
Q2 METALS CORP.

(FORMERLY QUEENSLAND GOLD HILLS CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED AUGUST 31, 2023 AND 2022

UNAUDITED – PREPARED BY MANAGEMENT

(EXPRESSED IN CANADIAN DOLLARS)

The accompanying unaudited condensed interim consolidated financial statements of Q2 Metals Corp. for the six months ended August 31, 2023, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditor.

Q2 Metals Corp.

(Formerly Queensland Gold Hills Corp.)

Condensed Interim Consolidated Statements of Financial Position

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	August 31, 2023 \$	February 28, 2023 \$
ASSETS		
Current assets		
Cash	10,660,659	12,010,842
GST receivable	85,104	88,314
Amounts receivable	2,357	2,471
Prepaid expenses	383,274	40,172
Total current assets	11,131,394	12,141,799
Reclamation bonds	17,437	17,437
Exploration and evaluation assets (Note 6)	14,914,198	7,202,271
Total assets	26,063,029	19,361,507
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables (Note 9)	341,073	312,346
Liability for flow-through shares (Note 12)	1,373,332	1,562,500
Loan payable (Note 10)	-	28,074
Total liabilities	1,714,407	1,902,920
Equity		
Issued capital (Note 7)	33,228,510	26,195,765
Share subscriptions received	-	11,050
Equity reserve (Note 7)	3,514,834	2,513,651
Deficit	(12,561,556)	(11,429,338)
Total equity attributable to shareholders	24,181,788	17,291,128
Non-controlling interest (Note 6)	166,834	167,459
Total Equity	24,348,622	17,458,587
Total equity and liabilities	26,063,029	19,361,507
Going concern (Note 1)		
Commitments (Note 11)		
Subsequent events (Note 13)		

These financial statements were approved by the Board of Directors and authorized for issue on October 27, 2023.

(s) Alicia Milne, Director

(s) Kevin Bottomley, Director

Q2 Metals Corp.

(Formerly Queensland Gold Hills Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	Three months ended August 31, 2023 \$	Three months ended August 31, 2022 \$	Six months ended August 31, 2023 \$	Six months ended August 31, 2022 \$
General and administrative expenses				
Audit and accounting fees (Note 9)	25,333	40,944	45,632	58,667
Advertising and promotion	45,433	79,470	125,537	169,120
Bank fees and interest	238	3,352	5,243	7,623
Consulting fees (Note 9)	86,247	49,776	158,118	95,538
Filing and transfer agent fees	11,621	5,201	28,461	16,926
Insurance	7,950	2,851	15,900	5,702
Investor relations (Note 11)	61,000	10,014	113,014	25,014
Legal fees	2,160	5,483	14,716	5,483
Office, insurance and administrative	3,523	2,832	7,079	3,080
Property costs	-	13,771	-	13,771
Share-based payments	-	-	1,038,199	-
	243,505	213,694	1,551,899	400,924
Other income				
Flow-through premium recovery (Note 12)	51,384	-	189,168	-
Interest income	123,231	-	229,888	-
	174,615	-	419,056	-
Net loss and comprehensive loss	68,890	213,694	1,132,843	400,924
Loss attributable to:				
Shareholders of the Company	66,680	212,323	1,132,218	399,374
Non-controlling interest (Note 6)	210	1,371	625	1,550
	68,890	213,694	1,132,843	400,924
Basic and diluted net loss per share (Note 8)	0.00	0.04	0.02	0.01
Weighted average number of common shares outstanding				
- basic and diluted (Note 8)	83,340,475	40,348,146	64,977,054	40,348,146

The notes to the condensed interim consolidated financial statements are an integral part of these statements.

Q2 Metals Corp.

