

CMC METALS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the nine months ended June 30, 2022 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at June 30, 2022 and September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	June 30, 2022	September 30, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 2,242,871	\$ 524,107
Receivables	138,081	62,316
Prepaid expenses (Note 11)	208,816	30,715
	2,589,768	617,138
Non-current		
Reclamation bond (Notes 5 and 9)	405,118	402,311
Equipment	68,250	-
TOTAL ASSETS	\$ 3,063,136	\$ 1,019,449
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 218,616	\$ 283,661
Due to related parties (Note 11)	-	14,895
Preferred shares (Note 8)	500,000	500,000
Flow-through premium (Note 13)	132,558	-
	851,174	798,556
Non-current		
Loan payable (Note 7)	31,586	24,646
Provision for restoration and environmental obligation (Note 9)	395,529	392,722
TOTAL LIABILITIES	1,278,289	1,215,924
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 10)	25,959,031	23,404,022
Share subscription receivable (Note 14)	(15,000)	-
Share-based payment reserve	2,341,621	958,266
Deficit	(26,500,805)	(24,558,763)
TOTAL SHAREHOLDERS' DEFICIENCY	1,784,847	(196,475)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 3,063,136	\$ 1,019,449

Nature and continuance of operations – (Note 1)**Commitments** – (Notes 6, 7 and 9)**Subsequent events** – (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors:

“Kevin Brewer”

Kevin Brewer

“John Bossio”

John Bossio

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the three months ended June 30,		For the nine months ended June 30,	
	2022	2021	2022	2021
Expenses				
Amortization	\$ 1,750	\$ -	\$ 1,750	\$ -
Consulting fees (Note 11)	137,833	65,254	303,455	119,876
Exploration expenditures (Notes 6 and 11)	512,905	181,665	1,003,781	470,090
Filing fees and transfer agent	57,676	8,718	79,529	45,255
Finance fee (Note 11)	-	-	6,573	-
Insurance	2,849	-	3,799	10,411
Interest and bank charges	4,494	89	8,235	1,805
Management fees (Note 11)	117	1,259	3,917	2,658
Marketing	28,221	65,868	57,743	144,292
Office and miscellaneous (Note 11)	29,785	120,560	57,309	164,837
Professional fees	17,756	29,629	78,409	90,056
Rent (Note 11)	-	9,000	-	18,000
Stock-based compensation (Notes 10 and 11)	7,551	35,885	337,013	319,533
Travel	65,774	3,987	100,914	12,545
	866,711	521,914	2,035,854	1,405,931
Loss before other items	(866,711)	(521,914)	(2,035,854)	(1,405,931)
Other items				
Government grant (Note 7)	-	-	15,426	-
Other income (Note 13)	50,854	-	70,647	75,000
Gain (loss) on foreign exchange	(3,257)	(3,001)	(1,649)	(14,834)
Gain on disposal of asset	-	-	9,388	-
	47,597	(3,001)	93,812	60,166
Net loss and comprehensive loss for the period	\$ (819,114)	\$ (524,915)	\$ (1,942,042)	\$ (1,345,765)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	118,779,410	86,173,745	106,144,107	75,687,252

