CANADIAN METALS INC.

Consolidated Financial Statements

Years ended
July 31, 2021 and 2020

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Independent auditor's report

To the Shareholders of Canadian Metals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Canadian Metals Inc. and its subsidiaries (together, the Company) as at July 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at July 31, 2021 and 2020;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to 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.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
November 29, 2021

[1] CPA auditor, CA, public accountancy permit No. A128042

CANADIAN METALS INC.

Consolidated Statements of Financial Position

As at July 31, 2021 and 2020

(in Canadian dollars)

	Note	July 31, 2021	July 31, 2020
		$	$
Assets			
Current assets:			
Cash		2,234,048	516,795
Accounts receivable	7	124,219	73,460
Grant receivable	8	45,337	-
Advances to a related company		11,801	-
Prepaid expenses		17,794	92,869
Current portion of balance of purchase price receivable	10 a)	168,058	186,370
Non-current assets held for distribution	6	344,000	-
Total current assets		2,945,257	869,494
Non-current assets:			
Mining properties	10	8,548,853	2,400,228
Exploration and evaluation assets	11	472,707	613,252
Balance of purchase price receivable	10 a)	855,558	1,089,010
Total non-current assets		9,877,118	4,102,490
Total assets		12,822,375	4,971,984
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		717,050	335,432
Grants refundable	9	337,320	337,320
Current portion of convertible debentures	12	150,000	562,373
Total current liabilities		1,204,370	1,235,125
Non-current liabilities:			
Convertible debentures	12	855,018	709,463
Total non-current liabilities		855,018	709,463
Total liabilities		2,059,388	1,944,588
Equity:			
Share capital	13	17,323,392	9,346,974
Warrants	13	861,624	166,938
Share options	14	248,175	371,667
Equity component of the convertible debentures	12	562,455	562,455
Contributed surplus		3,472,627	3,328,003
Deficit		(11,705,286)	(10,748,641)
Total equity		10,762,987	3,027,396
Total liabilities and equity		12,822,375	4,971,984

Nature of operations and going concern, see Note 2.
Post reporting date event, see Note 22.

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 26, 2021.

(S) Michel Gagnon	(S) Maxime Lemieux
Director and Chairman	Director

CANADIAN METALS INC.
Consolidated Statements of Comprehensive Loss
Years ended July 31, 2021 and 2020
(in Canadian dollars)

	Note	July 31, 2021	July 31, 2020
		$	$
General and administrative expenses:			
Professional fees		347,918	186,168
Management and consulting fees		344,896	368,763
Registration, listing fees and shareholders information		31,305	46,113
Insurance and office expenses		19,541	41,278
Travel and promotion		618	82,189
Depreciation of property and equipment		-	437
General exploration expenses (recovery)	9	-	(146,277)
Industrial feasibility studies, net of government grants received (recovery)	8	(45,337)	(116,781)
Impairment of mining rights	10	132,175	-
Impairment of exploration and evaluation assets	11	22,980	-
Impairment of non-current assets held for distribution	6	193,269	-
Loss from operating activities		1,047,365	461,890
Other Expenses			
Loss on disposal of fixed assets		-	1,242
Gain on debt settlement		-	(126,073)
		1,047,365	337,059
Finance income		(66,799)	(136,991)
Finance expense	15	331,778	361,155
Gain on exchange of convertible debentures	12	(355,699)	-
Gain on settlement of interest related to debentures	12	-	(114,939)
Total net finance expense (income)		(90,720)	109,225
Loss before income taxes		956,645	446,284
Deferred income tax recovery	16	-	-
Net loss and comprehensive loss		956,645	446,284
Weighted average number of common shares outstanding		28,810,573	13,799,491
Basic and diluted loss per share		0.03	0.03

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

CANADIAN METALS INC.
Consolidated Statements of Changes in Equity
Years ended July 31, 2021 and 2020
(in Canadian dollars)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Equity component of the convertible debentures	Contributed surplus	Deficit	Total equity
			$	$	$	$	$	$	$
Balance as at July 31, 2020		14,424,794	9,346,974	166,938	371,667	562,455	3,328,003	(10,748,641)	3,027,396
Shares issued:									
Private placements	13	29,725,000	1,631,470	746,530	-	-	-	-	2,378,000
As payment of asset acquisition	13	29,160,000	6,415,200	-	-	-	-	-	6,415,200
Share issuance costs for private placements		-	(70,252)	(30,712)	-	-	-	-	(100,964)
Warrants issued		-	-	308,731	-	-	-	-	308,731
Issuance costs for warrants		-	-	(308,731)	-	-	-	-	(308,731)
Warrants expired	13	-	-	(21,132)	-	-	21,132	-	-
Share options expired		-	-	-	(123,492)	-	123,492	-	-
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(956,645)	(956,645)
Balance as at July 31, 2021		73,309,794	17,323,392	861,624	248,175	562,455	3,472,627	(11,705,286)	10,762,987
Balance as at July 31, 2019		13,229,106	9,183,479	1,528,896	636,332	562,455	1,701,380	(10,302,357)	3,310,185
Shares issued:									
As payment of mining properties	13	30,000	1,650	-	-	-	-	-	1,650
As a settlement of interest payment on the debentures	12	597,787	131,376	-	-	-	-	-	131,376
As a settlement of debts		567,901	31,235	-	-	-	-	-	31,235
Share issuance costs		-	(766)	-	-	-	-	-	(766)
Warrants expired		-	-	(1,361,958)		-	1,361,958	-	-
Share options expired		-	-	-	(264,665)	-	264,665	-	-
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(446,284)	(446,284)
Balance as at July 31, 2020		14,424,794	9,346,974	166,938	371,667	562,455	3,328,003	(10,748,641)	3,027,396

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

CANADIAN METALS INC.

