# CANADIAN METALS INC.

## Unaudited Condensed Interim Consolidated Financial Statements

## As at January 31, 2022

# CANADIAN METALS INC.

## Consolidated Financial Statements

As at January 31, 2022 and 2021

**Consolidated Financial Statements**

# CANADIAN METALS INC.

## Condensed Interim Consolidated Statements of Financial Position

As at January 31, 2022 and Year ended July 31, 2021
(in Canadian dollars)

| | Note | January 31, 2022 | July 31, 2021 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | | 1,241,589 | 2,234,048 |
| Accounts receivable | 7 | 96,475 | 124,219 |
| Grant receivable | 8 | 45,337 | 45,337 |
| Advances to a related company | | 16,840 | 11,801 |
| Prepaid expenses | | 8,126 | 17,794 |
| Current portion of balance of purchase price receivable | 10 a) | 275,000 | 168,058 |
| Non-current assets held for distribution | 6 | 0 | 344,000 |
| **Total current assets** | | 1,683,366 | 2,945,257 |
| **Non-current assets:** | | | |
| Mining properties | 10 | 8,559,030 | 8,548,853 |
| Exploration and evaluation assets | 11 | 858,096 | 472,707 |
| Balance of purchase price receivable | 10 a) | 609,651 | 855,558 |
| **Total non-current assets** | | 10,026,777 | 9,877,118 |
| **Total assets** | | 11,710,143 | 12,822,375 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and accrued liabilities | | 521,239 | 717,050 |
| Grants refundable | 9 | 337,320 | 337,320 |
| Current portion of convertible debentures | 12 | 137,500 | 150,000 |
| **Total current liabilities** | | 996,059 | 1,204,370 |
| **Non-current liabilities:** | | | |
| Convertible debentures | 12 | 855,126 | 855,018 |
| **Total non-current liabilities** | | 855,126 | 855,018 |
| **Total liabilities** | | **1,851,185** | **2,059,388** |
| **Equity:** | | | |
| Share capital | 13 | 17,323,393 | 17,323,392 |
| Warrants | 13 | 861,624 | 861,624 |
| Share options | 14 | 248,175 | 248,175 |
| Equity component of the convertible debentures | 12 | 562,455 | 562,455 |
| Contributed surplus | | 3,128,626 | 3,472,627 |
| Deficit | | -12,265,314 | -11,705,286 |
| **Total equity** | | 9,858,958 | 10,762,987 |
| **Total liabilities and equity** | | 11,710,143 | 12,822,375 |

Nature of operations and going concern, see Note 2.

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 March 16, 2022.

| | |
|---|---|
| (S) Michel Gagnon | (S) Arnab De |
| Director and Chairman | Chief Financial Officer |

# CANADIAN METALS INC.

## Consolidated Statements of Comprehensive Loss

Six-month periods ended January 31, 2022 and 2021

(in Canadian dollars)

| | Note | Three month period ended | | Six month period ended | |
|---|---|---|---|---|---|
| | | January 31 | January 31 | January 31 | January 31 |
| | | 2022 | 2021 | 2022 | 2021 |
| | | $ | $ | $ | $ |
| General and administrative expenses: | | | | | |
| Professional fees | | 52,210 | 16,077 | 136,275 | 88,491 |
| Management and consulting fees | 15 | 147,498 | 60,000 | 304,996 | 120,000 |
| Registration, listing fees and shareholders information | | 27,617 | 8,140 | 37,592 | 14,139 |
| Insurance and office expenses | | 5,875 | 5,513 | 11,914 | 9,841 |
| Travel and promotion | | 433 | 151 | 545 | 302 |
| **Loss from operating activities** | | 231,903 | 89,881 | 489,592 | 232,773 |
| | | 231,903 | 89,881 | 489,592 | 232,773 |
| Finance income | | (15,815) | (18,652) | (33,833) | (39,206) |
| Finance expense | | 53,584 | 81,160 | 104,269 | 181,349 |
| Gain on exchange of convertible debentures | | - | (355,699) | - | (355,699) |
| **Total net finance expense (income)** | | 37,769 | (293,191) | 70,436 | (213,556) |
| **Loss before income taxes** | | 269,672 | (203,310) | 560,028 | 19,217 |
| **Net loss and comprehensive loss** | | 269,672 | (203,310) | 560,028 | 19,217 |
| **Weighted average number of common shares outstanding** | | 73,309,794 | 16,422,077 | 73,309,794 | 15,423,435 |
| **Basic and diluted loss per share** | | 0.004 | -0.012 | 0.008 | 0.001 |

