Restated: Note 2b) |
|---|---|---|---|
| Net income (loss) for the year | | $ (15,822) | $ 2,808 |
| | | | |
| Other comprehensive income (loss) for the year | | | |
| **Items that may subsequently be reclassified to net income:** | | | |
| Currency translation differences | | 7,434 | (18) |
| **Total comprehensive income (loss) for the year** | | **$ (8,388)** | **$ 2,790** |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statements of Cash Flow

Expressed in U.S. Dollars ($000s)

| Cash flow from (used in): | Note | Year Ended December 31, 2022 | | Year Ended December 31, 2021 Restated: Note 2b | |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Net income (loss) for the year | | $ | (15,822) | $ | 2,808 |
| **Items not affecting cash:** | | | | | |
| Share of loss in associate | | | 1,467 | | - |
| Loss (gain) on revaluation of royalty investments | | | 728 | | (2,069) |
| Loss on revaluation of stream obligation | 9 | | 8,716 | | - |
| Unrealized foreign exchange loss | | | 1,285 | | 12 |
| Interest accretion and other | | | 3,195 | | (36) |
| Interest received | | | 84 | | - |
| Changes in non-cash working capital | 12 | | 175 | | 167 |
| | | $ | (172) | $ | 882 |
| **Investing Activities** | | | | | |
| Settlement of royalty investments | 7 | | 4,337 | | 2,952 |
| Cash acquired through acquisition of assets from Sandstorm (net of transaction costs) | | | 9,678 | | - |
| | | $ | 14,015 | $ | 2,952 |
| **Financing Activities** | | | | | |
| Share issuance | | | 16,289 | | - |
| Share issuance costs | | | (355) | | - |
| Repayment of convertible debentures | | | - | | (247) |
| | | $ | 15,934 | $ | (247) |
| Effect of exchange rate changes on cash and cash equivalents | | | (678) | | (31) |
| Net increase in cash and cash equivalents | | | 29,099 | | 3,556 |
| Cash and cash equivalents — beginning of the year | | | 3,596 | | 40 |
| **Cash and cash equivalents — end of the year** | | **$** | **32,695** | **$** | **3,596** |

Supplemental cash flow information (note 12)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statements of Changes in Equity

Expressed in U.S. Dollars ($000s)

| | Note | Number | Amount | Share Options, Warrants and Restricted Share Units | Retained Earnings (Deficit) | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|---|
| **At January 1, 2021** (restated) | 2b | 13,824,353 | $ 8,973 | $ 2,186 | $ (4,785) | $ (221) | $ 6,153 |
| Vesting of restricted share units | | 16,235 | 3 | (3) | - | - | - |
| Share-based payments | | - | - | 6 | - | - | 6 |
| Total comprehensive income (loss) | | - | - | - | 2,808 | (18) | 2,790 |
| **At December 31, 2021** (restated) | 2b | 13,840,588 | $ 8,976 | $ 2,189 | $ (1,977) | $ (239) | $ 8,949 |
| Issuance of units from subscription receipts | 10b | 35,595,593 | 11,862 | 4,427 | - | - | 16,289 |
| Share issuance costs | | - | (259) | (96) | - | - | (355) |
| Issuance of shares as part of asset acquisition | 5 | 25,475,487 | 10,687 | - | - | - | 10,687 |
| Vesting of restricted share units | | 16,235 | 3 | (3) | - | - | - |
| Share-based payments | | - | - | 1 | - | - | 1 |
| Total comprehensive income (loss) | | - | - | - | (15,822) | 7,434 | (8,388) |
| **At December 31, 2022** | | **74,927,903** | **$ 31,269** | **$ 6,518** | **$ (17,799)** | **$ 7,195** | **$ 27,183** |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

# Notes to the Consolidated Financial Statements

December 31, 2022 | Expressed in U.S. Dollars

## 1. Nature of Operations

Horizon Copper Corp. (formerly Royalty North Partners Ltd. ("RNP")) was incorporated under the Business Corporations Act of British Columbia on March 17, 2011. Horizon Copper Corp. and its subsidiary entities (collectively "Horizon" or the "Company") is a resource-based company that holds interests in mining assets with a focus on copper.

On August 31, 2022, the Company completed part of its previously announced acquisition (the "Transaction") of certain copper-gold assets from Sandstorm Gold Ltd. ("Sandstorm") (Note 5). The assets acquired include a 30% equity interest in the entity which holds the Hod Maden copper-gold project in Turkey ("Hod Maden"), a 55% interest in the Peninsula gold project located in Michigan, $10 million in cash, $8.3 million receivable from Sandstorm to fund the Company's share of the 2022 Hod Maden budgeted cash calls and the settlement of a C$43.2 million promissory note incurred pursuant to the Company's acquisition of an approximate 25% equity stake in Entrée Resources Ltd. ("Entrée") in May 2022. Upon completion of the Transaction, the Company changed its name to Horizon Copper Corp.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on February 16, 2023.

## 2. Summary of Significant Accounting Policies

### a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

## b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value.

The consolidated financial statements are presented in United States dollars, and all values are rounded to the nearest thousand except as otherwise indicated.