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY**

For the nine months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Share Capital	Subscriptions Received in Advance	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2020	66,345,385	\$ 20,654,620	\$ 2,500	\$ 611,437	\$ (21,531,268)	\$ (262,711)
Share issuances for cash	24,892,115	2,473,537	(2,500)	-	-	2,471,037
Share subscriptions receivable	-	-	(22,400)	-	-	(22,400)
Shares issued for mineral properties	320,000	45,900	-	-	-	45,900
Share issuance costs	-	(35,508)	-	-	-	(35,508)
Finder's fee agent's warrants	-	(15,947)	-	15,947	-	-
Fair value allocated to warrants	-	(463,728)	-	463,728	-	-
Reallocation on exercise of warrants	-	436,104	-	(436,104)	-	-
Share-based payments	-	-	-	319,533	-	319,533
Loss and comprehensive loss for the period	-	-	-	-	(1,345,765)	(1,345,765)
Balance, June 30, 2021	91,557,500	\$ 23,094,978	\$ (22,400)	\$ 974,541	\$ (22,877,033)	\$ 1,170,086
Balance, September 30, 2021	94,507,500	\$ 23,404,022	\$ -	\$ 958,266	\$ (24,558,763)	\$ (196,475)
Share issuances for cash	27,658,942	2,899,596	(15,000)	972,182	-	3,856,778
Share issue cost – cash	-	(216,972)	-	-	-	(216,972)
Agent's warrants issued	-	(111,279)	-	111,279	-	-
Reallocate flow-through premium	-	(203,205)	-	-	-	(203,205)
Shares issued for properties	700,000	80,750	-	-	-	80,750
Shares issued pursuant to exercise of stock options	300,000	76,119	-	(37,119)	-	39,000
Share-based payments	-	-	-	337,013	-	337,013
Loss and comprehensive loss for the period	-	-	-	-	(1,902,042)	(1,902,042)
Balance, June 30, 2022	123,166,442	\$ 25,959,031	\$ (15,000)	\$ 2,341,621	\$ (26,460,805)	\$ 1,794,847

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

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the nine months ended June 30,	
	2022	2021
Operating Activities		
Net loss for the period	\$ (1,942,042)	\$ (1,345,765)
Items not affecting cash		
Amortization	1,750	-
Accrued interest on promissory note and loans	2,366	1,715
Stock-based compensation	337,013	319,533
Government grant	(15,426)	-
Other income	(70,647)	-
Shares issued for exploration and evaluation assets	80,750	-
Changes in non-cash working capital items related to operations:		
Receivables	(74,765)	(112,397)
Prepays	(178,101)	20,208
Trade payables and accrued liabilities	(65,045)	(5,324)
Due to related parties	(14,895)	(61,604)
Cash used in operating activities	(1,939,042)	(1,183,634)
Investing Activities		
Equipment purchase	(70,000)	-
Exploration and evaluation assets	-	(66,000)
Cash used in investing activities	(70,000)	(66,000)
Financing Activities		
RRRF loan	20,000	-
Proceeds on issuance of common shares	3,925,778	2,544,887
Share issuance costs	(216,972)	(35,508)
Cash provided by financing activities	3,728,806	2,509,379
Effect of foreign exchange	-	17,181
Change in cash during the period	1,719,764	1,276,926
Cash, beginning of period	524,107	300,610
Cash, end of the period	\$ 2,243,871	\$ 1,577,536
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period		
Interest	\$ -	\$ -
Income taxes	-	-
Non-cash transactions:		
Shares issued for exploration and evaluation assets	\$ -	\$ 45,900
Fair value of agent's warrants	111,279	-
Fair value on transfer from reserve on exercise of warrants	37,119	436,104

CMC METALS LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended June 30, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the “Company”) is incorporated in the Province of British Columbia and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States of America. The Company is listed on the TSX Venture Exchange (“TSX-V”). On August 11, 2022, the Company was approved for trading on the OTCQB – Venture Market, operated by the OTC Markets Group under the trading symbol “CMCXF”

The head office and principal address of the Company are located at Suite 1000 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2 and its records office is located at Suite 1120 – 625 Howe Street, Vancouver British Columbia, Canada, V6C 2T6.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of June 30, 2022, the Company had not advanced its properties to commercial production and has accumulated deficit of \$26,500,805. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business.

2. BASIS OF PRESENTATION

Statement of compliance

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2022.

Basis of preparation

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

CMC METALS LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended June 30, 2022

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(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at September 30, 2021. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2021.

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods are as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023 and are not expected to have a material impact on the Company.

4. Critical accounting estimates, assumptions and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments, estimates and assumptions in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going Concern

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 1.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. RECLAMATION BOND

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of June 30, 2022, the reclamation bond consists of a deposit of \$249,459 (September 30, 2021 - \$246,652) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 6).

During the year ended September 30, 2021, the Company advanced \$9,589 to the Government of the Yukon Territory as additional security deposit for site restoration on the Silver Hart property. This is in addition to the \$146,070 letter of Credit that was provided to the Government of the Yukon Territory (Note 9). The letter of Credit is secured by the Company's Guaranteed Investment Certificate of \$146,070 and recorded in reclamation bond. As at June 30, 2022, there were no additional payments made to the Government of the Yukon Territory.