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

# CANADIAN METALS INC.

## Consolidated Statements of Changes in Equity

Six-month periods ended January 31, 2022 and 2021

(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, 2021** | | 73,309,794 | 17,323,392 | 861,624 | 248,175 | 562,455 | 3,472,627 | (11,705,286) | 10,762,987 |
| Shares issued: | | | | | | | | | |
| Spin-Off of Lac La Chesnaye Project | | - | - | - | - | - | (344,000) | | (344,000) |
| Net loss and comprehensive loss for the year | | - | - | - | - | - | - | (560,028) | (560,028) |
| **Balance as at January 31, 2022** | | 73,309,794 | 17,323,392 | 861,624 | 248,175 | 562,455 | 3,128,627 | (12,265,314) | 9,858,958 |
| | | | | | | | | | |
| **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: | | | | | | | | | |
| As Private Placement | | 4,375,000 | 260,186 | 89,814 | - | - | - | - | 350,000 |
| Share issuance costs | - | - | (5,980) | - | - | - | - | - | (5,980) |
| Warrants expired | - | - | - | (21,132) | - | - | 21,132 | - | - |
| Share options expired | - | - | - | - | (49,840) | - | 49,840 | - | - |
| Net loss and comprehensive loss for the year | | - | - | - | - | - | - | (19,217) | (19,217) |
| **Balance as at January 31, 2021** | | 18,799,794 | 9,601,180 | 235,620 | 321,827 | 562,455 | 3,398,975 | (10,767,858) | 3,352,199 |

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

# CANADIAN METALS INC.

## Consolidated Statements of Cash Flows

Six-month periods ended January 31, 2022 and 2021
(in Canadian dollars)

| | Note | Three month period ended | | Six month period ended | |
|---|---|---|---|---|---|
| | | **January 31** | **January 31** | **January 31** | **January 31** |
| | Note | **2022** | **2021** | **2022** | **2021** |
| | | **$** | **$** | **$** | **$** |
| **Operating activities:** | | | | | |
| Net loss | | (271,402) | 203,310 | (560,028) | (19,217) |
| Adjustments for: | | | | | |
| Gain on exchange of convertible debentures | | - | (355,699) | - | (355,699) |
| Effective interest costs on convertible debentures | 12 | 53,584 | 79,579 | 104,269 | 179,430 |
| Effective interest income on balance of purchase price receivable | 10 | (15,815) | (18,517) | (33,833) | (39,071) |
| Operating activities before changes in working capital items | | (233,633) | (91,327) | (489,592) | (234,557) |
| Change in accounts receivable | 7 | 95,578 | (58,404) | 65,737 | (69,263) |
| Change in prepaid expenses | | 4,970 | (18,822) | 9,668 | (14,651) |
| Change in trade accounts payable and accrued liabilities | | (655) | (207,460) | (233,804) | (151,169) |
| Change in advances to related company | | 0 | - | (5,039) | - |
| | | 99,892 | (284,686) | (163,438) | (235,083) |
| **Cash flows used for operating activities** | | (133,741) | (376,013) | (653,030) | (469,640) |
| **Financing activities:** | | | | | |
| Proceeds from issuance of shares and units | 13 | - | 350,000 | - | 350,000 |
| Share issuance costs | 13 | - | (3,586) | - | (5,980) |
| **Cash flows provided from (used for) financing activities** | | - | 346,414 | - | 344,020 |
| **Investing activities:** | | | | | |
| Repayment of convertible debentures | 12 | (86,401) | - | (116,661) | - |
| Proceeds from balance of purchase price receivable | 10 | 103,987 | 125,190 | 172,796 | 191,226 |
| Tax credits applied against exploration and evaluation assets | | - | - | 1,730 | - |
| Increase in exploration and evaluation assets | 11 | (356,279) | - | (397,295) | |
| **Cash flows provided from investing activities** | | (338,693) | 125,190 | (339,430) | 191,226 |
| **Net change in cash** | | (472,434) | 95,591 | (992,459) | 65,606 |
| **Cash, beginning of year** | | 1,714,022 | 486,810 | 2,234,048 | 516,795 |
| **Cash, end of year** | | 1,241,589 | 582,401 | 1,241,589 | 582,401 |

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 January 31, 2022, the Company has working capital of $687,307 including cash and cash equivalents of $1,241,589 and a cumulative deficit of $12,265,314 and incurred a loss of $560,028 during the six months 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:

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The unaudited condensed interim consolidated financial statements for the reporting period ended January 31, 2022 (including comparatives) were approved and authorized for issue by the Board of Directors on March 16, 2022.