### Change in presentation currency

Effective September 30, 2022, the Company changed its presentation currency from Canadian dollars (“CAD”) to U.S. dollars (“USD”) due to the change in the most significant assets and liabilities following the Transaction and to be consistent with peer companies in the mining industry. The change in presentation currency requires retrospective restatement of all periods presented in the financial statements. The amounts reported in these consolidated financial statements as at January 1, 2021 (derived from the consolidated statement of financial position as at December 31, 2020 (not presented herein)), December 31, 2021 and for the year ended December 31, 2021 have been restated in USD based on the closing exchange rates on December 31, 2020 and December 31, 2021 and the average rate for the year ended December 31, 2021, as listed below. The accounting policy used to translate equity items prior to 2021, was to use the historical rate and annual average exchange rate for each equity transaction that occurred in the year was used to recreate the historical amounts. For 2021, equity items were translated quarterly using the average exchange rate for each quarter.

The exchange rates used to reflect the change in presentation currency were as follows:

| | 2020 | | | | 2021 | | 2022 |
|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Average rate | n/a | 0.7896 | 0.8140 | 0.7941 | 0.7633 | 0.7895 | 0.7834 |
| **Closing rate** | **0.7786** | **n/a** | **n/a** | **n/a** | **0.7816** | **n/a** | **n/a** |

## c) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries (all wholly owned). Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

## d) Investments in Associates

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investments in associates are initially recognized at cost when acquired and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period. Dividends received from the associate are accounted for as a reduction in the carrying amount of the Company's investment.

## e) Exploration Assets

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are expensed in the period incurred. Exploration and evaluation costs arising following the acquisition of an exploration license are capitalized on a project-by-project basis. Costs incurred include appropriate technical and administrative overheads. Exploration assets are carried at historical cost less any impairment losses recognized. Exploration and evaluation activity includes geological and geophysical studies, exploratory drilling and sampling and resource development.

Upon demonstration of the technical feasibility and commercial viability of a project, any past exploration and evaluation costs related to that project are subject to an impairment test and are reclassified in accordance with IAS 16, Property Plant and Equipment.

Management assesses exploration assets for impairment indicators at each reporting period or when facts and circumstances suggest that the carrying value of capitalized exploration costs may not be recoverable.

## f) Mineral interests, plant and equipment

Mineral interests, plant and equipment is recorded at cost. Cost includes initial purchase price or construction cost and costs directly attributable to bringing the asset into operation. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any.

Depreciation commences when the mineral interest, plant and equipment are considered available for use. Mineral interests related to producing mines are depleted using the units-of-production method over the life of the property to which the agreement relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific interest. Plant and equipment, net of residual value, is depreciated on a straight-line basis. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

## g) Revenue Recognition

Loan and royalty payments are recognized on an accrual basis on the date that the right to receive payment is established.

## h) Foreign Currency Translation

The functional currency of the Company and its subsidiaries is the principal currency of the economic environment in which they operate. For the Company and the Entrée Resources investment in associate, the functional currency is the Canadian dollar. For its subsidiaries: Hod Maden Holdings Ltd., Mariana Resources Limited, Mariana Turkey Limited and Upper Peninsula Holdings Ltd., the functional currency is the U.S. dollar.

To translate the financial statements of the Company and the Entrée Resources investment in associate to the presentation currency of the U.S. dollar, all assets and liabilities are translated using the exchange rate as of the reporting date and all income and expenses are translated using the average exchange rates during the period. All resulting exchange differences are recognized in other comprehensive income (loss).

Transactions in foreign currencies are initially recorded in the entity's functional currency as the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate as at the reporting date.

## i) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, loan and royalty investments, trade and other payables, promissory note and stream obligation. All financial instruments are initially recorded at fair value and designated as follows:

- Financial assets at amortized cost - cash and cash equivalents, receivables
- Financial assets at fair value through profit and loss ("FVTPL") – loan and royalty investments
- Financial liabilities at amortized cost – trade and other payables and promissory notes

The Company's financial assets which are subject to credit risk include cash and cash equivalents and receivables. The Company assesses on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

Transaction costs on initial recognition of financial instruments classified as FVTPL are expensed as incurred. Transaction costs incurred on initial recognition of financial liabilities classified at amortized costs are offset against the related liability.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire. On derecognition, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability obtained) is recognized in profit or loss.

### j) Stream Obligation

The stream agreement with Sandstorm is a derivative liability due to the variability caused by changes in future commodity prices and production levels. This contract is classified as at fair value through profit (loss) and accordingly, is recorded on the statement of financial position at fair value. Gains and losses on the stream obligation are recorded within the statement of income (loss).

### k) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

### l) Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company's accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. Deferred tax assets are only recognized if it is probable that they can be utilized against future taxable profit.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

### m) Share Capital and Warrants

The proceeds from the issue of units are allocated between common shares and warrants (with an exercise price denominated in the functional currency of the Company) on a pro-rata basis based on relative fair values at the date of issuance. The fair value of common shares is based on the market closing price on the date the units are issued and the fair value of warrants is determined using the quoted market price or if the warrants are not traded, using the Black-Scholes Model ("BSM") as of the date of issuance. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided. Upon exercise, the original consideration is reallocated from share purchase warrants reserve to issued share capital along with the associated exercise price. Original consideration associated with expired warrants is reallocated to issued share capital.

