

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

(unaudited)

EXPRESSED IN CANADIAN DOLLARS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Atlantic Industrial Minerals Incorporated (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Smythe LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, expressed in Canadian dollars)

As at	August 31 2020	February 29 2020
ASSETS		
Current		
Cash	\$ 6,576	\$ 610
Sales tax receivable	1,672	21,476
	8,248	22,086
Land (note 6)	26,500	26,500
	\$ 34,748	\$ 48,586
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 7,11)	\$ 765,934	\$ 789,584
Loans payable (note 11)	483,630	458,081
	1,249,564	1,247,665
DEFICIENCY		
Share capital (note 8)	1,968,510	1,968,510
Deficit	(3,183,326)	(3,167,589)
	(1,214,816)	(1,199,079)
	\$ 34,748	\$ 48,586

Nature of operations and going concern (note 1)

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

	Three months ended		Six months ended	
	August 31		August 31	
	2020	2019	2020	2019
Expenses				
Corporate and administrative (note 9)	\$ 10,221	\$ 22,718	\$ 14,736	\$ 26,333
Exploration and evaluation (note 10)	1,650	41,007	1,650	39,555
	11,871	63,725	16,386	65,888
Other items				
Interest income	(649)	-	(649)	-
Net loss and comprehensive loss	\$ (11,222)	\$ (63,725)	\$ (15,737)	\$ (65,888)
Basic and diluted loss per share (note 12)	\$ (0.001)	\$ (0.003)	\$ (0.001)	\$ (0.003)
Weighted average number of common shares outstanding: Basic and diluted	24,633,448	24,633,448	24,633,448	24,633,448

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Share capital		Deficit	Total
	Number	Amount		
Balance, February 28, 2019	24,633,449	\$ 1,968,510	\$ (3,056,564)	\$ (1,088,054)
Net loss for the period	-	-	(65,888)	(65,888)
Balance, August 31, 2019	24,633,449	1,968,510	(3,122,452)	(1,153,942)
Net loss for the period	-	-	(45,137)	(45,137)
Balance, February 29, 2020	24,633,449	1,968,510	(3,167,589)	(1,199,079)
Net loss for the period	-	-	(15,737)	(15,737)
Balance, August 31, 2020	24,633,449	\$ 1,968,510	\$ (3,183,326)	\$ (1,214,816)

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

	Three months ended		Six months ended	
	2020	August 31 2019	2020	August 31 2019
Operating activities				
Loss for the period	\$ (11,222)	\$ (63,725)	\$ (15,737)	\$ (65,888)
Changes in non-cash working capital items				
Sales tax receivable	20,125	(8,911)	19,804	(9,330)
Accounts payable and accrued liabilities	(28,440)	62,682	(23,650)	40,944
	(19,537)	(9,954)	(19,583)	(34,274)
Financing activities				
Loan proceeds received (note 11)	25,549	8,615	25,549	34,355
Net change in cash	6,012	(1,339)	5,966	81
Cash, beginning of period	564	2,772	610	1,352
Cash, end of period	\$ 6,576	\$ 1,433	\$ 6,576	\$ 1,433

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Atlantic Industrial Metals Incorporated (the “Company”) is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties in Canada. The address of the Company’s registered office is 1550 Bedford Highway, Suite 802, Bedford, Nova Scotia, B4A 1E6. The Company’s shares are listed on the NEX board of the TSX Venture Exchange under the trading symbol “ANL”.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company’s ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

At August 31, 2020, the Company had a working capital deficiency of \$1,241,316 (February 29, 2020 - \$1,225,579), incurred losses for the current six month period of \$15,737 (August 31, 2020 - \$65,888), and has an accumulated deficit of \$3,183,326 (February 29, 2020 - \$3,167,589).

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include the necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching and business around the world have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and significant declines. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the COVID-19 pandemic, nor its impact on the financial position and results of the Company in future periods. The Company is proceeding with its exploration activities as long as the work environment remains safe.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements for the six month period ended August 31, 2020 were approved and authorized for issue by the Company’s board of directors on October 21, 2020.

Basis of Presentation and Consolidation

These consolidated financial statements include the accounts of the Company and its two wholly-owned Canadian incorporated subsidiaries, Glencoe Resources Inc. and Great Bras d’Or Springs Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss. These consolidated financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries functional currency.

These interim consolidated financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company’s audited 2020 annual consolidated financial statements. These interim results are not necessarily indicative of the results that may be anticipated for the entire fiscal year.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements, in conformity with IFRS, requires the Company’s management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company’s assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Significant estimates relate to:

- establishment of provisions; and,
- recognition of deferred tax assets.