Consolidated Statements of Cash Flows

Years ended July 31, 2021 and 2020

(in Canadian dollars)

	Note	July 31, 2021	July 31, 2020
		$	$
Operating activities:			
Net loss		(956,645)	(446,284)
Adjustments for:			
Loss on disposal of fixed assets		-	1,242
Gain on debt settlement		-	(126,073)
Gain on settlement of interest related to debentures	12	-	(114,939)
Unearned grants		-	(70,044)
Depreciation of property and equipment		-	437
Impairment of mining rights		132,175	-
Impairment of exploration and evaluation assets		25,780	-
Impairment of non-current assets held for distribution	6	193,269	-
Gain on exchange of convertible debentures		(355,699)	-
Effective interest costs on convertible debentures	12	263,632	193,307
Interests on convertible debentures paid through issuance of shares	13	-	167,500
Effective interest income on balance of purchase price receivable	10	(66,664)	(136,969)
Operating activities before changes in working capital items		(764,152)	(531,823)
Change in accounts receivable	7	(49,948)	17,007
Change in prepaid expenses		(3,740)	53,591
Change in trade accounts payable and accrued liabilities		119,839	64,800
Change in grants refundable		-	337,320
Change in grant receivable	8	(45,337)	-
Change in advances to related company		(11,801)	-
		9,013	472,718
Cash flows used for operating activities		(755,139)	(59,105)
Financing activities:			
Proceeds from issuance of shares and units	13	2,378,000	-
Share issuance costs	13	(100,964)	(766)
Cash flows provided from (used for) financing activities		2,277,036	(766)
Investing activities:			
Repayment of convertible debentures	12	(95,936)	-
Proceeds from balance of purchase price receivable	10	318,430	235,540
Tax credits applied against exploration and evaluation assets		9,792	-
Government grants applied against exploration and evaluation assets	11	10,000	(5,167)
Acquisition of mining properties	10	(63,241)	(33,920)
Increase in exploration and evaluation assets	11	(14,143)	(55,610)
Cash acquired from acquisition of Target Minerals Inc.		30,454	-
Cash flows provided from investing activities		195,356	140,843
Net change in cash		1,717,253	80,972
Cash, beginning of year		516,795	435,823
Cash, end of year		2,234,048	516,795

Additional disclosures of cash flows information (Note 17).

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

1. Reporting entity:

Canadian Metals Inc. (the "Company" or "Canadian Metals" or "CME") is a company domiciled in Canada. Canadian Metals was incorporated on August 17, 2012 under the *Business Corporations Act (Québec).* Canadian Metals is a public company listed on the Canadian Securities Exchange ("CSE") and its trading symbol is "CME".

The Company's head office, which is also the main establishment is located at 866, 3ième Avenue, Val-d'Or, Québec, Canada, J9P 1T1.

The Company specializes in the acquisition, exploration and evaluation of mineral properties in New Brunswick.

2. Nature of operations and going concern:

The Company has not yet determined whether its mining properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties and exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development work of its mining properties, and upon future profitable production or proceeds from the disposal of mining properties.

Although management has taken actions to verify the ownership rights for mining properties in which the Company owns an interest and in accordance with industry standards for the current exploration phase of these properties, these procedures give no assurance to the Company as to title. The title to a mining property may be subject to unrecognized prior agreements and not compliant with regulatory requirements.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

As at July 31, 2021, the Company has working capital of $1,740,887 including cash and cash equivalents of $2,234,048 and a cumulative deficit of $11,705,286 and incurred a loss of $956,645 during the year then ended. Management does not believe it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, including the impact of COVID-19. The extent and duration of the impacts that the coronavirus may have on the Company's operations, including suppliers, service providers and global financial markets, are still uncertain at this time. These events may cause significant changes in the future on the Company's ability to complete planned exploration and evaluation activities or its ability to obtain debt and equity financing.

The Company is monitoring developments in order to be in a position to take appropriate actions as needed. To continue the Company's exploration and evaluation programs on its properties and its operations, the Company will need to raise additional funds through the issuance of new equity instruments, the selling of mineral properties and the search for partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future.

3. Basis of preparation:

a. Statement of compliance:

These annual consolidated financial statements have been prepared in accordance with the IFRS.

b. Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for certain assets at fair value.

c. Consolidation:

The financial statements include the accounts of the Company and those of its subsidiary owned at 100%, Target Minerals Inc. The Company controls an entity 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. Target Minerals Inc. is fully consolidated from the date on which control was obtained by the Company and is deconsolidated from the date that control ceases. All intercompany accounts and transactions are eliminated.

Management determines its ability to exercise control over an entity by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement. Considering these factors, the Company is considered to have control over Target Minerals Inc.

d. Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

e. Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Significant management judgment:

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the consolidated financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

3. Basis of preparation (Continued):

e. Use of estimates and judgements (Continued):

(b) Estimation uncertainty:

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts or circumstances indicating an impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether a technically or economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of existence of reverses, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written down in profit or loss in the period when the new information become available. The total impairment loss of the exploration and evaluation assets recognized is $22,980 for the year ended July 31, 2021.

Balance of purchase price receivable

The recognition and evaluation of the non-interest bearing purchase price receivable (Note 10) has been estimated using a discount rate which involves a degree of estimation and judgment.