## n) Earnings per share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated assuming that outstanding share options and warrants, with an average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year.

## o) Share-based Compensation

The Company recognizes share based compensation expense for all share purchase options and restricted share rights (“RSRs”) awarded to employees, officers and directors based on the fair values of the share purchase options and RSRs at the date of grant. The fair values of share purchase options and RSRs at the date of grant are expensed over the vesting periods of the share purchase options and RSRs, respectively, with a corresponding increase to equity. The fair value of share purchase options is determined using the BSM with market related inputs as of the date of grant. Share purchase options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The fair value of RSRs is the market value of the underlying shares at the date of grant. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in the Consolidated Statements of Income (Loss).

The BSM requires management to estimate the expected volatility and expected term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. The Company uses its competitor’s market data with respect to expected volatility and expected dividend yield to the extent these factors are indicative of the Company’s future expectations. The expected term is estimated using historical exercise data, and the number of equity instruments expected to vest is estimated using historical forfeiture data.

## p) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

## q) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company’s operating segments are components of the Company’s business for which discrete financial information is available and which are reviewed regularly by the Company's chief operating decision maker, which is the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

# 3. Key Sources of Estimation Uncertainty and Accounting Judgements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## Key sources of estimation uncertainty

### a) Valuation of Stream Obligation

The Company's stream obligation with Sandstorm is a financial liability which is measured at fair value through profit and loss. The calculation of the fair value at each period end utilizes a discounted cash flow model with a number of non-observable inputs. The key assumptions which impact the fair value of the stream obligation is the estimated number of gold ounces to be delivered under the stream which is based on the production profile and mineral reserves based on the published Feasibility Study for Hod Maden, the gold price forward curve and the discount rate. The production profile and mineral reserves are based on the information in the Feasibility Study for Hod Maden compiled by qualified persons and assessed by management's experts. Changes in each of these key assumptions would have the following impact on the value of the stream obligation as at December 31, 2022:

| Key assumption | Sensitivity applied to key assumption | Impact on value of stream liability |
|---|---|---|
| Production profile - reserves | 5% increase in estimated number of gold ounces | $5,716 |
| Gold price – forward curve | $100/oz increase in gold price | $11,399 |
| Discount rate | 1% increase to discount rate | ($14,045) |

# Accounting Judgements

## a) Investments

In the normal course of operations, the Company invests in equity interests of other entities. In such circumstances, management considers whether the facts and circumstances pertaining to each such investment result in the Company obtaining control, joint control or significant influence over the investee entity. In some cases, the determination of whether or not the Company controls, jointly controls or significantly influences the investee entities requires the application of significant management judgement to consider individually and collectively such factors as:

- The purpose and design of the investee entity.
- The ability to exercise power, through substantive rights, over the activities of the investee entity that significantly affect its returns.
- The size of the Company's equity ownership and voting rights, including potential voting rights.
- The size and dispersion of other voting interests, including the existence of voting blocks.
- Other investments in or relationships with the investee entity including, but not limited to, current or possible board representation and material transactions with the investee entity.
- Other relevant and pertinent factors.

## b) Impairment of Assets

There is judgement required to determine whether any indication of impairment exists at the end of each reporting period for the Hod Maden and Entrée investments in associates, including assessing whether there is objective evidence of impairment as a result of loss events such as significant financial difficulty of the associate or breach of contract by the associate. For the Entrée investment in associate where the shares are traded on an active market, management assesses whether there has been any significant or prolonged decline in the value of the shareholding at each period end.

## c) Accounting for Acquisition of Assets

The determination of the acquirer in the Transaction is an area which involves significant management judgement. Management concluded that Horizon was the acquirer having considered various factors, including: (i) it is the entity which issued the consideration to complete the Transaction; and (ii) the carve-out entity from Sandstorm does not have control or the majority of voting rights over Horizon. The determination of whether the acquisition meets the definition of a business under IFRS is another area of management judgement. Management concluded that the Transaction should be accounted for as an asset acquisition as it did not meet the definition of a business under IFRS due to the fact that, based on the nature of the assets acquired, there were no processes or outputs at the date of acquisition.

## d) Functional Currency

The functional currency for each subsidiary and associate is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. The determination of functional currency involves critical accounting judgements and is re-evaluated if there is a change in events and conditions which determine the primary economic environment in which the Company operates.

The functional currency of the associate which holds the Hod Maden interest was determined to be the U.S. Dollar ("USD"). The assessment was based on the forecasted expenditures of the associate, the currency driving those expenditures and the underlying transactions, events, and conditions of the entity.

Following the completion of the Transaction, the functional currency of the parent Company was re-evaluated to determine whether it had changed from Canadian dollars ("CAD") to USD. As part of this assessment, it was determined that the functional currency remained the CAD as at December 31, 2022 as the majority of expenses of the parent Company are denominated in CAD and there is no revenue yet being recognized.

# 4. Financial Instruments

### Capital Risk Management

The Company manages its capital such that it endeavors to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. At December 31, 2022, the capital structure of the Company consists of $27.2 million (2021 — $8.9 million) of equity attributable to common shareholders, comprising issued share capital (note 10), reserves, retained deficit and accumulated other comprehensive income (loss). The Company was not subject to any externally imposed capital requirements as at December 31, 2022.

