

**NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Nine Miles Metals Ltd. (formerly Stevens Gold Nevada Inc.)**

### **Opinion**

We have audited the consolidated financial statements of Nine Miles Metals Ltd. (formerly Stevens Gold Nevada Inc.) (the "Company"), which comprise the statements of financial position as at September 30, 2021 and 2020, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audits 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues and incurred negative cash flow from operations of \$1,072,368 during the year ended September 30, 2021 and, as of that date, the Company had an accumulated deficit of \$7,648,063. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on 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 information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

### **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.

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

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

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



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

January 28, 2022

**NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	September 30, 2021 \$	September 30, 2020 \$
<b>ASSETS</b>		
Current assets		
Cash	947,358	258,604
Amounts receivable	10,530	3,656
Prepaid expenses	24,512	–
Reclamation bond (Note 4)	–	19,392
<b>Total assets</b>	<b>982,400</b>	<b>281,652</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	25,322	29,500
<b>Total current liabilities</b>	<b>25,322</b>	<b>29,500</b>
Non-current liabilities		
Loan payable (Note 5)	50,373	–
<b>Total liabilities</b>	<b>75,695</b>	<b>29,500</b>
Shareholders' equity		
Share capital (Note 7)	8,295,021	1,449,312
Share-based payment reserve	259,747	181,867
Deficit	(7,648,063)	(1,379,027)
<b>Total shareholders' equity</b>	<b>906,705</b>	<b>252,152</b>
<b>Total liabilities and shareholders' equity</b>	<b>982,400</b>	<b>281,652</b>

Nature of operations and continuance of business (Note 1)

Subsequent events (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on January 28, 2022:

/s/ "Terry Fields"  
Terry Fields, Director

/s/ "James Bordian"  
James Bordian, Director

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

**NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended September 30, 2021 \$	Year ended September 30, 2020 \$
Expenses		
Consulting fees (Note 6)	536,422	91,359
Impairment of mineral property costs (Note 4)	5,120,931	66,363
Management fees (Note 6)	97,500	51,500
Mineral exploration costs (Note 4)	231,566	167,619
Office and miscellaneous (Note 6)	64,390	7,757
Professional fees	113,370	100,415
Rent (Note 6)	38,250	9,000
Share-based compensation (Note 10)	14,473	181,867
Transfer agent and filing fees	47,138	35,960
Wages and benefits (Note 6)	14,623	25,849
<b>Total expenses</b>	<b>6,278,663</b>	<b>737,689</b>
<b>Loss before other income (expense)</b>	<b>(6,278,663)</b>	<b>(737,689)</b>
Other income (expense)		
Accretion of discount on loan payable (Note 5)	(4,322)	–
Government assistance (Note 5)	13,949	–
<b>Total other income (expense)</b>	<b>9,627</b>	<b>–</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(6,269,036)</b>	<b>(737,689)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.31)</b>	<b>(0.09)</b>
<b>Weighted average shares outstanding</b>	<b>19,911,718</b>	<b>8,299,239</b>

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

**NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Special warrants reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, September 30, 2019	7,821,667	1,067,100	–	382,212	(641,338)	807,974
Special warrants converted to common shares	776,850	388,425	–	(388,425)	–	–
Special warrant issuance costs converted to share issuance costs	–	(6,213)	–	6,213	–	–
Share-based compensation	–	–	181,867	–	–	181,867
Net loss for the year	–	–	–	–	(737,689)	(737,689)
Balance, September 30, 2020	8,598,517	1,449,312	181,867	–	(1,379,027)	252,152
Units issued for cash	4,557,058	1,805,273	–	–	–	1,805,273
Share issuance costs	–	(181,261)	64,220	–	–	(117,041)
Units issued to settle debt	230,555	83,000	–	–	–	83,000
Shares issued for services	156,600	112,752	–	–	–	112,752
Shares issued for acquisition of Lynx Gold Mining Corp.	7,372,399	4,423,440	–	–	–	4,423,440
Shares issued for finder's fee	500,000	300,000	–	–	–	300,000
Shares issued for mineral property option payment	500,000	300,000	–	–	–	300,000
Shares issued upon exercise of share purchase warrants	3,600	2,505	(813)	–	–	1,692
Share-based compensation	–	–	14,473	–	–	14,473
Net loss for the year	–	–	–	–	(6,269,036)	(6,269,036)
Balance, September 30, 2021	21,918,729	8,295,021	259,747	–	(7,648,063)	906,704