Government grants

Grants are recognized as a reduction of the related expenditures (expenses or assets). The Company records these grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them. This may involve a degree of estimation and judgment until the projects for which the funds were granted have been completed and assessed.

In the event a project is not completed, an in-depth analysis could be required and the outcome reached with the authorities could necessitate adjustments to the grants and related expenditures in future periods including the reimbursement of the grant to the authorities if the project is postponed or cancelled.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the consolidated statements of financial position, unless otherwise indicated.

4.1 Financial instruments

The Company aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of the transaction. Transaction costs related to financial instruments are measured initially at fair value except for transaction costs related to FVTPL financial assets which are expensed as incurred and added to the carrying value of the asset or netted against the carrying value of the liability.

4. Significant accounting policies (Continued):

4.1 Financial instruments (Continued):

The following is a description of the policies for subsequent measurement of financial assets and financial liabilities.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities at amortized cost

These liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment of financial assets

The Company uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. The Company accounts for expected credit losses over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the accounts receivable, the general condition of the economy and a current as well as expected appreciation of the conditions prevailing at the balance sheet date, including the time value of the money, if any.

4.2 Basic and diluted loss per share:

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.3 Cash:

Cash consist of cash and demand deposits, as well as other highly-liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment.

4.4 Refundable tax credits:

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.5 Grants:

Grants are recognized as a reduction of the related expenses or assets. The Company records these grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.6 Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for mine, extract and sell all minerals from such claims.

4. Significant accounting policies (Continued):

4.6 Mining properties and exploration and evaluation assets (Continued):

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement) are capitalized as mining properties and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

4.7 Impairment of exploration and evaluation assets:

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.8 Provisions, contingent liabilities and contingent assets:

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

4. Significant accounting policies (Continued):

4.8 Provisions, contingent liabilities and contingent assets (Continued):

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage, and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.9 Income taxes:

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprise only of deferred tax.

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

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

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of admissible expenditures capitalized as an asset and its tax base.

4. Significant accounting policies (Continued):

4.10 Equity:

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

4.11 Unit placements:

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model and is recorded separately under "warrants".

4.12 Compound financial instruments:

The component parts of compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

4.13 Equity-settled share-based compensation:

The Company has an equity-settled share-based compensation plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to Share options, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

(in Canadian dollars)

4. Significant accounting policies (Continued):

4.14 Segmental reporting:

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Chairman and the Board of Directors have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.15 Amendments to IAS 1 *Presentation of Financial Statements*:

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* that use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, to clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Company adopted these amendments on August 1, 2020, which did not have a significant impact on the consolidated financial statements disclosures.

4.16 Non-current assets held for distribution

Non-current assets held for distribution are assets that are available for immediate distribution in its present condition subject only to terms that are usual and customary for distribution of such assets, its distribution is highly probable, and the distribution is expected to complete within one year.

5. Acquisition of Target Minerals Inc.:

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. (TM) which includes a 100% interest in TM's projects (the Nicholas Denys Property (NDP), the Millstream and Goldstrike Property (MGP) and the Oxford Brook Property (OBP)) located in New-Brunswick. In consideration for the acquired net assets, the Company:

- issued 27,000,000 common shares of CME to the shareholders of TM
- issued 2,160,000 common shares of CME to Generic Capital Corporation as advisory fee shares pursuant to an advisory agreement (the "Fee Shares"). The Fee Shares are subject to a regulatory four month hold and a voluntary escrow providing for staggered releases over the next 18 months.

The Company has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, *Business Combinations*, as significant inputs and processes that together constitute a business were not identified, given the early stage of exploration and evaluation of the properties. Therefore, the purchase value of $6,415,200 was allocated to the assets acquired and the liabilities assumed based on a relative fair value methodology.

The consideration paid was calculated as follows:

	July 31, 2021
	$
Common shares issued to TM shareholders	5,940,000
Advisory fee shares	475,200
Legal fees	80,543
Total	6,495,743

(in Canadian dollars)

5. Acquisition of Target Minerals Inc. (Continued):

Net identifiable assets were as follows:

	July 31, 2021
	$
Cash	30,454
Accounts receivable	812
Mining properties	6,645,712
Trade accounts payable and accrued liabilities	(181,235)
Fair value of consideration	6,495,743

The largest portion of the consideration paid was allocated to the mineral properties. The total amount was allocated to the Nicholas-Denis project (NDP) given the advanced stage of exploration and evaluation work already carried out on the project.

The allocation to the different properties was based on the following:

a) Historical exploration work conducted on the respective properties;
b) Future exploration planned on the various properties; and
c) Strategic focus of the management amongst the various properties.

6. Non-current assets held for distribution

On June 17, 2021, the Company entered into an arrangement agreement with QNB Metals Inc. (QNB), for the spinout of the Lac La Chesnaye Property owned by the Company. According to the agreement, the Lac La Chesnaye Property was to be spun out to QNB in exchange for the issuance of 4,300,000 Class A common shares of QNB to the Company. In accordance with the terms of the arrangement agreement, the Company was to then proceed with a reorganization of its share capital and distribute such QNB shares to the shareholders of the Company.

The transaction was completed on September 9, 2021. Thus, pursuant to IFRS 5, the Lac La Chesnaye Property was classified as Non-current assets held for distribution at July 31, 2021.