Significant judgements relate to:

- ability to continue as a going concern; and,
- choice of accounting policy for exploration and evaluation expenditures.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies, as described in Note 4 of the Company’s audited consolidated financial statements for the year ended February 29 2020, have been applied consistently to all periods presented in these financial statements, unless otherwise noted.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholders' equity. In order to maintain its capital structure the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not established quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the current six month period. The Company is not subject to any externally imposed capital requirements.

6. LAND

The Company owns a spring water resource property in Victoria County, Cape Breton, Nova Scotia. There are currently no plans to develop this property.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31 2020	February 29 2020
Trade payables	\$ 240,340	\$ 253,170
Accrued liabilities	25,752	36,572
Related parties (note 11)	499,842	499,842
	\$ 765,934	\$ 789,584

8. SHARE CAPITAL

Authorized

Unlimited common shares

Stock Options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

There were no options outstanding or issued during the six month period ended August 31, 2020 or the year ended February 29, 2020.

Warrants

There were no warrants outstanding or issued during the six month period ended August 31, 2020 or the year ended February 29, 2020.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

9. CORPORATE AND ADMINISTRATIVE

	Three months ended		Six months ended	
	2020	August 31 2019	2020	August 31 2019
Consulting	\$ 680	\$ 1,200	\$ 1,180	\$ 1,200
Filing and transfer agent fees	7,610	6,716	9,550	9,521
Office and general	342	620	691	697
Professional fees	1,589	13,457	3,315	13,457
Shareholder relations and promotion	-	725	-	1,458
	\$ 10,221	\$ 22,718	\$ 14,736	\$ 26,333

10. EXPLORATION AND EVALUATION

	Three months ended		Six months ended	
	2020	August 31 2019	2020	August 31 2019
Property costs	\$ -	\$ 320	\$ -	\$ (1,132)
Assaying	-	6,077	-	6,077
Consulting/Contracting	1,650	7,260	1,650	7,260
Drilling	-	9,128	-	9,128
Reports	-	18,222	-	18,222
	\$ 1,650	\$ 41,007	\$ 1,650	\$ 39,555

Glencoe Carbonate Property - Nova Scotia

The Company holds a 100% interest in the Glencoe Carbonate Property located in Inverness County, Cape Breton, Nova Scotia. A production royalty based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold from the property is payable, in aggregate, to a Company director and a former director.

During the year ended February 28, 2018, the Company paid \$11,000 to acquire an option to purchase the surface rights of two additional properties in the Glencoe vicinity for a total cost of \$70,000. The balance of the purchase price is payable upon the commencement of a commercial extraction plant.

11. RELATED PARTY TRANSACTIONS AND BALANCES

- (i) Accounts payable and accrued liabilities include \$499,842 (February 29, 2020 - \$499,842) payable to a Company director, companies controlled by Company directors and a former Company director (the "Former Director"), who departed the Company on June 25, 2018.

Of this amount, \$350,000 (February 29, 2020 - \$350,000) is payable to a Company director and the Former Director for consulting and professional fees and other payments related to the acquisition of the Company's former Kewstoke Carbonate property. The Company director and the Former Director are each owed \$175,000 and the payment of such amounts was deferred until June 14, 2020, pursuant an agreement dated June 24, 2014 and as amended on February 1, 2017. The debt is unsecured and non-interest bearing.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Loans payable of \$483,630 (February 29, 2020 - \$458,081) consist of \$436,706 (February 29, 2020 - \$411,157) payable to Company directors or companies controlled by Company directors and \$46,924 (February 29, 2020 - \$46,924) payable to the Former Director. The Company received from a director loans of \$25,549 (2019 - \$8,615) for the three month period and \$25,549 (2019 - \$34,355) for the six month period. These amounts represent cash loans and are unsecured, non-interest bearing and have no fixed terms of repayment.

(iii) A Company director is entitled to receive, in aggregate, a production royalty based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold from the Glencoe Carbonate Property (Note 10).

12. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The methods and assumptions used to develop fair value measurements are:

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

The carrying value of accounts payable and accrued liabilities and loans payable approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Cash is measured at fair value using Level one inputs.

Classification of Financial Instruments

		August 31 2020	February 29 2020
Financial assets			
Cash	Amortized cost	\$ 6,576	\$ 610
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	\$ 765,934	\$ 789,584
Loans payable	Amortized cost	483,630	458,081

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2020

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The primary risks the Company's financial instruments are exposed to are described below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash. The Company mitigates the risk to its cash by depositing its cash with Canadian banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans payable have no specific terms of repayment. As at August 31, 2020, the Company had cash of \$6,576 to settle current liabilities of \$1,249,564. The Company does not have sufficient cash to fund its obligations and activities for the coming financial year and will be required to raise additional capital.

Currency Risk

The Company is not exposed to foreign currency risk as it operates in Canada and its expenditures are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption. The Company has no interest bearing debt.