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

**NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended September 30, 2021 \$	Year ended September 30, 2020 \$
Operating activities		
Net loss for the year	(6,269,036)	(737,689)
Items not involving cash:		
Accretion of discount on loan payable	4,322	—
Government assistance	(13,949)	—
Impairment of mineral property costs	5,120,931	66,363
Share-based compensation	14,473	181,867
Shares issued for services	112,752	—
Write-off of reclamation bond	19,392	—
Changes in non-cash operating working capital:		
Amounts receivable	(6,874)	(1,655)
Prepaid expenses	(24,512)	13,243
Accounts payable and accrued liabilities	(29,867)	17,467
Net cash used in operating activities	(1,072,368)	(460,404)
Investing activities		
Acquisition of exploration and evaluation assets	(6,615)	(33,863)
Reclamation bond	—	(19,392)
Cash acquired upon acquisition of Lynx Gold Corp.	17,813	—
Net cash provided by (used in) investing activities	11,198	(53,255)
Financing activities		
Proceeds from loan payable	60,000	—
Proceeds from issuance of shares	1,806,965	—
Share issuance costs	(117,041)	—
Net cash provided by financing activities	1,749,924	—
Change in cash	688,754	(513,659)
Cash, beginning of year	258,604	772,263
Cash, end of year	947,358	258,604
Non-cash investing and financing activities:		
Fair value of broker's warrants issued for share issuance costs	64,220	—
Fair value of shares issued for acquisition of Lynx Gold Mining Corp.	4,423,440	—
Mineral properties acquired upon acquisition of Lynx Gold Mining Corp.	4,814,316	—
Accounts payable and accrued liabilities assumed upon acquisition of Lynx Gold Mining Corp.	55,689	—
Loans payable assumed upon acquisition of Lynx Gold Mining Corp.	53,000	—
Shares issued for finder's fee	300,000	—
Shares issued for mineral property option payment	300,000	—
Units issued to settle debt	83,000	—

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

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **1. Nature of Operations and Continuance of Business**

Nine Mile Metals Ltd. (formerly Stevens Gold Nevada Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on June 8, 2018 as 1167609 B.C. Ltd. On November 19, 2018, the Company changed its name to Stevens Gold Nevada Inc. On April 12, 2021, the Company filed a Certificate of Amalgamation, whereby the Company and its wholly-owned subsidiaries, Lynx Gold Mining Corp., and Lynx Gold Corp. were amalgamated as one company under the name Stevens Gold Nevada Inc. On January 18, 2022, the Company changed its name to Nine Mile Metals Ltd. The principal business of the Company is to acquire, explore, and develop mineral properties and ultimately seek earnings by exploiting mineral claims. The Company’s registered office is located at 350 – 1650 West 2<sup>nd</sup> Avenue, Vancouver, BC.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended September 30, 2021, the Company had no revenues and incurred negative cash flow from operations of \$1,072,368. At September 30, 2021, the Company had an accumulated deficit of \$7,648,063. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant Accounting Policies**

#### **(a) Basis of Presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s and its subsidiary’s functional currency.

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Lynx Gold Exploration Corp. All intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, have been eliminated on consolidation.

#### **(b) Use of Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, 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 estimate is revised and in any future periods affected.



## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(b) Use of Estimates and Judgments (continued)**

Significant areas requiring the use of estimates include recoverability of mineral property costs, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the Company's accounting policy for mineral property costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

#### **(c) Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### **(d) Mineral Property Costs**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property exceeds the fair value of the property.