	July 31, 2021
	$
Mining properties (Note 10 b)	428,153
Exploration and evaluation assets	109,116
Carrying value	537,269

The fair value less cost to distribute the property is determined as follows:

	July 31, 2021
	$
Number of QNB shares	4,300,000
QNB share price on the day of the issuance September 9, 2021	0.08
Fair value less cost to distribute of Non-current assets held for distribution	344,000

The fair value for $344,000 is less than the carrying value of $537,269, resulting in an impairment of $84,153 for mining rights and $109,116 for exploration and evaluation assets for a total of $193,269 (See Note 10 b).

(in Canadian dollars)

7. Accounts receivable:

	July 31, 2021	July 31, 2020
	$	$
Sales tax receivable	63,698	15,198
Accounts receivable	60,521	58,262
	124,219	73,460

8. Industrial feasibility study:

On November 13, 2018, the Company officially began a feasibility study on the Baie-Comeau Silicon industrial project. The scope of work includes all basic design and costing for the equipment, buildings, furnace and electrical services, basic engineering and the environmental study to obtain the authorization certificate. The industrial study for the smelter was completed in the summer of 2019. A government grant of $1 million was awarded for this study and it is funded over time as the mandates are executed and paid. Grants totaling $45,337 ($116,781 received in 2020) were recorded in grant receivable and against the expenditures.

9. Exploration and evaluation expenses:

In the year ended July 31,2020, the Company decided not to pursue a previously initiated study which was supported by a grant received in the year ended July 31, 2018. For the year ended July 31, 2020, the impact of the decision was a net recovery of $146,277 for previously incurred costs which was unknown prior to the termination of the study and the recognition of a grant refundable of $337,320.

10. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31, 2020	Properties from acquisition of Target Minerals Inc.	Property held for distribution	Impairment	July 31, 2021
	%	$				$
Québec:						
Lac La Chesnaye (b) (See Note 6)	100	428,153	-	(344,000)	(84,153)	-
Langis East (c)	100	90,000	-	-	(90,000)	-
Baie Trinité (e)	20	2,338	-	-	(2,338)	-
Silicate Brutus (e)	20	26,225	-	-	(26,225)	-
Lac Robot (e)	20	2,891	-	-	(2,891)	-
Seignelay (e)	20	10,721	-	-	(10,721)	-
New Brunswick						
Blackshale (d)	100	840,866	-	-	-	840,866
Mountain Brook (d)	100	715,900	-	-	-	715,900
TV Tower (d)	100	272,954	-	-	-	272,954
Frenette (f)	100	10,180	-	-	-	10,180
Oxford Brook (g)	100	-	240,178	-	-	240,178
Nicholas-Denys (h)	100	-	6,065,422	-	-	6,065,422
Goldstrike and Millstream Gold (i)	100	-	403,353	-	-	403,353
		2,400,228	6,708,953	(344,000)	(216,328)	8,548,853

(in Canadian dollars)

10. Mining properties (Continued):

Mining properties can be detailed as follows (Continued):

	Interest	July 31, 2019	Addition	July 31, 2020
	%	$	$	$
Québec:				
Lac La Chesnaye [(b)]	100	428,153	-	428,153
Langis East [(c)]	100	90,000	-	90,000
Baie Trinité [(e)]	20	1,892	446	2,338
Silicate Brutus [(e)]	20	2,545	23,680	26,225
Lac Robot [(e)]	20	2,414	477	2,891
Seignelay [(e)]	20	5,285	5,436	10,721
New Brunswick				
Blackshale [(d)]	100	839,206	1,660	840,866
Mountain Brook [(d)]	100	714,490	1,410	715,900
TV Tower [(d)]	100	272,424	530	272,954
Frenette [(f)]	100	8,250	1,930	10,180
		2,364,659	35,569	2,400,228

a) Langis Property (silica):

On September 16, 2013, the Company acquired the mining rights on the Langis Property located in Matane area (Québec). It is subject to a 3% NSR Royalty.

On May 1, 2019, the Company sold all its rights, titles and interests in the property, in exchange of a long-term quartz price lock-in supply agreement (LTA) and $2,250,000 to Les Minéraux Industriels du Québec. The Disposition provided the Company with $2,250,000, where $500,000 was paid at closing and staged cash payments totalling $1,750,000 modulated on the purchaser production on the Langis property, with the following deadlines: (i) $150,000 on or before December 31, 2019; (condition fulfilled) (ii) $300,000 on before each of December 31, 2020 (condition fulfilled), 2021, and 2022, (iii) $450,000 on or before December 31, 2023, and (iv) a final $250,000 over a maximum of 5 years after the previous payment. The LTA met its specific quartzite requirements at a currently favorable fixed price until January 1, 2024, after which date the original fixed price would be indexed every year until 2039.

Balance of purchase price receivable

The purchase price receivable of $2,250,000 does not bear interest and has been discounted using 6.86% reflecting the estimated credit risk of the buyer and collateral against the balance of purchase price at time of disposal.

	July 31, 2021	July 31, 2020
	$	$
Balance at the beginning	1,275,380	1,373,951
Effective interest income	66,664	136,969
Reimbursement	(318,428)	(235,540)
Balance end of year	1,023,616	1,275,380
Current portion	168,058	186,370
Non-current portion	855,558	1,089,010

10. Mining properties (Continued):

b) Lac La Chesnaye Property (silica):

The property Lac La Chesnaye was accounted for as a non-current asset held for distribution for the fair value of $344,000 at July 31, 2021. An impairment of mining rights for an amount of $84,153 and of exploration and evaluation assets for an amount of $109,116 was recorded in net earnings. (See Note 6)

c) Langis East Property (silica):

On August 1, 2018, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 10 claims located in the Matane and Matapedia area (Quebec) from Osisko Metals Incorporation by issuing 100,000 common shares. On August 10, 2018, the Company issued 100,000 common shares at a fair value of $0.90 for a total value of $90,000 as payment for the acquisition of 10 claims.