CMC METALS LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended June 30, 2022

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6. EXPLORATION AND EVALUATION EXPENDITURES

	Silver Hart	Bishop Mill	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Blue Heaven	Rodney Pond	Total
Costs incurred during the period:									
Acquisition costs	\$ -	\$ -	\$ 29,000	\$ 26,250	\$ 43,000	\$ 10,000	\$ 62,500	\$ 17,500	\$ 188,250
Assaying	69,183	-	13,065	-	-	96	-	-	82,344
Contractors	155,238	-	73,319	7,174	87,930	26,565	2,150	9,089	361,465
Clean up costs	-	17,000	-	-	-	-	-	-	17,000
Equipment rental	101,117	-	2,558	-	-	259	-	-	103,934
Field office and miscellaneous	45,655	-	16,348	-	-	-	-	-	62,003
Geological	82,573	-	31,308	135	-	2,061	-	-	116,077
Geophysical	4,000	-	5,500	1,400	-	-	4,962	-	15,862
Supervision fees	18,972	-	-	-	-	-	-	-	18,972
Travel expenses	36,799	-	-	-	-	307	-	768	37,874
For the nine months ended June 30, 2022	\$ 513,537	\$ 17,000	\$ 171,098	\$ 34,959	\$ 130,930	\$ 39,288	\$ 69,612	\$ 27,357	\$ 1,003,781

Silver Hart Property

On February 21, 2005, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an individual who subsequently became a director and officer of the Company for a total of \$995,000. The Company's remaining and additional obligation for the consideration was settled by the issuance of a loan.

During the year ended September 30, 2020, the Company entered into a Yukon Mineral Exploration Transfer Payment Program Agreement with the Yukon Geological Survey ("YG") for a one-time financial assistance to assist with the costs of an exploration program related to the Silver Hart Property. The YG agreed to contribute up to a maximum of \$40,000 (the "Government Credit") towards eligible exploration expenditures which are, in the opinion of YG, reasonable and directly attributable to the Silver Hart.

During the year ended September 30, 2020, the Company incurred the eligible exploration expenditures and, therefore, recorded the \$40,000 Government Credit in receivables and as a reduction to the cumulative costs incurred on the Silver Hart Property. During the year ended September 30, 2021, the Government Credit was received in full.

The Government Credit was made available on certain terms and conditions, and in reliance on attestations made by the Company in the agreement. Non-compliance with the terms and conditions may result in termination, withholding by the YG of some or all of the Government Credit or repayment of all or part of the Government Credit. The amount demanded for repayment shall bear interest beginning on the due date and ending on the day before the day on which payment is received by YG. To September 30, 2021 and subsequently, the Company has not received notification of non-compliance.

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property. Accordingly, the Company has recognized its obligation to remediate the claim and have provided reclamation deposits on a progressive basis (Notes 5 and 9).

CMC METALS LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended June 30, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)**Blue Heaven Property**

On June 1, 2020, the Company entered into a Property Option Agreement with Strategic Metals Ltd. (“Strategic”) to acquire up to a 100% interest in certain claims comprising the Blue Heaven Property located in the Rancheria Silver District, Yukon Territories.

The Company has the option to acquire an 80% interest (the “First Option”) for the following consideration payments:

- \$7,500 upon execution of the Agreement (paid);
- An additional \$30,000 on or before June 1, 2021 (paid);
- An additional \$62,500 on or before June 1, 2022 (paid);
- An additional \$125,000 on or before June 1, 2023; and
- An additional \$175,000 on or before June 1, 2024.

Upon completion of the First Option payments, the Company and Strategic will enter into a joint venture to pursue the exploration, development, construction and mining of the Blue Heaven Property. The Company will be the initial operator of the joint venture and remain for as long as its interest is equal to or exceeds 50%.

The Company has the option to acquire a further 20% interest (the “Second Option”) by payment of \$500,000 on or before November 28, 2024. Upon completion of the Second Option payment, the Company will be deemed to have acquired a 100% interest in the Blue Heaven Property.