## 3. Basis of preparation (Continued):

### 3.1 Basis of measurement:

These unaudited and unreviewed condensed interim financial statements have been prepared on the historical cost basis except for certain assets at fair value.

### 3.2 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.

### 3.3 Functional and presentation currency:

These unaudited and unreviewed condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

## 4. Significant accounting policies:

These condensed interim financial statements were prepared in accordance with standard IAS 34 – Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Company at period end since its last annual financial statements dated July 31, 2021.

The accounting policies used to prepare these condensed interim unaudited financial statements are those described in the Company's audited financial statements for the year ended July 31, 2021, and have been applied throughout the period unless otherwise stated. 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.

## 5. Critical accounting judgments and key sources of estimation uncertainty:

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## 6. 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.

(in Canadian dollars)

## 6. Acquisition of Target Minerals Inc. (Continued):

The consideration paid was calculated 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.

## 7. 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 11b) | 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 11b).
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

(in Canadian dollars)

Company's shares held by such shareholder on September 8, 2021 multiplied by 0.05866. On September 9, 2021, the amount of $344,000 was transferred to Contributed Surplus.

**8. Accounts receivable:**

| | January 31, 2022 | July 31, 2021 |
|---|---|---|
| | $ | $ |
| Sales tax receivable | 58,482 | 63,698 |
| Accounts receivable | 37,992 | 60,521 |
| | 96,475 | 124,219 |

**9. 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.

**10. 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.

**11. Mining properties:**

Mining properties can be detailed as follows:

(in Canadian dollars)

| | Interest | July 31, 2020 | Properties from acquisition of Target Minerals Inc. | Property held for distribution | Impairment | July 31, 2021 | Acquisition / Adjustment during 6 months ended Jan 31, 2022 | January 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | % | $ | | | | $ | | |
| 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 | 1,807 | 842,673 |
| Mountain Brook [(d)] | 100 | 715,900 | - | - | - | 715,900 | - | 715,900 |
| TV Tower [(d)] | 100 | 272,954 | - | - | - | 272,954 | - | 272,954 |
| Frenette [(f)] | 100 | 10,180 | - | - | - | 10,180 | - | 10,180 |
| Oxford Brook [(g)] | 100 | - | 240,178 | - | - | 240,178 | 180 | 240,358 |
| Nicholas-Denys [(h)] | 100 | - | 6,065,422 | - | - | 6,065,422 | 5,850 | 6,071,272 |
| Goldstrike and Millstream Gold [(i)] | 100 | - | 403,353 | - | - | 403,353 | 2,340 | 405,693 |
| | | 2,400,228 | 6,708,953 | (344,000) | (216,328) | 8,548,853 | 10,177 | 8,559,030 |

(in Canadian dollars)

**11. Mining properties (Continued):**

**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, tittles and interests in the property, in exchange of a long-term quartz price lock-in supply agreement (LTA) and $2,250,000. 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, 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 meeting 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.

| | January 31, 2021 | July 31, 2021 |
|---|---|---|
| | $ | $ |
| Balance at the beginning | 1,023,616 | 1,275,380 |
| Effective interest income | 33,833 | 66,664 |
| Reimbursement | -172,796 | -318,428 |
| Balance end of year | 884,653 | 1,023,616 |
| Current portion | 275,000 | 168,058 |
| Non-current portion | 609,653 | 855,558 |

**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. The amount was transferred to contributed surplus during the six-month period ended January 31, 2022. As on January 31, 2022, this property is no longer a property of the Company. (See Note 7)

**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.

**11. Mining properties (Continued):**

**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 in 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 for a consideration of $440,000, 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 6)

**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 6)

**i) Goldstrike and Millstream 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 6)

(in Canadian dollars)

### 12. 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 | Exploration costs | January 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| 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 | 104,167 | 161,753 |
| Mountain Brook | 37,195 | - | (10,000) | - | - | 27,195 | 61,505 | 88,700 |
| TV Tower | 379,876 | - | - | - | - | 379,876 | - | 379,876 |
| Frenette | 8,050 | - | - | - | - | 8,050 | - | 8,050 |
| Oxford Brook | - | - | - | - | - | - | - | |
| Nicholas Denys | - | - | - | - | - | - | 57,745 | 57,745 |
| Goldstrike & Millstream | - | - | - | - | - | - | 161,972 | 161,972 |
| | 613,252 | 14,143 | (10,000) | (9,792) | (134,896) | 472,707 | 385,389 | 858,096 |