During the year ended July 31, 2021, the Company wrote down to $Nil the cost of the Langis East property, as it no longer fits the Company's development strategy. Consequently, an impairment loss of $90,000 on mining properties was recorded in net earnings.

d) TV Tower Property, Mountain Brook Property and Blackshale Property (zinc):

On March 16, 2018, the Company entered into an option agreement with NBZINC Inc., over which a company controlled by an officer and a director of the Company exercises a significant influence, to acquire an undivided 100% interest in the three following properties located in New Brunswick: TV Tower, Mountain Brook and Blackshale properties. The Blackshale Property is composed of 166 claims covering approximately 5,479 hectares, the Mountain Brook Property is composed of 139 claims covering approximately 4,233 hectares and the TV Tower Property is composed of 53 claims covering approximately 1,157 hectares. The claims are subject to a 2% NSR.

The Company shall be required to make a payment of US$4,000,000 for each of the three properties for which it has acquired 100% of undivided interests, provided that the Company has made a public disclosure of a mineral resource estimate of 1,000,000 ounces of gold or gold-equivalent resources in the aggregate and in any and all categories for such property, for a total possible maximum payment of US$12,000,000 for all three properties.

e) Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane Properties:

On February 26, 2019, the Company entered into a related party subscription agreement with FeTiV Minerals Inc. (“FeTiV”) to acquire a direct 20% interest in the Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties, subject to a 2% NSR.

During the year ended July 31, 2021, the Company wrote down to $Nil the cost of the Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties, as it no longer fits the Company's development strategy. Consequently, an impairment loss of $42,175 on mining properties and $25,780 on exploration and evaluation assets was recorded in net earnings.

f) Frenette Property (zinc):

On April 3, 2019 the Company entered into an arm’s length option agreement to acquire an undivided 100% interest in 12 mining claims adjacent to its Blackshale property located west of the Brunswick 12 mine.

Pursuant to the terms and conditions of the option, the Company issued 45,000 common shares of the Company as follows:
• 15,000 Shares at $0.55 per share for a total value of $8,250 on the execution of the option (condition fulfilled); and
• 30,000 Shares at $0.055 per share for a total value of $1,650 on April 3, 2020 (condition fulfilled);

Upon exercise of the option, the Company will grant the optionees a 2% Net Smelter Returns (NSR) Royalty, subject to the right to purchase a 1% NSR royalty for $1,000,000.

g) Oxford Brook Property (zinc):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 189 units located in Northwestern New-Brunswick in the Restigouche County. The value allocated to the property was $240,178. The property is subject to a 2% NSR Royalty. (See Note 5)

(in Canadian dollars)

10. Mining properties (Continued):

h) Nicholas-Denys Property (polymetallic):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 356 units located in Northern New-Brunswick. The value allocated to the property was $6,065,422. The property is subject to a 5% NSR Royalty, half of which is redeemable for $1,000,000, a 3% NSR Royalty, half of which is redeemable for $1,750,000 and an additional 1% NSR Royalty, half of which is redeemable for $1,000,000. (See Note 5)

i) Goldstrike and Millsream Gold Property (gold-silver):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 208 units located in Northern New-Brunswick. The value allocated to the property was $403,353. The property is subject to a 2% NSR Royalty, half of which is redeemable for $1,000,000. (See Note 5)

11. Exploration and evaluation assets:

Exploration and evaluation assets by properties are detailed as follows:

	July 31, 2020	Exploration costs	Grant	Tax credits	Impairment	July 31, 2021
	$	$	$	$	$	$
Québec						
Lac La Chesnaye (See Note 6)	107,073	2,043	-		(109,116)	-
Silicate Brutus	18,211	-	-	(5,015)	(13,196)	-
Mouchalagane	16,361	-	-	(4,497)	(11,864)	-
Lac Robot	750	-	-	(210)	(540)	-
Seignelay	250	-	-	(70)	(180)	-
New Brunswick						
Blackshale	45,486	12,100	-	-	-	57,586
Mountain Brook	37,195	-	(10,000)	-	-	27,195
TV Tower	379,876	-	-	-	-	379,876
Frenette	8,050	-	-	-	-	8,050
	613,252	14,143	(10,000)	(9,792)	(134,896)	472,707

	July 31, 2019	Exploration costs	Grant	July 31, 2020
	$	$	$	$
Québec				
Lac La Chesnaye	107,073	-	-	107,073
Silicate Brutus	300	17,911	-	18,211
Mouchalagane	300	16,061	-	16,361
Lac Robot	-	750	-	750
Seignelay	-	250	-	250
New Brunswick				
Blackshale	44,987	499	-	45,486
Mountain Brook	21,862	10,166	5,167	37,195
TV Tower	373,576	6,300	-	379,876
Frenette	4,377	3,673	-	8,050
	552,475	55,610	5,167	613,252

(in Canadian dollars)

12. Convertible debentures:

	July 30 2021	July 31 2020
	$	$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	-	452,465
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020.	-	562,373
Convertible debentures (3)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	-	256,998
Convertible debentures (4)		
Convertible debentures bearing interest at 3% payable annually and maturing in March 2025.[a]	1,005,018	-
	1,005,018	1,271,836
Current portion of convertible debentures	150,000	562,373
Non-current portion of convertible debentures	855,018	709,463

(a) Debentures (4) from related parties:

	July 31 2021	July 31 2020
	$	$
Directors	3,000	4,500
Company under control of a director	9,000	18,901
Company under control of an officer	12,600	13,500
	24,600	36,901

The changes in the Company's liabilities arising from financing activities are as follows:

	July 31 2021	July 31 2020
	$	$
Balance at the beginning	1,271,836	1,078,529
Cash flows		
Reimbursement	(95,936)	-
Interest paid	(14,179)	-
Non-Cash:		
Effective interest costs on convertible debentures	76,533	193,307
Exchange of debentures / reimbursement	(1,348,369)	-
Exchange of debentures / additions	992,670	-
Effective interest costs on convertible debentures	122,463	-
Balance end of year	1,005,018	1,271,836

12. Convertible debentures (Continued):

Convertible debentures (1):

On July 27, 2015, the Company completed a convertible debentures financing of $700,000. The debentures will mature in December 2022 and have a conversion price of $1.50. Furthermore, the Company has a forced conversion option if 10% of the Company's common shares are traded over 21 consecutive days, with a minimum of 0.47% per day.

At inception, for purposes of determining the fair value of the liability component, an effective interest rate of 30% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. At issuance, the equity component was $345,160 and is presented net of income tax in the amount of $91,467.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

Convertible debentures (2):

On December 12, 2016, the Company completed a convertible debentures financing of $610,000. The maturity of the convertible debentures is four years (December 31, 2020) and bear interest at 10% per year. At the conversion date, both the capital and unpaid interest is convertible using a conversion price of $2.00. Interest is payable on June 30 and December 31 of each year.

At inception, for purposes of determining the fair value of the liability component, an effective interest rate of 28.43% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. At issuance, the equity component was $280,234 and is presented net of income tax in the amount of $74,262.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

Convertible debentures (3):

On March 20, 2018, the Company completed a convertible debentures financing of $400,000. The maturity of the convertible debentures is December 31, 2022 and bear interest at 10% per year. At the conversion date, both the capital and unpaid interest is convertible using a conversion price of $2.00. Interest is payable on June 30 and December 31 of each year. The Company has the option to pay interest in cash or in shares. If payment is in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of $0.50.

At inception, for accounting purposes, the debenture has three components, the liability, the conversion option and the early redemption option. For purposes of determining the fair value of the liability component, an effective interest rate of 30% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. At issuance, the equity component was $196,240 and is presented net of income tax in the amount of $46,040.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

Convertible debentures (4):

On December 18, 2020, the Company announced that all outstanding debentures have been exchanged for new debentures in the same principal amount of $1,675,000. The new debentures have an issue price of $1,000 per new debentures, mature on March 31, 2025, bear interest at 3% per annum, payable on March 31 of each year, which interest may, at the option of the Company, be settled in common shares. The principal amount of the new debentures can be convertible into common shares of the Company at the price of $0.40 per conversion share. Interest in the amount of 3% per annum on the principal amount of the outstanding debentures for the period from January 1, 2020 to June 30, 2020, was paid for an amount of $14,179. The first interest payment pursuant to the new debentures shall be calculated for the period commencing on July 1, 2020 and ending on March 31, 2021. Fifty percent (50%) of the amount that the Company receives from Les Minéraux Industriels du Québec Inc. will be used to reduce the principal amount of the new debentures. As this was an exchange of debentures, the Company recorded a gain of $355,699 on the exchange date, considering the book value of exchanged debentures and the fair value of the liability component of the new debentures issued as the exchanged debentures are substantially different from the old debentures and the transaction must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On recognition, the liability component was measured using an effective interest rate of 22%, corresponding to the estimated market rate the Company would have received for a similar financing without the conversion right.

13. Share capital and warrants:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value. The share capital comprises only of fully paid common shares.

(b) Issued and outstanding

2021:

On July 27, 2021, the Company issued 27,000,000 common shares at a price of $0.22 per share for a total of $5,940,000 in counterpart of the acquisition of 100% of the outstanding shares of Target Minerals Inc. The Company also issued 2,160,000 common shares at a price of $0.22 per share for a total of $475,200 to Generic Capital Corporation as advisory fee shares pursuant to an advisory agreement. The fair value of the common shares represents the fair value of the shares at the issuance date minus a discount to take into account the hold period restricting the sale of these shares.

On February 19, 2021, the Company concluded a private placement by issuing 25,350,000 units at a price of $0.08 per unit for gross proceeds of $2,028,000. Each unit is comprised of one common share and one-half of one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional share for a period of 24 months at a price of $0.15 per share. The Company paid finder fees of $83,140 in cash and issued 1,039,500 non-transferable finder's warrants entitling the holder to purchase one share for a period of 24 months at an exercise price of $0.15 per share.

On December 21, 2020, the Company concluded a private placement by issuing 4,375,000 units at a price of $0.08 per unit for total proceeds of $350,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional share for a period of 24 months from the closing date at an exercise price of $0.15 per share.

2020:

On December 31, 2019, the Company issued 597,787 common shares for interests payable of $83,750 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
237,330 common shares issued for interests of $33,250 payable on December 31, 2019

Convertible debentures (2)
217,702 common shares issued for interests of $30,500 payable on December 31, 2019

Convertible debentures (3)
142,755 common shares issued for interests of $20,000 payable on December 31, 2019.

On March 18, 2020, the Company entered into debt settlement agreements with arms-length parties to settle an aggregate $141,975 in debt. In settlement of the debt, the Company issued an aggregate of 567,901 common shares in the capital of the Company at a deemed price of $0.055 per debt share. The debt was completely satisfied and extinguished upon the issuance of the debt shares.