The Blue Heaven Property is subject to a 2% net smelter royalty (“NSR”). The Company has the option to acquire one-half, being 1%, of the NSR for \$1,000,000.

Bishop Mill Property

On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California. Subsequent to the purchase of the Bishop Mill Property, the Company has continued to incur additional costs in order to bring the mill and equipment to use. As at September 30, 2021, the Bishop Mill was not capable of operating in a manner intended by management. During the nine months ended June 30, 2022, the Company incurred \$17,000 (September 30, 2021 - \$60,846) in clean-up costs on the Bishop Mill Property. As at June 30, 2022 and September 30, 2021, the Company has a reclamation bond with the Bureau of Land Management and has recognized its obligation to remediate the claims (Notes 5 and 9).

Bridal Veil Property

On October 22, 2020, the Company entered into a mineral property option agreement to acquire a 100% working interest in the Bridal Veil Property located in the Gander Subzone in Central Newfoundland, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on December 11, 2020. The Company paid \$16,000 cash and issued 120,000 common shares at a fair value of \$14,400 to the optionors on December 15, 2020.

Pursuant to this agreement, the Company is required to make the following additional payments:

- \$24,000 plus issue 100,000 common shares or pay \$10,000 in cash (paid) and issue 200,000 common shares on or before October 22, 2021 (issued); and,
- \$20,000 plus 100,000 common shares or \$10,000 and 200,000 common shares on or before October 22, 2022 and October 22, 2023.

There is a 2.5% NSR of which 1.5% can be purchased at any time by the Company from the optionors for \$1,000,000 per 1%.

CMC METALS LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended June 30, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)**Rancheria Property**

On November 2, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Rancheria South mineral property located in the Liard Mining Division in the Province of British Columbia, for consideration of the issuance of a total of 1,500,000 common shares of the Company over a period of three years from the date of the agreement, subject to TSX-V approval which was received on December 11, 2020.

The Company issued 100,000 common shares at a fair value of \$12,000 (issued) to the optionor on December 15, 2020 and will issue:

- 250,000 common shares on or before November 2, 2021 (issued).
- 400,000 common shares on November 2, 2022; and,
- 750,000 common shares on November 2, 2023.

The Company is committed to incurring exploration expenditures on the Rancheria Property totaling \$175,000 as follows:

- \$25,000 on or before November 2, 2021 (incurred);
- an additional \$50,000 on or before November 2, 2022 (incurred); and,
- an additional \$100,000 on or before November 2, 2023.

There is a 2% NSR which can be reduced to 1% upon the payment of \$1,000,000.

Amy and Silverknife Property

On February 10, 2021, the Company entered into a mineral property option agreement to acquire up to a 100% working interest in the Silverknife and Amy mineral properties in the Liard Mining Division in the Province of British Columbia, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on February 25, 2021, and the Company paid \$15,000 cash on February 4, 2021 and issued 100,000 common shares at a fair value of \$19,500 to the optionors on March 4, 2021.

Pursuant to this agreement, the Company is required to make the following additional payments:

- \$15,000 plus issue 200,000 common shares on or before February 10, 2022 (issued and paid);
- \$20,000 plus issue 400,000 common shares on or before February 10, 2023;
- \$40,000 plus issue 500,000 common shares on or before February 10, 2024;.

The Company is committed to incurring exploration expenditures on the Amy and Silverknife Property totaling \$60,000 as follows:

- \$10,000 on or before February 10, 2022 (incurred);
- an additional \$20,000 on or before February 10, 2023; and,
- an additional \$30,000 on or before February 10, 2024.

There is a 2% NSR of which 1% can be purchased at any time by the Company from the optionors for \$1,000,000.

Terra Nova Property

On October 22, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Terra Nova Property located in the Terra Nova District in Central Newfoundland, for consideration of cash only, \$5,000 (paid) which was due on signing, and subsequent payments as follows:

- \$10,000 on or before October 22 2021 (paid);
- \$20,000 on or before October 22, 2022; and,
- \$30,000 on or before October 22, 2023.

On the fifth anniversary date, an advance royalty is to be paid of \$5,000 per year to the optionors and a NSR of which 1.0% can be purchased at any time by the Company for \$1,000,000.