#### **(e) Mineral Exploration and Development Costs**

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (f) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that they may be impaired:

- an intangible asset with an indefinite useful life
- an intangible asset not yet available for use
- goodwill acquired in a business combination

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (g) Foreign Currency Translation

The Company's functional currency and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

#### (i) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (i) Financial Instruments (continued)

##### Financial Assets

##### *Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

##### *Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost unless designated as fair value through profit or loss.

##### *Impairment of Financial Assets*

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (i) Financial Instruments (continued)

##### Financial Liabilities and Equity Instruments

###### *Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

###### *Other financial liabilities*

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

## **NINE MILE METALS LTD.**

(formerly Stevens Gold Nevada Inc.)

Notes to the Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(k) Income Taxes**

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **(l) Comprehensive Loss**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations and comprehensive loss. As at September 30, 2021 and 2020, the Company had no items that represent comprehensive income or loss.

#### **(m) Loss Per Share**

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at September 30, 2021, the Company has 5,870,878 (2020 – 800,000) potentially dilutive shares outstanding.

#### **(n) Accounting Standards Issued But Not Yet Effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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### 3. Acquisition of Lynx Gold Mining Corp.

On November 3, 2020, the Company completed a share purchase agreement with Lynx Gold Mining Corp. (“LGMC”) and the shareholders of LGMC (collectively, the “Vendors”), pursuant to which the Company acquired 100% of the issued and outstanding shares of LGMC from the Vendors for consideration of 7,372,399 common shares of the Company. LGMC had a subsidiary, Lynx Gold Corp (“LGC”), a British Columbia corporation. LGC itself had a subsidiary, Lynx Gold Exploration Corp., a Nevada corporation.

In connection with the acquisition, the Company was also required to issue 500,000 common shares as a finder’s fee for the introduction of LGMC to the Millennium Property. The finder’s fee was considered a transaction-related cost, and the Company recognized the fair value of the 500,000 common shares of \$300,000 as part of the purchase price.

The acquisition of the LGMC shares has been accounted for as an asset acquisition as, at the time of the transaction, LGMC did not meet the definition of a business. The consideration paid had been allocated to the mineral property cost as at the date of acquisition. The purchase price of the acquisition has been allocated as follows:

Purchase price	\$
Fair value of common shares issued to the Vendors	4,423,440
Fair value of common shares issued for finder’s fee	300,000
	<u>4,723,440</u>
Net assets acquired	\$
Cash	17,813
Mineral property costs (Note 4)	4,814,316
Accounts payable and accrued liabilities	(55,689)
Loans payable	(53,000)
	<u>4,723,440</u>

### 4. Mineral Property Costs

*Acquisition costs:*

	Black Point Property \$	Millennium Property \$	Total \$
Balance, September 30, 2019	32,500	–	32,500
Additions	33,863	–	33,863
Impairment	(66,363)	–	(66,363)
Balance, September 30, 2020	–	–	–
Additions	6,615	5,114,316	5,120,931
Impairment	(6,615)	(5,114,316)	(5,120,931)
Balance, September 30, 2021	–	–	–

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### 4. Mineral Property Costs (continued)

*Exploration costs:*

Year ended September 30, 2021:	Black Point Property \$	Millennium Property \$	Total \$
Drilling	18,523	–	18,523
Assays	17,784	13,127	30,911
Geological and geophysics	5,810	114,948	120,758
Staking fees	–	58,420	58,420
Travel	–	2,954	2,954
	42,117	189,449	231,566

  

Year ended September 30, 2020:	Black Point Property \$
Drilling	69,023
Filing fees	18,832
Geological and geophysics	79,764
	167,619

(a) On October 10, 2018, the Company entered into a Letter of Intent (“LOI”) with Golden Pursuit Resources Ltd. (“GoldPur”) to earn up to a 60% interest in the Black Point Property located in Eureka County, Nevada, USA. Under the terms of the LOI, the Company would have the right to purchase a 60% interest in the property by making a payment of US\$500,000 at any time while the LOI or a follow-up lease/option to purchase agreement is in effect. Until the payment of the purchase price is made, the Company was to make annual lease payments, which shall not constitute a portion of the purchase price, as follows:

- US\$25,000 within 5 business days after signing (paid);
- US\$25,000 on or before October 10, 2019 (paid);
- US\$25,000 on or before October 10, 2020 (extended to December 9, 2020);
- US\$50,000 on or before October 10, 2021;
- US\$50,000 on or before October 10, 2022; and
- US\$100,000 on or before October 10, 2023 and annually thereafter.