(Formerly Queensland Gold Hills Corp.)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended August 31, 2023 and 2022

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Cash flows (used in) operating activities		
Net loss for the period	(1,132,218)	(400,924)
Non-cash adjustments:		
Share-based payments (Note 7)	1,038,199	-
Flow-through premium recovery	(189,166)	-
Reversal and settlement of accounts payable	-	60,000
Non-cash working capital items:		
Amounts receivable	3,324	(9,120)
Prepaid expenses	(343,102)	163,270
Trade and other payables	28,727	(70,257)
	<u>(594,861)</u>	<u>(257,031)</u>
Cash flows (used in) operating activities	(594,861)	(257,031)
Cash flows from financing activities		
Loans payable	(28,074)	-
Share issuance costs	(6,189)	-
Warrants exercised	320,273	-
Stock options exercised	20,000	-
Finder's warrants exercised	31,625	-
Share subscriptions received	(11,050)	-
	<u>326,605</u>	<u>-</u>
Cash flows from financing activities	326,605	-
Cash flows (used in) investing activities		
Exploration and evaluation asset expenditures	(1,081,927)	(293,693)
	<u>(1,081,927)</u>	<u>(293,693)</u>
Cash flows (used in) investing activities	(1,081,927)	(293,693)
Change in cash	(1,350,183)	(550,724)
Cash, beginning of period	12,010,842	946,403
Cash, end of period	<u>10,660,659</u>	<u>395,679</u>
Supplemental information:		
Common shares issued for interest in exploration and evaluation properties (Notes 6 and 7)	\$ 6,630,000	\$ -
Settlement of debt (Note 9)	-	60,000

The notes to the condensed interim consolidated financial statements are an integral part of these statements.

Q2 Metals Corp.

(Formerly Queensland Gold Hills Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the six months ended August 31, 2023 and 2022

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	Number of Shares	Issued Capital \$	Share Subscriptions Received \$	Equity Reserve \$	Deficit \$	Non-controlling interest \$	Total \$
Balance, February 28, 2022	40,348,146	12,777,737	-	1,177,668	(9,544,609)	169,837	4,580,633
Net loss for the period	-	-	-	-	(399,374)	(1,550)	(400,924)
Balance, August 31, 2022	40,348,146	12,777,737	-	1,177,668	(9,943,983)	168,287	4,179,709
	Number of Shares	Issued Capital \$	Share Subscriptions Received \$	Equity Reserve \$	Deficit \$	Non-controlling interest \$	Total \$
Balance, February 28, 2023	75,748,693	26,195,765	11,050	2,513,651	(11,429,338)	167,459	17,458,587
Shares issued for property	6,500,000	6,630,000	-	-	-	-	6,630,000
Warrants exercised	1,174,539	320,273	(11,050)	-	-	-	309,223
Finder's warrants exercised	126,500	49,060	-	(17,435)	-	-	31,625
Options exercised	100,000	39,581	-	(19,581)	-	-	20,000
Share issuance costs	-	(6,169)	-	-	-	-	(6,169)
Share-based payments	-	-	-	1,038,199	-	-	1,038,199
Net loss for the period	-	-	-	-	(1,132,218)	(625)	(1,132,843)
Balance, August 31, 2023	83,649,732	33,228,510	-	3,514,834	(12,561,556)	166,834	24,348,622

The notes to the condensed interim consolidated financial statements are an integral part of these statements.

Q2 Metals Corp.

(Formerly Queensland Gold Hills Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023 and 2022

Unaudited – prepared by management

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Q2 Metals Corp. (formerly Queensland Gold Hills Corp.) (“Q2 Metals” or the “Company”) was incorporated under the British Columbia Business Corporations Act on May 6, 2010. The Company is principally engaged in the business of exploring and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues. The head office of the Company is located at Suite 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

On January 9, 2023, the Company changed its name from Queensland Gold Hills Corp to Q2 Metals Corp. The Company’s shares are listed on Tier 2 of the TSX Venture Exchange in Canada (“QTWO”), the Frankfurt Stock Exchange in Germany (“458”), and the OTCQB (“QUEXF”).

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to social and government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business.

As at August 31, 2023, the Company has not earned revenue and has an accumulated deficit of \$12,561,556 (February 28, 2023 - \$11,429,338), had cash of \$10,660,659 (February 28, 2023 - \$12,010,842) and working capital of \$9,416,987 (February 28, 2023 - \$10,238,880). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. Summary of significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended February 28, 2023. The policies set out below have been consistently applied to all periods presented.

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023 and 2022

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(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (Continued)

(b) *Basis of presentation and consolidation*

The consolidated financial statements have been prepared on the historical cost basis, except for cash equivalents which are reflected at fair value as set out in the accounting policies below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiary Orefox Exploration Pty Ltd., and 95% ownership of Big Hill Gold Mining Company Pty Ltd. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. On May 30, 2022, the Company sold its subsidiaries Minfocus International Inc. and 2244223 Ontario Inc. to a former related party and deconsolidated the companies as of that date.