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For the nine months ended June 30, 2022

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(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)**Rodney Pond Property**

The Company acquired an option to earn up to a 100% working interest in the Rodney Pond Property in the highly prospective Gander Subzone in central Newfoundland, subject to an option agreement with Nancy, Stephen and Larry Rogers (the prospectors) of Hare Bay, Nfld. Terms of the option agreement. Pursuant to the terms of the agreement the Company will make the following to the prospectors:

- \$10,000 cash payment and issuance of 50,000 common shares on execution of the agreement. (issued and paid)
- First anniversary date, January 6, 2023: \$10,000 cash and 50,000 common shares;
- Second anniversary date, January 6, 2024: \$15,000 cash and 75,000 common shares;
- Third anniversary date, January 6, 2025: \$25,000 cash and 125,000 common shares;
- In addition, the agreement provides for a conventional royalty of 2%, of which 1% can be purchased at any time by the company from the prospectors for \$1,000,000.

7. LOANS***Regional Relief and Recovery Fund Loan***

During the year ended September 30, 2020, the Company applied for a \$40,000 loan from Her Majesty the Queen in Right of Canada as represented by the Minister responsible for Western Economic Diversification Canada (the “Minister”), pursuant to the Regional Relief and Recovery Fund (“RRRF”) program (the “RRRF Loan”). The RRRF Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement. During the year ended September 30, 2021, the Company received the \$40,000.

The RRRF Loan is an interest-free loan, available to the Company until December 31, 2020. On January 1, 2021, the RRRF Loan will be converted to a 3-year, 0% interest term loan, to be repaid by December 31, 2022. If the Company repays \$30,000 by December 31, 2022, a balance of \$10,000 will be forgiven. If on December 31, 2022, the Company has not repaid the \$30,000, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

The funds from the RRRF Loan may only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation. As such, the government grant was amortized and recognized in the statement of profit or loss over the year ending September 30, 2020; the period in which the Company recognized the related expenditures for which the balances were intended to compensate.

Upon initial receipt, the Company recorded the RRRF Loan at a fair value of \$19,478, based on a prevailing market rate of 17%. The Company recorded the result of the benefit received from the interest-free RRRF Loan of \$10,522 as a government grant. The portion of the forgivable RRRF Loan of \$10,000 was also treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan. During the year ended September 30, 2020, the government grant of \$10,522 has been amortized and recognized in profit or loss. During the year ended September 30, 2021, the Company recorded \$3,581 (September 30, 2020 – \$1,586) in interest on the RRRF Loan.

During the period ended June 30, 2022, the Government of Canada extended the December 31, 2022 repayment deadline to December 31, 2023 and issued an additional \$20,000 in RRRF to the Company to the maximum of \$60,000. The Company recorded the additional RRRF loan at a fair value of \$7,305 based on the same rates as of the previous loan. The Company recorded the result of the benefit of \$2,695 as a government grant. The portion of the forgivable RRRF Loan of \$10,000 was treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan. The Company re-valued the original RRRF Loan for the extension and recognized a benefit of \$2,731 as a government grant.

During the period ended June 30, 2022, the Company recorded \$2,366 in interest on the RRRF Loan.

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8. PREFERRED SHARES

The Company's subsidiary (0877887 B.C. Ltd.) issued 5,000 Class A non-voting preferred shares (the "Class A preferred shares") at a price of \$100 per share, for total proceeds of \$500,000. Attached to these preferred shares is an annual non-cumulative preferred cash dividend of 4.5% of the total, payable annually on March 31 of each year. To December 31, 2021, no dividends have been declared.

After April 9, 2015, redemption may be affected in whole or any number of the Class A preferred shares, if the Company is not insolvent at such time and that the redemption would not render the Company insolvent, as follows:

- Company: Upon giving no less than 10-day notice to the holders. If notice to redemption is given by the Company and holders of the Class A preferred shares fail to present and surrender the share certificates representing the shares called for redemption, the Company may deposit an amount sufficient to redeem the shares with any trust company or chartered bank of Canada and the holder will have no rights against the Company in respect of such shares except upon the surrender of certificates for such shares to receive payment; and
- Holder: Upon giving notice to the Company, the Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

9. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company estimated the fair value of the liabilities for reclamation that arose as a result of past exploration activities to be \$395,529 (September 30, 2021 - \$392,722) for the Bishop Mill Property and Silver Hart Property (Notes 5 and 6). The fair value of the liability was determined to be equal to the estimated remediation costs. The timing of the cash flow related to the reclamation activities is uncertain.