GoldPur shall retain a 2% Net Smelter Return Royalty on the property.

On October 6, 2020, the Company entered into an amending agreement on the LOI to extend the payment of US\$25,000 originally due on October 10, 2020, to December 9, 2020 for consideration of \$6,515 (US\$5,000).

On December 4, 2020, the Company terminated the LOI with GoldPur due to the disappointing drilling results. As a result, the Company recorded an impairment of \$6,615 (As at September 30, 2020 - \$66,363) impaired the acquisition costs related to the Black Point Property. As at September 30, 2021, the Company held a reclamation bond for the Black Point Property of \$nil (2020 – \$19,392 (US\$15,538)).



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### **4. Mineral Property Costs** (continued)

(b) On November 3, 2020, the Company assumed, through its acquisition of LGMC (Note 3), a Mineral Agreement (the "Agreement") to earn a 100% interest in the Millennium Property located in Mojave County, Arizona. Under the terms of the Agreement, the Company was required to make the following payments:

- US\$25,000 upon signing the Agreement (paid);
- US\$130,000 and 500,000 common shares within 45 days of the effective date of the Agreement (paid and issued);
- US\$150,000 and 250,000 common shares prior to the first anniversary of the Agreement;
- US\$225,000 and 250,000 common shares prior to the second anniversary of the Agreement; and
- US\$475,000 prior to the third anniversary of the Agreement.

The Company was also required incur the following expenditures:

- US\$250,000 prior to the first anniversary of the Agreement;
- US\$500,000 prior to the second anniversary of the Agreement;
- US\$500,000 prior to the third anniversary of the Agreement; and
- US\$500,000 prior to the fourth anniversary of the Agreement.

On June 18, 2021, the Company terminated the Agreement due to the disappointing results. As a result, the Company recorded an impairment of \$5,114,316.

### **5. Loan Payable**

In February 2021, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of \$60,000 funded by the Government of Canada. The loan is interest-free and may be repaid any time before December 31, 2022, at which time, if unpaid, the remaining balance will convert to a 3 year term loan at an interest rate of 5% per annum. If the Company repays the loan prior to December 31, 2022, there will be loan forgiveness of the loan of up to \$20,000. Although the forgivable portion of the loan of \$20,000 is not repayable if the Company repays the amount of \$40,000 by December 31, 2022, this amount will be recognized in income when the Company has reasonable assurance that it will comply with the terms of early repayment of this aid. The Company measured the loan at a fair value of \$46,051 resulting in an adjustment of \$13,949 recognized in the consolidated statement of operations as government assistance. During the year ended September 30, 2021, the Company recognized accretion of the loan of \$4,322 increasing the carrying value of the loan payable to \$50,373.

### **6. Related Party Transactions**

- (a) During the year ended September 30, 2021, the Company incurred management fees of \$85,500 (2020 – \$42,000) to the Chief Executive Officer ("CEO") of the Company. As at September 30, 2021, the Company owed the CEO of the Company \$nil (2020 – \$12,500), which is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand.
- (b) During the year ended September 30, 2021, the Company incurred management fees of \$12,000 (2020 – \$9,500) to the Chief Financial Officer ("CFO") of the Company.
- (c) During the year ended September 30, 2021, the Company incurred wages of \$nil (2020 – \$13,000) and consulting fees of \$63,000 (2020 – \$28,000) to the son of the CFO of the Company and a company controlled by the son of the CFO of the Company, respectively.
- (d) During the year ended September 30, 2021, the Company incurred rent of \$38,250 (2020 – \$9,000) and office and miscellaneous of \$12,750 (2020 – \$3,000) to a company with common officers and directors.