### Fair Value Estimation

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

**Level 1 |** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Investments in common shares and warrants held that have direct listings on an exchange are classified as Level 1.

**Level 2 |** Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3 |** Inputs that are unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2022 and December 31, 2021.

As at December 31, 2022:

| In $000s | | Total | | Quoted prices in active markets for identical assets (Level 1) | | Significant other observable inputs (Level 2) | | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | | | |
| Stream obligation | $ | 202,219 | $ | - | $ | - | $ | 202,219 |
| | **$** | **202,219** | **$** | **-** | **$** | **-** | **$** | **202,219** |

As at December 31, 2021:

| In $000s | | Total | | Quoted prices in active markets for identical assets (Level 1) | | Significant other observable inputs (Level 2) | | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|
| **Investments** | | | | | | | | |
| Loan and royalty investment | $ | 5,395 | $ | - | $ | - | $ | 5,395 |
| | **$** | **5,395** | **$** | | **$** | **-** | **$** | **5,395** |

The fair value of the Company's other financial instruments including cash and cash equivalents, receivables and trade and other payables, approximate their carrying values at December 31, 2022 and December 31, 2021 due to their short-term nature. The fair value of the Hod Maden Promissory Note was $70.3 million as at December 31, 2022 based on a discounted cash flow model which utilized level 2 inputs.

There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2022 and December 31, 2021.

### a) Credit Risk

The Company’s credit risk is limited to cash and cash equivalents, the receivable from Sandstorm (note 5) and the remaining receivable from AWP (note 7). In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits in several high-quality financial institutions. The impact of expected credit losses on receivables and financial assets held at amortized cost is not material.

## b) Liquidity Risk

The Company manages liquidity risk through a planning and budgeting process, which is reviewed and updated on a regular basis, to help determine future funding requirements. As at December 31, 2022, the Company had cash and cash equivalents of $32.7 million available to settle its accounts payable and accrued liabilities, as well as its short term funding obligations related to its equity interest in Hod Maden. In addition, the Company has a receivable of $8.3 million from Sandstorm to fund its share of the remaining 2022 budget for Hod Maden to be spent in 2023.

Under the terms of the promissory note with Sandstorm (Note 8), the Company also has access to up to $150 million under a revolving credit facility. Intertest is payable quarterly at a rate of the greater of (a) SOFR + 2.0%; or (b) the cost of funds of Sandstorm under its revolving credit facility, commencing the earlier of (i) January 1, 2026; or (ii) when Horizon receives dividends from its investment in Hod Maden. No amounts had been drawn under this facility as at December 31, 2022.

## c) Market Risk

#### CURRENCY RISK

Financial instruments that impact the Company’s net income (loss) due to currency fluctuations include the US dollar denominated cash balances, receivable from Sandstorm and Hod Maden Promissory Note. Based on the Company's US dollar denominated monetary assets and monetary liabilities at December 31, 2022, a 5% increase (decrease) of the value of the Canadian dollar relative to the US dollar would have a $5.3 million impact on net income.

#### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the Hod Maden Promissory note which bears interest at SOFR + 2%, commencing from the earlier of January 1, 2026 or when Horizon has started to receive dividends from its equity interest in Hod Maden. Changes in interest rates also have an impact on the discount rate used to determine the fair value of the gold stream obligation.

# 5. Asset acquisition

On August 31, 2022, the Company completed part of its previously announced acquisition of certain copper-gold assets from Sandstorm. The purchase consideration for the Transaction is as follows:

| **Purchase consideration:** | | |
|---|---|---|
| Shares issued in exchange for the acquired assets[1] | $ | 10,687 |
| Fair value of gold stream for Hod Maden | | 200,000 |
| Fair value of Hod Maden promissory note | | 68,348 |
| Transaction costs | | 321 |
| | **$** | **279,356** |

1) Sandstorm was issued 25,475,487 common shares in the Company which were valued at C$0.55 ($0.42), being the last traded share price of RNP.

The following table reflects the fair values of assets acquired and liabilities assumed as at August 31, 2022:

| **Net Assets acquired:** | | |
|---|---|---|
| Cash and cash equivalents | $ | 10,000 |
| Investment in associate - Hod Maden 30% interest | | 227,270 |
| Investment in associate - Entrée Resources[1] | | 33,263 |
| Receivable from Sandstorm[2] | | 8,349 |
| Royalty and other mineral interests | | 412 |
| Other assets | | 62 |
| **Net assets acquired** | **$** | **279,356** |

1) On May 26, 2022, pursuant to the Transaction, the Company completed the purchase of 49,672,515 common shares of Entrée Resources from Sandstorm, in consideration for a promissory note in the principal amount of $33.8 million (C$43.2 million) (the “Entrée Promissory Note”). During the period from May 26, 2022 to August 31, 2022, the Company accrued $0.4 million (C$0.5 million) of interest in accordance with the terms of the Entrée Promissory Note. At August 31, 2022, the Entrée Promissory Note had a carrying value of $33.3 million (C$43.7 million) at and upon closing of the Transaction was assigned to the Company.
2) As part of the acquisition agreement, Sandstorm agreed to fund the Company’s share of cash calls from Hod Maden based on the 2022 budget. These amounts will be received from Sandstorm in the short term when further cash calls are made for Hod Maden and capitalized to the investment in associate.