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart mineral property pursuant to its exploration program. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company has accrued a provision of \$146,070 (September 30, 2021 - \$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit secured by a guaranteed investment certificate for the same amount which bore interest at 0.31% per annum and cashable at maturity and is included in reclamation bond at June 30, 2022 and September 30, 2021.

10. SHARE CAPITAL

Authorized

Unlimited common shares, without par value

Unlimited Class A preferred share, non-voting, without par value

Issued common shares

As at June 30, 2022 – 123,166,442 (September 30, 2021 – 94,507,500) common shares are issued and outstanding.

For the nine months ended June 30, 2022

On May 24, 2022, the Company issued 300,000 common shares pursuant to the exercise of stock options at a price of \$0.13 per share for total proceeds of \$39,000. The Company transferred \$37,119 from contributed surplus.

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(Expressed in Canadian dollars)

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10. SHARE CAPITAL – (cont'd)**Issued common shares – (cont'd)***For the nine months ended June 30, 2022 – (cont'd)*

On April 19, 2022, the Company issued an aggregate of 20,158,942 units consisting of 13,761,998 non-flow-through units at a price of \$0.15 per unit and 6,396,944 flow-through (FT) units at a price of \$0.17 per FT unit for total proceeds of \$3,151,780 of which \$15,000 is included in share subscription receivable at June 30, 2022. This amount was received subsequent to June 30, 2022. Each non-flow-through unit will consist of one common share of the company and on-half of one transferable share purchase warrant. Each FT unit consists of one common share of the company to be issued as a flow-through share within the meaning of the Income Tax Act (Canada) and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the company at a price of \$0.20 per share on or before April 19, 2024. A fair value of \$735,529 was allocated to the 10,079,471 share purchase warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 2.50%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 131%. In connection to the financing the Company paid a finders fees of \$167,363 and issued 523,217 non-transferable finders' warrants exercisable at \$0.20 per share expiring on April 19, 2024. The Company fair value the finders' warrants at \$83,979 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 2.50%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 131%. The Company recognized a flow-through premium of \$128,205 on the private placement.

On February 25, 2022, the Company issued 50,000 common shares at a fair value of \$7,500 pursuant to the Rodney Pond property option agreement. (Note 6)

On February 22, 2022, the Company issued 200,000 common shares at a fair value of \$28,000 pursuant to the Amy and Silverknife mineral property option agreement. (Note 6)

On December 3, 2021, the Company issued 7,500,000 flow-through (FT) units at a price of \$0.10 per FT unit. Each FT unit consists of one common share of the company to be issued as a flow-through share within the meaning of the Income Tax Act (Canada) and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the company at a price of \$0.15 per share on or before December 3, 2023. A fair value of \$236,653 was allocated to the 3,750,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 0.99%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 137%. In connection to the financing the Company paid a finders fees of \$45,500 and other share issue cost of \$4,109 and issued 455,000 non-transferable finders' warrants exercisable at \$0.10 per share expiring on December 3, 2023. The Company fair value the finders' warrants at \$27,300 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.99%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 137%. The Company recognized a flow-through premium of \$75,000 on the private placement.

On October 27, 2021, the Company issued 250,000 common shares at a fair value of \$26,250, pursuant to the Rancheria mineral property option agreement (Note 6).

On October 6, 2021, the Company issued 200,000 common shares at a fair value of \$19,000, pursuant to the Bridal Veil mineral property option agreement (Note 6).