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### **7. Share Capital**

Authorized: Unlimited number of common shares without par value.

Share transactions during the year ended September 30, 2021:

- (a) On November 3, 2020, the Company issued 7,372,399 common shares in exchange for 100% of the issued and outstanding common shares of Lynx Gold Mining Corp. Refer to Note 3.
- (b) On November 3, 2020, the Company issued 500,000 common shares with a fair value of \$300,000 as an option payment pursuant to the Mineral Agreement for the Millennium Property. Refer to Note 4.
- (c) On November 10, 2020, the Company issued 500,000 common shares with a fair value of \$300,000 pursuant to a consulting agreement entered into by LGMC prior to being acquired by the Company. Pursuant to the consulting agreement, LGMC agreed to issue 500,000 common shares of LGMC, or its parent company, upon entering into the Mineral Agreement for the Millennium Property. Refer to Note 3.
- (d) On November 12, 2020, the Company completed a private placement of 2,497,900 units at \$0.36 per unit for gross proceeds of \$899,244. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at \$0.47 per share expiring on November 12, 2022. In connection with this private placement, the Company incurred finder's fees of \$48,511 and issued 134,752 broker's warrants with a fair value of \$30,401. Each broker's warrant is exercisable at \$0.47 per common share expiring on November 12, 2022.
- (e) On November 12, 2020, the Company issued 230,555 units with a fair value of \$83,000 to settle debt of \$83,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at \$0.47 per common share expiring on November 12, 2022.
- (f) On February 16, 2021, the Company issued 156,600 common shares with a fair value of \$112,752 for services.
- (g) On February 25, 2021, the Company completed a private placement of 2,059,158 units at \$0.44 per unit for gross proceeds of \$906,029. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at \$0.56 per share expiring on February 25, 2023. In connection with this private placement, the Company incurred finder's fees and other issuance costs of \$68,530 and issued 152,114 broker's warrants with a fair value of \$33,819. Each broker's warrant is exercisable at \$0.56 per common share expiring on February 25, 2023.
- (h) On March 2, 2021, the Company issued 3,600 common shares for proceeds of \$1,692 pursuant to the exercise of share purchase. The fair value of the share purchase warrants exercised of \$813 was transferred from share-based payment reserve to share capital upon exercise.

Share transactions during the year ended September 30, 2020:

- (i) On February 18, 2020, the Company issued 776,850 common shares upon the automatic conversion of 776,850 special warrants due to the receipt of the Company's final prospectus (Notes 8(a) and (b)).

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### 8. Special Warrants

- (a) On August 28, 2019, the Company completed a private placement of 124,250 non-transferable special warrants at \$0.50 per special warrant for gross proceeds of \$62,125. Included in this issuance were 2,000 special warrants for proceeds of \$1,000 issued to a significant shareholder of the Company. Each special warrant entitles subscribers to acquire, without payment of any consideration in addition to that already paid, one common share of the Company. Each special warrant will automatically convert into common shares on the earlier of the first business day following the day on which a receipt for a final prospectus has been issued to the Company, or the 240<sup>th</sup> day following the issuance of the special warrants (April 24, 2020). In connection with the private placement, the Company paid a finder's fee of \$6,213. On February 18, 2020, the special warrants automatically converted into common shares and were deemed to have been exercised. Refer to Note 7(i).
- (b) On August 29, 2019, the Company completed a private placement of 652,600 non-transferable special warrants at \$0.50 per special warrant for gross proceeds of \$326,300. Each special warrant entitles subscribers to acquire, without payment of any consideration in addition to that already paid, one common share of the Company. Each special warrant will automatically convert into common shares on the earlier of the first business day following the day on which a receipt for a final prospectus has been issued to the Company, or the 240<sup>th</sup> day following the issuance of the special warrants (April 25, 2020). On February 18, 2020, the special warrants automatically converted into common shares and were deemed to have been exercised. Refer to Note 7(i).