# 6. Hod Maden and Entrée Investments in Associates

The following table summarizes the changes in the carrying amount of the Company's investments in associates:

| In $000s | | Hod Maden Interest | | Entrée Resources Ltd. | | Total Investments in Associates |
|---|---|---|---|---|---|---|
| At December 31, 2021 | $ | - | $ | - | $ | - |
| Acquisition of investment in associate | | 227,270 | | 33,781 | | 261,051 |
| Company's share of net loss of associate | | (203) | | (1,264) | | (1,467) |
| Company's share of OCI of associate | | - | | 1,210 | | 1,210 |
| Currency translation adjustments | | - | | (1,860) | | (1,860) |
| **At December 31, 2022** | **$** | **227,067** | **$** | **31,867** | **$** | **258,934** |

## A. Hod Maden Interest

The Company has a 30% equity interest in Artmin Madencilik Sanayi ve Ticaret A.S ("Artmin"), incorporated in Turkey which owns and operates the Hod Maden project.

The key assumptions used to determine the cost of the Hod Maden interest on acquisition were as follows:

| Key assumption | |
|---|---|
| Production profile - reserves | Based on the published Feasibility Study for Hod Maden |
| Long term gold price | $1700 / oz |
| Real after-tax discount rate | 9.0% |

Summarized financial information for the Company's investment in Artmin, on a 100% basis and reflecting adjustments made by the Company, including fair value adjustments made at the time of acquisition is as follows:

| In $000s | | Four Months Ended December 31, 2022[1] |
|---|---|---|
| Administration expenses | $ | (397) |
| Other expenses | | (570) |
| Other income | | 291 |
| Net loss | $ | (676) |
| **Company's share of net loss of associate** | **$** | **(203)** |

1) Represents the period since the acquisition of Artmin

| In $000s | | December 31, 2022 |
|---|---|---|
| Current assets | $ | 894 |
| Non-current assets | | 39,991 |
| Total assets | $ | 40,885 |
| Current liabilities | $ | 589 |
| Non-current liabilities | | 58 |
| Total liabilities | $ | 647 |
| **Net Assets** | $ | 40,238 |
| Company's share of net assets of associate | $ | 12,071 |
| Fair value adjustment on acquisition | | 214,996 |
| **Carrying amount of investment in associate** | **$** | **227,067** |

## B. Entrée Resources Ltd.

The Company holds a position in Entrée Resources Ltd. ("Entrée"), a Canadian mining company with a carried joint venture interest in the Hugo North Extension and Heruga deposits located in Mongolia. As at December 31, 2022, this position represents approximately 25% of the common shares of Entrée on a non-diluted basis. Using the quoted price of Entrée's common shares, the fair value of the Company's interest was $57.1 million as at December 31, 2022.

Due to the fact that Entrée's financial statements are typically not publicly available at the time the Company files its financial statements, the share of Entrée's results are recognized using a reporting period which is three months prior to that of the Company.

Summarized financial information for the Company's investment in Entrée (using a reporting period which is three months prior to that of the Company), on a 100% basis and reflecting adjustments made by the Company, including fair value adjustments made at the time of acquisition is as follows:

| In $000s | | Seven Months Ended September 30, 2022[1] |
|---|---|---|
| Administration expenses | $ | 1,395 |
| Other income | | 3,641 |
| Net loss | $ | 5,036 |
| **Company's share of net loss of associate** | **$** | **1,264** |

1) Represents the period since the acquisition of Entrée

| In $000s | | September 30, 2022 |
|---|---|---|
| Current assets | $ | 7,263 |
| Non-current assets | | 819 |
| Total assets | $ | 8,082 |
| Current liabilities | $ | 175 |
| Non-current liabilities | | 62,709 |
| Total liabilities | $ | 62,884 |
| Net Liabilities | $ | (54,802) |
| Company's share of net liabilities of associate | $ | (13,700) |
| Fair value adjustment on acquisition | | 45,567 |
| **Carrying amount of investment in associate** | | **31,867** |

# 7. Loan and Royalty Investments

As of and for the year ended December 31, 2022:

| In $000s | | Jan. 1, 2022 | | Fair Value Adjustment[1] | | Currency translation adjustment | | Settlement | | Dec. 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Advance Wire Products Ltd. | $ | 5,395 | $ | (728) | $ | (6) | $ | (4,661) | $ | - |
| **Total loan and royalty investments** | **$** | **5,395** | **$** | **(728)** | **$** | **(6)** | **$** | **(4,661)** | **$** | **-** |

1) Fair value adjustment recorded as an adjustment to revenue within Net Income (loss) for the year.