For the year ended September 30, 2021

On June 14, 2021, the Company issued 4,812,500 flow-through (FT) units at a price of \$0.16 per FT unit and 2,286,735 non-flow-through (NFT) units at a price of \$0.14 per NFT unit for gross proceeds of \$1,090,143. The Company recognized a flow-through premium of \$96,250. Each FT unit and each NFT unit comprises one common share and one transferable non-flow-through share purchase warrant exercisable on a 2:1 basis for a period of two years at a price of \$0.30 per share, expiring on June 14, 2023. A fair value of \$212,400 was allocated to the 3,549,618 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 0.32%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 139%. The Company paid a cash fee of \$18,410 and issued 115,063 finder's warrants to Red Cloud Securities Inc., equal to 7% of gross proceeds and units received from subscribers located by Red Cloud. A cash fee of \$10,454 and issued 84,271 finder's warrants to German Mining Networks GmbH, equal to 6% of gross proceeds received from subscribers located by German Mining. Each finders warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.30 per share expiring on June 14, 2023. The Company fair value the finders' warrants at \$15,947 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.45%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 139%.

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10. SHARE CAPITAL – (cont'd)**Issued common shares – (cont'd)***For the year ended September 30, 2021 – (cont'd)*

On March 4, 2021, the Company issued 100,000 common shares at a fair value of \$19,500, pursuant to the Amy and Silverknife Property option agreement (Note 6).

On January 13, 2021, the Company completed a private placement of a total of 4,800,000 units at \$0.125 per unit, for gross proceeds of \$600,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a two-year period at \$0.20 per share on 2:1 basis expiring January 13, 2023. A fair value of \$226,050 was allocated to the 4,800,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.16%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 141%. The Company paid share issuance costs of \$5,300 in relation to the private placement.

On December 15, 2020, the Company issued 100,000 common shares at a fair value of \$12,000, pursuant to the Rancheria Property option agreement (Note 6).

On December 15, 2020, the Company issued 120,000 common shares at a fair value of \$14,400 pursuant to the Bridal Veil Property option agreement (Note 6).

During the year ended September 30, 2021, the Company issued 15,942,880 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$1,119,645. Accordingly, the Company reallocated \$478,525 from share-based payment reserve to share capital upon exercise of such warrants.

Stock options

The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. The Company calculated the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

On January 13, 2021, the Company granted 2,010,000 stock options at a price of \$0.20 per share expiring on January 13, 2026 to certain of its directors, officers, employees, and consultants of the Company pursuant to the Company's Rolling Share Option Plan. 1,760,000 of the options granted vest over 90 days, and 250,000 of the options granted vest in stages over a period of twelve months from the date of grant with no more than one-quarter of the options. The weighted average fair value of stock options granted was \$324,012 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.36%; annual dividends - nil; expected life - 60 months; expected stock price volatility- 147%. During the year ended September 30, 2021, the Company recorded \$323,940 in share-based payments for vested stock options. During the nine months ended June 30, 2022, the Company recorded \$72.

On July 2, 2021, the Company granted 950,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.13 per share expiring on July 2, 2026 and vested at 25% every quarter with the first vesting on October 2, 2021. The fair value of the stock options of \$117,705 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.13; Risk-free interest rate of 0.78%; Dividend yield of nil; Expected volatility of 177%; Expected life of 5 years. During the year ended September 30, 2021, the Company recorded \$60,102 in share-based payments for vested stock options. During the nine months ended June 30, 2022, the Company recorded \$57,441.

On December 31 2021, the Company granted 2,500,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.12 per share expiring on December 31, 2026 and vested at the date of grant. The fair value of the stock options of \$279,500 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.13; Risk-free interest rate of 1.30%; Dividend yield of nil; Expected volatility of 128%; Expected life of 5 years. During the nine months ended June 30, 2022, the Company recorded \$279,500.

Volatility was determined based on the Company's historical data.

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10. SHARE CAPITAL – (cont'd)**Stock options – (cont'd)**

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

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2020	-	\$-
Granted	2,960,000	\$0.18
Balance, September 30, 2021	2,960,000	\$0.18
Granted	2,500,000	\$0.12
Exercised	(300,000)	\$0.13
Balance, June 30, 2022	5,160,000	\$0.15

The share price on the date of stock option exercised is \$0.20.