On April 3, 2020, as per the mineral property purchase agreement of March 1, 2019 (Note 8), the Company issued 30,000 common shares at a fair value of $0.055 for a total value of $1,650 for the acquisition of 100% undivided interest in the Frenette Property, located in New-Brunswick.

(in Canadian dollars)

13. Share capital and warrants (Continued):

(c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

		July 31, 2021		July 31, 2020
	Number of outstanding warrants	**Weighted average exercise price**	**Number of outstanding warrants**	**Weighted average exercise price**
		$		**$**
Outstanding at beginning	475,000	1.50	4,086,617	1.50
Granted	18,089,500	0.15	-	-
Expired	(125,000)	(1.50)	(3,611,617)	(1.50)
Outstanding at end	18,439,500	0.18	475,000	1.50

The following table provides outstanding warrants information as at July 31, 2021:

		Outstanding warrants	
Expiry date	**Number of outstanding warrants**	**Exercise price**	**Remaining life**
		$	**(years)**
December 21, 2022	4,375,000	0.15	1.39
February 19, 2023	13,714,500	0.15	1.56
November 28, 2023	350,000	1.50	2.33
	18,439,500	0.34	1.53

2021:

On December 21, 2020, the Company issued 4,375,000 warrants to shareholders who subscribed to 4,375,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 21, 2022. The value of the warrants was estimated at $142,947 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.09
Expected volatility (1)	164.9%
Risk-free interest rate	0.23%
Expected life	2 years

(in Canadian dollars)

13. Share capital and warrants (Continued):

(c) Warrants (Continued):

On February 19, 2021, the Company issued 12,675,000 warrants to shareholders who subscribed to 25,350,000 units offering. Each warrant entitles the holder to subscribe to one half common share at an exercise price of $0.15 per share until February 19, 2023. The value of the warrants was estimated at $603,583 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.35
Expected volatility (1)	165.3%
Risk-free interest rate	0.23%
Expected life	2 years

As part of the private placement financing on February 19, 2021, the Company issued 1,039,500 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until February 19, 2023. The value of the warrants was estimated at $308,731 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.35
Expected volatility (1)	165.3%
Risk-free interest rate	0.23%
Expected life	2 years

(1) The volatility was determined by reference to historical data of the Company shares.

2020:

There were no warrants issued during the year.

14. Share-based compensation:

(a) Share option plan:

The Company has a share option plan whereby the Board of Directors, may grant to directors, officers, employees and consultants of the Company, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions relating to the granting of options. The maximum number of shares that can be issued under the share-based compensation plan is 10% of the Company's shares issued at the time of the option grant, with a vesting period of up to eighteen months at the directors' discretion. All share-based compensation shall be settled in equity instruments. The number of share options granted to a beneficiary are determined by the Board of Directors.

The exercise price of any option granted under the Plan is determined by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised under the plan terms when a beneficiary who is a director, officer, employee or consultant of the Company ceases to occupy his functions, according to the terms of the Company's share-based compensation plan.

(in Canadian dollars)

14. Share-based compensation (Continued):

(a) Share option plan (Continued):

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

		July 31, 2021		July 31, 2020
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		$		$
Outstanding at beginning	402,500	1.38	677,500	1.40
Expired	(57,500)	(1.00)	-	-
Forfeited	(80,000)	(1.50)	(275,000)	(1.37)
Outstanding at end	265,000	1.43	402,500	1.38
Exercisable at end	265,000	1.43	402,500	1.38

The following table provides outstanding share options information as at July 31, 2021:

			Share options outstanding	
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
October 3, 2022	20,000	20,000	0.75	1.18
February 5, 2023	35,000	35,000	1.40	1.52
June 27, 2023	180,000	180,000	1.50	1.91
November 5, 2023	30,000	30,000	1.50	2.27
	265,000	265,000	1.43	1.84

There were no options granted during the year in 2021 and 2020.

15. Finance expense:

Finance expense recognized in the net loss of the year is as follows:

	July 31, 2021	July 31, 2020
	$	$
Bank charges	3,162	799
Interest on convertible debentures	326,450	360,807
Exchange loss / (gain)	2,166	(451)
Finance expense	331,778	361,155

(in Canadian dollars)

16. Income taxes:

(a) Relationship between expected tax expense and accounting profit or loss:

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	July 31, 2021	July 31, 2020
	$	$
Loss before income taxes	(956,645)	(446,284)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada	26.50%	26.50%
Expected income tax recovery	(253,511)	(118,529)
Difference between deferred and statutory tax rates	-	263
Changes in unrecorded temporary differences	244,106	128,450
Recovery of liabilities related to flow-through shares	9,405	-
Other non-deductible expenses	-	(10,184)
Deferred income tax recovery	-	-

(b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:

	July 31, 2021	July 31, 2020
	$	$
Inception and reversal of temporary differences	(244,106)	(128,713)
Difference between deferred and statutory tax rates	-	263
Changes in unrecorded temporary differences	244,106	128,450
Deferred income tax expense (recovery)	-	-

(in Canadian dollars)

16. Income taxes (Continued):

(c) Movement in recognized deferred tax assets and liabilities during the year:

	July 31, 2020	Recognized in profit or loss	Acquisition of Target Minerals Inc.	July 31, 2021
	$	$	$	$
Exploration and evaluation assets	(36,459)	70,205	(21,278)	12,468
Debentures	(106,838)	(70,707)	-	(177,545)
Non-capital losses	143,297	502	21,278	165,077
	-	-	-	-

	July 31, 2019	Recognized in profit or loss	July 31, 2020
	$	$	$
Exploration and evaluation assets	(30,904)	(5,555)	(36,459)
Debentures	(158,065)	51,227	(106,838)
Non-capital losses	188,969	(45,672)	143,297
	-	-	-

(d) Unrecognized deductible temporary differences:

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

As at July 31, 2021, the Company has the following temporary differences for which no deferred tax asset has been recognized.