### 13. Convertible debentures:

| | 31-Jan 2022 | 30-Jul 2021 |
|---|---|---|
| | $ | $ |
| **Convertible debentures (4)** | | |
| Convertible debentures bearing interest at 3% payable annually and maturing in March 2025. [(a)] | 992,626 | 1,005,018 |
| | 992,626 | 1,005,018 |
| Current portion of convertible debentures | 137,500 | 150,000 |
| Non-current portion of convertible debentures | 855,126 | 855,018 |

(a) Debentures (4) from related parties:

| | 31-Jan 2022 | 31-Jul 2021 |
|---|---|---|
| | $ | $ |
| Directors | 3,000 | 3,000 |
| Company under control of a director | 9,000 | 9,000 |
| Company under control of an officer | 12,600 | 12,600 |
| | 24,600 | 24,600 |

(in Canadian dollars)

**13. Convertible debentures (Continued):**

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

| | 31-Jan 2022 | 31-Jul 2021 |
|---|---|---|
| | | $ |
| Balance at the beginning | 1,005,018 | 1,271,836 |
| Cash flows | | |
| Reimbursement | (116,661) | -95,936 |
| Interest paid | | -14,179 |
| Non-Cash: | | |
| Effective interest costs on convertible debentures | 104,269.49 | 76,533 |
| 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 | 992,626 | 1,005,018 |

**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.

**14. Share capital, warrants and options:**

**14.1 Share capital:**

**Six months ended January 31, 2022**

There were no shares issued during the period.

**14.2 Warrants:**

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

| | January 31, 2022 | | July 31, 2021 | |
|---|---|---|---|---|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 475,000 | 1.5 | 475,000 | 1.5 |
| Granted | 18,089,500 | 0.15 | 18,089,500 | 0.15 |
| Expired | -125,000 | -1.5 | -125,000 | -1.5 |
| Outstanding at end | 18,439,500 | 0.18 | 18,439,500 | 0.18 |

(in Canadian dollars)

**14. Share capital, warrants and options (Continued):**

**14.2 Warrants (Continued):**

The following table provides outstanding warrants information as at January 31, 2022:

| | Outstanding warrants | | |
|---|---|---|---|
| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
| | | $ | (years) |
| 21-Dec-22 | 4,375,000 | 0.15 | 1.39 |
| 19-Feb-23 | 13,714,500 | 0.15 | 1.56 |
| 28-Nov-23 | 350,000 | 1.5 | 2.33 |
| | 18,439,500 | 0.34 | 1.53 |

**14.3 Share option plan:**

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

| | | January 31, 2022 | | July 31, 2021 |
|---|---|---|---|---|
| | 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 | 402,500 | 1.38 |
| Expired | -57,500 | -1 | -57,500 | -1 |
| Forfeited | -80,000 | -1.5 | -80,000 | -1.5 |
| Outstanding at end | 265,000 | 1.43 | 265,000 | 1.43 |
| Exercisable at end | 265,000 | 1.43 | 265,000 | 1.43 |

The following table provides outstanding share options information as at January 31, 2022:

| | 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 | 1.4 | 1.52 |
| 27-Jun-23 | 180,000 | 180,000 | 1.5 | 1.91 |
| 05-Nov-23 | 30,000 | 30,000 | 1.5 | 2.27 |
| | 265,000 | 265,000 | 1.43 | 1.84 |

(in Canadian dollars)

### 15. 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:

| | Three-month period ended | | Six-month period ended | |
|---|---|---|---|---|
| | January 31, 2022 | January 31, 2021 | January 31, 2022 | January 31, 2021 |
| | $ | $ | $ | $ |
| Management and consulting fees | 147,498 | 60,000 | 304,996 | 120,000 |

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

As at January 31, 2022, trade accounts payable and accrued liabilities include $13,500 payable to key management personnel. As at July 31, 2021, trade accounts payable and accrued liabilities include $26,913 payable and $10,000 due to key management personnel.

As at January 31, 2022, accounts receivable includes am amount of $39,755 receivable from a key managerial personnel (July 32, 2021: $3,500),

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.

As at January 31, 2022, the Company has advances to a related company amounting to $16,840 (July 31, 2021: $11,801)

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.