As of and for the year ended December 31, 2021:

| In $000s | | Jan. 1, 2021 | | Fair Value Adjustment[1] | | Currency translation adjustment | | Settlement | | Dec. 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Blue 360 Media LLC | $ | 1,778 | $ | 1,173 | $ | (162) | $ | (2,789) | $ | - |
| Advance Wire Products Ltd. | | 4,491 | | 896 | | 7 | | - | | 5,395 |
| **Total loan and royalty investments** | **$** | **6,269** | **$** | **2,069** | **$** | **(155)** | **$** | **(2,789)** | **$** | **5,395** |

1) Fair value adjustment recorded as an adjustment to revenue within Net Income (loss) for the year.

## a) Advance Wire Products Ltd ("AWP")

On August 24, 2017, RNP entered into a loan agreement to loan C$6.8 million to AWP (the "AWP Loan Agreement"), to be repaid by way of monthly payments equal to a fixed annual loan payment of C$0.4 million plus 4.35% of the gross sales of AWP.

During 2017 and 2018, the Company entered into four loan modification agreements with AWP, whereby RNP allowed AWP to make four early repayments against the principal of the loan. Under the terms of the fourth, and most recent amendment, the monthly payments were modified to equal a fixed annual loan payment of C$0.27 million plus 2.91% of the gross sales of AWP. The revised principal balance invested with AWP was C$4.5 million (the "AWP Loan").

AWP had the option to repurchase the remainder of the AWP Loan in its entirety for a pre-defined lump sum cash payment on or after the third anniversary of the entering into the AWP Loan Agreement, which was in August 2020.

On June 16, 2022, the Company and AWP entered into an agreement whereby AWP agreed to voluntarily repay the AWP Loan. Under the terms of the repayment agreement, AWP repaid C$5.5 million on July 29, 2022 (the "Initial Payment") and a further C$0.45 million, recorded within receivables and other current assets, to be paid in 24 equal monthly installments which commenced on September 1, 2022. Upon completion of the Initial Payment, AWP has no further obligations under the AWP Loan Agreement and the Company has no further rights to payments pursuant to the AWP Loan Agreement other than the receivable which formed part of the settlement.

### b) Blue 360 Media LLC ("Blue")

On March 31, 2017, the Company entered into a loan agreement (the "Blue Loan Agreement") with Blue, a publisher of a portfolio of law enforcement publications. Under the terms of the Blue Loan Agreement, RNP loaned $2 million (the "Blue Loan") to Blue. Under the terms of the Blue Loan Agreement, the loan was being repaid by way of monthly loan payments equal to a minimum annual loan payment (the "Blue Fixed Payment") plus a percentage of the gross sales (the "Blue Variable Payment"). The Blue Fixed Payment was $0.15 million, and the Blue Variable Payment was 4.5% of gross sales. Blue had the option to repurchase the Blue Loan in its entirety for a pre-defined lump sum cash payment on or after the third anniversary of the Blue Loan Agreement; Blue exercised this option on October 15, 2021 by voluntarily prepaying its loan with the Company in its entirety. Under the terms of the Blue Loan Agreement, Blue repaid $2.95 million. The prepayment was recorded as a settlement of the Blue Loan.

## 8. Promissory note

The following table summarizes the changes in the carrying amount of the Company's promissory note:

| **In $000s** | | |
|---|---|---|
| At December 31, 2021 | $ | - |
| Promissory note issued – Entrée acquisition | | 33,781 |
| Interest accrued on Entrée promissory note | | 358 |
| Foreign exchange on Entrée promissory note | | (876) |
| Acquisition of Entrée promissory note | | (33,263) |
| Hod Maden Promissory Note issued | | 68,348 |
| Impact of change in estimated timing of cash flows | | 1,202 |
| Accretion expense | | 1,613 |
| **At December 31, 2022** | **$** | **71,163** |

The Hod Maden Promissory Note has a principal amount of $95 million. Interest on the Hod Maden Promissory Note is to be paid quarterly at the Secured Overnight Financing Rate ("SOFR") + 2% commencing the earlier of (i) January 1, 2026; or (ii) when Horizon receives dividends from its investment in Hod Maden. The Hod Maden Promissory Note may be settled at any time in Horizon shares at the election of the holder based on a 20-day volume weighted average price ("VWAP") of the market price of the shares unless the holder would beneficially own in excess of 34% of the number of common shares outstanding immediately after giving effect to such conversion or issuance. Horizon also has the option to settle the Hod Maden Promissory Note by issuing common shares if the share price is above a floor of C$0.55. The Hod Maden Promissory Note matures on August 31, 2032. The fair value of the Hod Maden Promissory Note on acquisition was measured using a discounted cash flow model based on the timing of principal and interest payments based on the cash flows from the published Feasibility Study for Hod Maden.

The key assumption used to determine the fair value of the Hod Maden Promissory Note on acquisition was as follows:

| **Key assumption** | |
|---|---|
| Nominal before-tax discount rate | 7.14% |

# 9. Stream obligation

The following table summarizes the changes in the carrying amount of the Company's stream obligation:

| **In $000s** | | |
|---|---|---|
| At December 31, 2021 | $ | - |
| Hod Maden gold stream | | 200,000 |
| Change in fair value of gold stream | | 8,716 |
| Currency translation adjustments | | (6,497) |
| **At December 31, 2022** | **$** | **202,219** |

As part of the consideration for the acquisition of the 30% interest in the Hod Maden project from Sandstorm (note 5), Horizon entered into a gold purchase agreement (gold stream) whereby it will be required to sell and deliver:

- 20% of the gold produced by the Hod Maden mine until 405,000 ounces have been sold and delivered;
- 12% of the gold produced by the Hod Maden mine thereafter.