### 9. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, September 30, 2019 and 2020	–	–
Issued	5,074,479	0.51
Exercised	(3,600)	0.47
Balance, September 30, 2021	5,070,879	0.51

As at September 30, 2021, the following share purchase warrants were outstanding:

Exercise price \$	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.47	November 12, 2022	2,859,607	1.1
0.56	February 25, 2023	2,211,272	1.4

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### 10. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, September 30, 2019	–	–
Granted	800,000	0.50
Outstanding, September 30, 2020	800,000	0.50
Granted	75,000	0.55
Expired	(75,000)	0.55
Outstanding, September 30, 2021	800,000	0.50

Additional information regarding stock options outstanding as at September 30, 2021, is as follows:

Outstanding and exercisable		
Number of options	Weighted average remaining contracted life (years)	Weighted average exercise price \$
800,000	4.0	0.50

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended September 30, 2021, the Company recognized share-based compensation expense of \$14,473 (2020 – \$181,867) in share-based payment reserve. During the year ended September 30, 2021, the weighted average grant date fair value \$0.19 (2020 – \$0.22) per option.

The weighted average assumptions used in calculating the fair value of share-based compensation expense, assuming no dividends or expected forfeitures, are as follows:

	2021	2020
Risk-free interest rate	0.27%	0.36%
Expected volatility	64%	60%
Expected life (years)	2	5

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### **11. Fair Value Measurements and Risk Management**

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair values of the Company's financial instruments, which include cash, accounts payable and accrued liabilities, and loan payable approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. As at September 30, 2021, the Company has a cash balance of US\$327,803 and mineral exploration expenses denominated in U.S. dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

#### (d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

#### (e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

#### (f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

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### 12. Capital Management

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements.

### 13. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2021 \$	2020 \$
Statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(1,692,640)	(199,176)
Tax effect of:		
Permanent differences and other	1,367,650	49,105
Change in unrecognized deferred income tax assets	324,990	150,071
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2021 \$	2020 \$
Deferred income tax assets:		
Non-capital losses carried forward	389,037	153,302
Resource pools	234,911	170,602
Share issuance costs	25,952	1,006
Unrecognized deferred income tax assets	(649,900)	(324,910)
Net deferred income tax asset	–	–

As at September 30, 2021, the Company has non-capital losses carried forward of \$1,440,878 (2020 – \$567,785), which are available to offset future years' taxable income. These losses expire as follows:

	\$
2038	39,023
2039	205,679
2040	323,083
2041	873,093
	1,440,878

As at September 30, 2021, the Company has available mineral resource related expenditure pools totaling \$870,042 (2020 – \$631,861) which may be deducted against future taxable income on a discretionary basis.

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### **14. Subsequent Events**

- (a) On November 28, 2021, the Company entered into a mineral property purchase and sale agreement (the "Agreement") to acquire 100% of the rights, title, and interest in the Canoe Landing Lake West Project ("Canoe"), located in New Brunswick, Canada. The Agreement closed on January 24, 2022. The Company also acquired 50% of the rights, title, and interest in the Nine Mile Brook Project ("Nine Mile"), located in New Brunswick, Canada, as well as an option to acquire the remaining 50%. To acquire the rights, title, and interest of 100% of Canoe and 50% of Nine Mile, the Company paid \$25,000 in cash and issued 21,000,000 common shares.

To acquire the remaining 50%, the Company must pay \$3,000,000, of which \$25,000 is due on the effective date of the Agreement (the "Option Fee"), \$50,000 is due on each anniversary of the effective date of the Agreement over the 4 year term (the "Annual Option Fee"), and an additional payment of \$3,000,000 less the Option Fee and the Annual Option Fees. The Company must also incur \$1,000,000 of expenditures on the Nine Mile property, including at least \$500,000 of expenditures on or before 12 months following the effective date of the Agreement.

The Company also issued 630,000 common shares as a finder's fee upon completion of the transaction.

- (b) Effective December 20, 2021, the Company completed a 2-for-1 consolidation of its issued and outstanding common shares. All share and per share amounts in these consolidated financial statements have been retroactively restated for all periods presented.