As at June 30, 2022, the Company had stock options outstanding enabling holders to acquire the following:

Number of Options	Vested	Weighted Average Remaining Life	Exercise Price per Option	Expiry Date
2,010,000	2,010,000		\$0.20	January 13, 2026
650,000	412,500		\$0.13	July 2, 2026
2,500,000	2,500,000		\$0.12	December 31, 2026
5,160,000	4,922,500	4.07 years		

Share-based payment reserve:

The share-based payment reserve records items recognized as share-based payments, expenses, and other share-based payments until such time that the stocks options or warrants are exercised at which time the corresponding amount will be transferred to share capital.

Share Purchase Warrants

Share Purchase Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	19,192,880	\$0.08
Issued	12,098,569	\$0.26
Expired	(500,000)	\$0.10
Exercised	(18,692,880)	\$0.07
Balance, September 30, 2021	12,098,569	\$0.26
Issued	14,807,688	\$0.18
Balance, June 30, 2022	26,906,257	\$0.22

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10. SHARE CAPITAL – (cont'd)**Share Purchase Warrants – (cont'd)**

As at June 30, 2022, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Number of Share Purchase Warrants	Total Number of Share Purchase Warrant	Weighted Average Remaining Life	Exercise Price per Share	Expiry Date
2 for 1 basis	1 for 1 basis				
4,800,000	-	4,800,000		\$0.20	January 13, 2023
7,099,235	199,334	7,298,569		\$0.30	June 14, 2023
-	3,750,000	3,750,000		\$0.15	December 3, 2023
-	455,000	455,000		\$0.10	December 3, 2023
-	10,079,471	10,079,471		\$0.20	April 19, 2024
-	523,217	523,217		\$0.20	April 19, 2024
11,899,235	15,007,022	26,906,257	1.29 years		

11. RELATED PARTY TRANSACTIONS

The Company entered the following transactions with related parties:

- incurred finance fees of \$Nil (June 30, 2021 – \$5,843) to a company controlled by a significant shareholder of the Company.
- incurred rent of \$Nil (June 30, 2021 – \$18,000) to a company controlled by a significant shareholder of the Company.
- incurred secretarial fees of \$Nil (June 30, 2021 – \$63,300) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
- incurred consulting fees, management fees and exploration expenditures of \$148,727 (June 30, 2021 - \$161,238) to a director or a company controlled by a director and officer of the Company.
- Incurred share-based payments of \$277,513 (June 30, 2021 - \$257,535) to directors and officers of the Company.

On June 30, 2022, a total of \$Nil (September 30, 2021 - \$14,895) was owing to directors of the Company, unsecured, non-interest bearing, no specific terms of repayment.

Included in prepaid expenses at June 30, 2022 was \$40,000 (September 30, 2021 - \$Nil) in advances for expenses to be incurred by the CEO.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

The fair value of the Company's financial assets and liabilities approximates its carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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12. FINANCIAL RISK AND CAPITAL MANAGEMENT – (cont'd)***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts.

The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables and reclamation bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond are held with government authorities.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company has a working capital at June 30, 2022 and the contractual maturities of all financial liabilities is less than one year.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. Foreign exchange risk is assessed as low.

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 fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

13. INCOME TAXES

The Company entered into flow-through share subscription agreements December 3, 2021, whereby it was committed to incur within a 24 month period a total of \$750,000 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada, of which approximately \$706,474 was incurred by June 30, 2022 with a remaining commitment of approximately \$43,526. A flow-through premium liability of \$75,000 was recognized. As at June 30, 2022, the Company recognized \$70,647 of the flow-through premium as other income with a balance of \$4,353 remaining.

The Company entered into flow-through share subscription agreements April 19, 2022, whereby it was committed to incur within a 24 month period a total of \$1,087,480 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. A flow-through premium liability of \$128,205 was recognized.

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14. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Company:

On July 4, 2022, the Company entered into a property option agreement with HighBank Resources Ltd. (“HighBank”) whereby HighBank has the option to acquire an 80% interest in and to the claims of the Terra Nova property subject to a 2% Net Smelter Return royalty pursuant to an underlying agreement. As consideration HighBank will pay an aggregate of \$10,000 in cash (received) and the assumption of the remaining cash payments of \$50,000 to the vendors and issue an aggregate of 1,500,000 common shares all within one year from the effective date of which 500,000 common shares have been received.