Sandstorm will pay 50% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered (for the first 405,000 ounces) and 60% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered thereafter. There are no obligations for Horizon to sell and deliver gold ounces under the gold stream should there be no production from the Hod Maden mine.

The key assumptions used to determine the fair value of the gold stream on acquisition were as follows:

| Key assumption | |
|---|---|
| Production profile - reserves | Based on the published Feasibility Study for Hod Maden |
| Long term gold price | $1700 / oz |
| Real after-tax discount rate | 5.48% |

# 10. Share Capital and Reserves

## a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

## b) Equity financings

On completion of the Transaction, 35,595,593 subscription receipts of the Company, which were issued in two tranches on March 8 and 18, 2022, for aggregate gross proceeds of approximately $16.3 million (C$21.4 million) pursuant to a non-brokered private placement of the Company at a price of C$0.60 per subscription receipt, were converted into 35,595,593 common shares of the Company and 35,595,593 common share purchase warrants (the “Warrants”), and the net subscription proceeds were released from escrow and delivered to the Company. Each Warrant entitles the holder to purchase one additional common share of Horizon at a price of C$0.80 for a period of five years following conversion of the subscription receipts.

Of the gross proceeds of $16.3 million, $11.9 million was allocated to share capital and $4.4 million was allocated to the warrants based on the pro rate fair values. The fair value of the warrants was calculated using a Black-Scholes model with the following assumptions:

| Assumption | |
|---|---|
| Risk-free rate | 3.36% |
| Volatility | 51% |
| Expected life | 5 years |

## c) Warrants

The Company has issued warrants as part of units in private placement financings in 2021 and 2022. A summary of the Company’s warrants and the change for the period is as follows:

| | Number of warrants | Weighted average exercise price per warrant (CAD) |
|---|---|---|
| **Warrants outstanding at December 31, 2021** | **1,144,570** | **0.35** |
| Issued | 35,595,593 | 0.80 |
| **Warrants outstanding at December 31, 2022** | **36,740,163** | **0.79** |

The weighted average remaining contractual life of the warrants as at December 31, 2022 was 4.6 years (year ended December 31, 2021 — 3.5 years).

### d) Stock Options

The Company has an incentive stock option plan (the "Option Plan") whereby the Company may grant share options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the Board of Directors. The maximum expiry date is ten years from the grant date. All options are equity settled. The Option Plan permits the issuance of options which, together with the Company's other share compensation arrangements, may not exceed 10% of the Company's issued common shares as at the date of the grant.

A summary of the Company's options and the change for the period is as follows:

| | Number of options | Weighted average exercise price per share (CAD) |
|---|---|---|
| **Options outstanding at December 31, 2021** | **828.521** | **0.19** |
| Expired | (30,000) | 1.47 |
| **Options outstanding at December 31, 2022** | **798,521** | **0.14** |

The weighted average remaining contractual life of the options as at December 31, 2022 was 0.95 years (year ended December 31, 2021 — 1.96 years).

A summary of the Company's options as of December 31, 2022 is as follows:

| Year of expiry | Number outstanding | Vested | Exercise price per share (CAD) |
|---|---|---|---|
| 2023 | 464,000 | 464,000 | 0.10 |
| 2024 | 167,261 | 167,261 | 0.14 |
| 2025 | 167,260 | 167,260 | 0.25 |
| | **798,521** | **798,521** | **0.14[1]** |

1) Weighted average exercise price of options that are exercisable.

## e) Restricted Share Units

The Company has a restricted share plan (the "Restricted Share Plan") whereby the Company may grant restricted share units ("RSUs") to eligible employees, officers, directors and consultants at an expiry date to be determined by the Board of Directors. Each RSU entitles the holder to receive a common share of the Company without any further consideration. The Restricted Share Plan permits the issuance of up to a maximum of 7,492,790 RSUs, of which 7,435,320 were available for grant as at December 31, 2022.

As of December 31, 2022, the Company had no RSUs outstanding.

## f) Earnings Per Share

Basic and diluted earnings per share is calculated based on the following:

| In $000s (except for shares and per share amounts) | Year Ended December 31, 2022 | Year Ended December 31, 2021 (Restated: Note 2b) |
|---|---|---|
| Net income (loss) for the period | $ (15,822) | $ 2,808 |
| | | |
| Basic weighted average number of shares | 34,267,132 | 13,838,054 |
| Basic earnings (loss) per share | $ (0.46) | $ 0.20 |
| | | |
| Effect of dilutive securities | | |
| Stock options and warrants | - | 804,092 |
| Diluted weighted average number of common shares | - | 14,642,146 |
| **Diluted earnings (loss) per share** | **$ (0.46)** | **$ 0.19** |

The following table lists the number of potentially dilutive securities excluded from the computation of diluted earnings per share because either their effect is not dilutive or the exercise prices exceeded the average market value of the common shares during the years ended December 31, 2022 and 2021:

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Convertible Debentures | - | 16,526 |
| Stock options | 798,521 | 30,000 |
| Warrants | 13,042,275 | 4,117,139 |

# 11. Income Taxes

The income tax expense differs from the amount that would result from applying the federal and provincial income tax rate to the net income before income taxes.