	Federal	Québec
	$	$
Receivable from sale of mining properties and exploration and evaluation assets	149,182	149,182
Property and equipment	24,407	24,407
Share issuance costs	149,729	149,729
Non-capital losses carryforwards	8,773,391	8,736,752
	9,096,709	9,060,070

(in Canadian dollars)

16. Income taxes (Continued):

(d) Unrecognized deductible temporary differences (Continued):

As at July 31, 2020, the Company has the following temporary differences for which no deferred tax asset has been recognized.

	Federal	**Québec**
	$	**$**
Receivable from sale of mining properties and exploration and evaluation assets	215,846	215,846
Property and equipment	24,407	24,407
Share issuance costs	153,117	153,117
Non-capital losses carryforwards	7,905,784	7,869,145
	8,299,154	8,262,515

(e) Non-capital losses:

The non-capital losses for which no deferred tax asset has been recognized expire as follows:

	Federal	**Québec**
	$	**$**
2034	882,315	868,239
2035	629,606	624,354
2036	1,201,704	1,194,602
2037	1,077,035	1,072,145
2038	1,188,885	1,184,185
2039	2,276,009	2,275,390
2040	717,259	717,259
2041	800,578	800,578
	8,773,391	8,736,752

17. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	July 31, 2021	**July 31, 2020**
	$	**$**
Non-cash investing activities:		
Acquisition of mining properties through issuance of shares	6,415,200	1,650
Settlement of debts through issuance of shares	-	157,309
Advisory fee shares through issuance of warrants	308,731	-

(in Canadian dollars)

18. Related party transactions:

Related parties include the Company's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	July 31, 2021	July 31, 2020
	$	$
Management and consulting fees	344,332	361,000

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other related party transactions:

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The Company has consulting agreements with certain management personnel ending at various dates until January 2024. These agreements are for payments of $479,668 in 2022. Some agreements require payment in case of a change of control of the Company or if the Company sells or leases substantially all of its assets or activities. One agreement requires a payment in case of termination of this agreement by the Company or the consultant.

As at July 31, 2021, trade accounts payable and accrued liabilities include $26,913 payable and $10,000 due to key management personnel ($nil and $nil as at July 31, 2020).

As at July 31, 2021, the Company has advances to a related company of $11,801 ($nil as at July 31, 2020).

19. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the consolidated statements of financial position related to the following classes of assets and liabilities:

		July 31, 2021		July 31, 2020
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Financial assets measured at amortized cost				
Cash	2,234,048	2,234,048	516,795	516,795
Accounts receivable (1)	60,521	60,521	58,262	58,262
Balance of purchase price receivable	1,023,616	1,023,616	1,275,380	1,275,380
	3,318,185	3,318,185	1,850,437	1,850,437
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts payable and accrued liabilities	717,050	717,050	335,432	335,432
Grants refundable	337,320	337,320	337,320	337,320
Convertible debenture	1,005,018	1,005,018	1,271,836	1,271,836
	2,059,388	2,059,388	1,944,588	1,944,588

(1) Excluding sales tax receivable, tax credits receivable and mining tax receivable.

The fair value of cash, accounts receivable, trade accounts and accrued liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

(in Canadian dollars)

19. Financial assets and liabilities (Continued):

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The convertible debentures were classified under level 2 in 2021 (level 2 in 2020).

The techniques and evaluation methods used to measure fair value were not changed compared to previous years. The fair value of the convertible debentures was determined by discounting the future cash flows using an interest rate estimated to reflect a rate that the Company would have obtained for similar financings without the conversion option.

20. Capital management policies and procedures:

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity and convertible debentures. Capital for the reporting periods are presented in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and convertible debentures. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

	July 31, 2021	July 31, 2020
	$	$
Convertible debentures	1,005,018	1,271,836
Equity	10,762,987	3,027,396
	11,768,005	4,299,232

(in Canadian dollars)

21. Financial Instrument Risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

(a) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

The Company's credit risk is primarily attributable to cash and balance of purchase price receivable. Credit risk of cash is considered negligible, since the counterparty is a reputable bank with excellent external credit rating.

The credit risk associated with the balance of purchase price arises from the possibility that the buyer may not be able to pay its debts. This receivable results from the sale of Langis properties and is guaranteed by the properties.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount (see Note 2).

Over the past and during the year, the Company has financed its acquisitions of mining rights, exploration costs and working capital needs through private financings (issuance of shares and convertible debentures in 2021 and 2020).

Contractual maturities of financial liabilities (including capital and interest) are as follows:

				July 31, 2021
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Trade accounts payable and accrued liabilities	717,050	-	-	717,050
Grants refundable	337,320	-	-	337,320
Convertible debentures (4)	150,000	1,429,064	-	1,579,064
	1,204,370	1,429,064	-	2,633,434

22. Post reporting date event:

On September 9, 2021, the Company spun out its Lac La Chesnaye Property located in Quebec in exchange of 4,299,961 common shares of QNB Metals Inc., for a fair value of $344,000. As a result, each shareholder has received such number of shares of QNB Metals Inc. equal to the number of the Company's shares held by such shareholder on September 8, 2021 multiplied by 0.05866.