These differences result from the following items:

| **In $000s** | **Year Ended December 31, 2022** | **Year Ended December 31, 2021** (Restated: Note 2b) |
|---|---|---|
| Income (loss) before income taxes | $ (15,822) | $ 2,808 |
| Canadian federal and provincial income tax rates | 27% | 27% |
| **Income tax expense (recovery) based on the above rates** | $ (4,272) | $ 758 |
| **Increase (decrease) due to:** | | |
| Non-deductible expenses and permanent differences | 790 | (11) |
| Change in unrecognized temporary differences and other | 3,482 | (747) |
| **Income tax expense / (recovery)** | **$ -** | **$ -** |

## a) Deferred Income Taxes

The Company's deferred income taxes are as follows:

| In $000s | Year Ended December 31, 2022 | Year Ended December 31, 2021 (Restated: Note 2b) |
|---|---|---|
| **Deferred Income Tax Assets (Liabilities)** | | |
| Non-capital losses | $ 1,126 | $ 1,526 |
| Loan and royalty Investments | - | (654) |
| Investment in associate | (31) | - |
| Stream obligation | 2,327 | - |
| Promissory note | 294 | - |
| Other | 32 | 1 |
| **Total unrecognized deferred income tax assets** | **$ 3,748** | **$ 873** |

The Company has deductible unused tax losses, for which a deferred tax asset has not been recognized, expiring as follows:

| In $000s | Location | Amount | Expiration |
|---|---|---|---|
| Non-capital loss carry-forwards | Canada | $4,172 | 2038-2042 |

No deferred tax asset is recognized in respect of these items because it is not probable that future taxable capital gains or taxable income will be available against which the Company can utilize the benefit.

# 12. Supplemental Cash Flow Information

| In $000s | Year Ended December 31, 2022 | Year Ended December 31, 2021 (Restated: Note 2b) |
|---|---|---|
| **Change in non-cash working capital:** | | |
| Trade receivables and other | $ 130 | $ 103 |
| Trade and other payables | 45 | 64 |
| **Net increase (decrease) in cash** | **$ 175** | **$ 167** |
| | | |
| **Significant non-cash transactions:** | | |
| Common shares issued as part of the consideration for the asset acquisition | $ 10,687 | $ - |
| Stream liability assumed as part of the consideration for the asset acquisition | 200,000 | - |
| Promissory note assumed as part of the consideration for the asset acquisition | 68,348 | - |
| Entrée promissory note issued for Entrée investment in associate acquisition | 33,781 | - |
| Acquisition of Entrée promissory note as part of the asset acquisition | 33,263 | - |

# 13. Related Party Transactions

## a) Related Party Transactions

Sandstorm is a related party as a result of it having significant influence through its 34% equity interest in the Company. The transactions with Sandstorm during the period are set out in notes 5, 6, 8 and 9.

The Company has entered into a services agreement with Sandstorm for C$5,000 per month for general administrative services including rent and other shared office costs. The amount outstanding related to this agreement as at December 31, 2022 was C$15,000.

Entrée is a related party as a result of the Company having significant influence through its approximate 25% interest in Entrée. There were no transactions with Entrée during the period.

### b) Compensation of Key Management Personnel

The remuneration of directors and those persons having authority and responsibility for planning, directing and controlling activities of the Company are as follows:

| In $000s | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Salaries and benefits | $ 90[1] | $ 141 |
| Change of control payments | 221 | - |
| Share-based payments | - | 7 |
| **Total key management compensation expense** | **$ 311** | **$ 148** |

1) Includes a recharge of C$15,000 of salary costs borne by Sandstorm related to key management personnel of the Company and C$15,000 related to a consulting agreement with the former CFO as part of the transition following the Transaction.
.

# 14. Segmented Information

The Company's reportable operating segments, which are components of the Company's business where separate financial information is available and which are evaluated on a regular basis by the Company's Chief Executive Officer, who is the Company's chief operating decision maker, for the purpose of assessing performance, are the investments in Hod Maden and Entrée. Details of the amounts related to these investments are included in Note 6.

# 15. Commitments and Contingencies

In the fourth quarter of 2022, a lawsuit was filed by a former employee of the predecessor company to Artmin Madencilik Sanayi ve Ticaret A.S ("Artmin"), the Turkish entity which holds the Hod Maden project. The former employee claims that he is entitled to 1% of the value of the project as a finder fee. The Company, in conjunction with Artmin, has evaluated the claim with the assistance of Turkish legal counsel and considers it to be without merit. Artmin will defend itself vigorously against this claim.

The following table shows the Company's contractual obligations as they fall due as at December 31, 2022 and December 31, 2021:

| In $000s | Within 1 year | 2-5 years | Over 5 years | Total December 31, 2022 | Total December 31, 2021 |
|---|---|---|---|---|---|
| Accounts payable | 141 | - | - | 141 | 97 |
| Promissory note | - | - | 95,000 | 95,000 | - |
| | **141** | **-** | **95,000** | **95,141** | **97** |