(c) *Presentation and functional currency*

These consolidated financial statements are presented in the Canadian dollar functional currency, the currency of the primary economic environment in which the Company and its subsidiaries operate.

(d) *Accounting Policies*

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 2 of the audited financial statements for the year ended February 28, 2023. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended February 28, 2023.

3. Critical judgements and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Going concern

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgements.

Capitalization of exploration and evaluation expenditures

Management has determined that exploration and evaluation expenditures incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 6 for details of capitalized exploration and evaluation expenditures.

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Notes to Condensed Interim Consolidated Financial Statements

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3. Critical judgements and estimation uncertainties (Continued)

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of metallic resource assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which comprises issued capital, equity reserve and accumulated deficit, which totaled \$24,348,622 at August 31, 2023 (February 28, 2023 - \$17,458,587).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with select major Canadian chartered banks and financial institutions.

The Company is currently attempting to identify economic base and precious metal resources with an emphasis on lithium, gold, zinc, and silver, and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned acquisitions and exploration, as well as pay for administrative costs, the Company will spend existing working capital and raise additional amounts as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements; and
- (iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended August 31, 2023 and the year ended February 28, 2023.

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Notes to Condensed Interim Consolidated Financial Statements

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Unaudited – prepared by management

(Expressed in Canadian Dollars)

5. Financial instruments and financial risk factors

Fair value measurements

	August 31, 2023	February 28, 2023
Financial assets		
<i>FVPL, measured at fair value</i>		
Cash	\$ 10,660,659	\$ 12,010,842
Reclamation bonds	17,437	17,437
Financial liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Trade and other payables	\$ 341,073	\$ 312,346
Loan Payable	-	28,074

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2023, the Company's financial instruments are comprised of cash, reclamation bonds, trade and other payables, and loan payable. The carrying value of these financial instruments approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the consolidated statement of financial position are summarized in levels of fair value hierarchy as follows:

At August 31, 2023

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 10,660,659	\$ -	\$ -	\$ 10,660,659
Reclamation bonds	17,437	-	-	17,437
Total	\$ 10,678,096	\$ -	\$ -	\$ 10,678,096

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(Expressed in Canadian Dollars)

5. Financial instruments and financial risk factors (Continued)

At February 28, 2023

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 12,010,842	\$ -	\$ -	\$ 12,010,842
Reclamation bonds	17,437	-	-	17,437
Total	\$ 12,028,279	\$ -	\$ -	\$ 12,028,279

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and metals price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There were no changes in the risks, objectives, policies and procedures from the previous year.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2023, the Company had a cash balance of \$10,660,659 (February 28, 2023 - \$12,010,842) to settle current liabilities of \$1,714,407 (February 28, 2023 - \$1,902,919). All of the Company's financial liabilities, except the loan payable, have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has no other contractual obligations other than trade and other payables. As discussed in Note 1, the Company's ability to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of select major Canadian chartered banks and financial institutions. The Company regularly monitors compliance to its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and a significant portion of the Company's expenditures are transacted in Canadian dollars. As a result, the Company's exposure to the foreign currency risk is minimal at this time but may increase as the Company develops its Australia-based properties.

(c) Commodity price risk

The Company is exposed to price risk with respect to base and precious metal prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to price movements and volatilities. The Company closely monitors prices to determine the appropriate course of action to be taken by the Company.

(d) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with amounts receivable, which is comprised primarily of GST/HST receivable due from the Government of Canada. The Company has no significant concentration of credit risk arising from its operations. Management believes that the credit risk concentration with respect to amounts receivable is low.

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023 and 2022

Unaudited – prepared by management

(Expressed in Canadian Dollars)

6. Interest in exploration properties and exploration and evaluation expenditures

	Mia Property	Stellar Property	Big Hill	Titan Gold	Nevada Rose	Angelo Bell	Coral Zinc	Round Pond	Total
Balance, February 28, 2022	\$ -	\$ -	\$ 3,387,574	\$ 105,000	\$ 7,500	\$ 2,500	\$ 40,000	\$ 10,000	\$ 3,552,574
Additions during the year									
Property acquisition costs									
Cash	200,000	15,200	-	-	-	-	-	-	215,200
Shares	3,152,500	-	-	-	-	-	-	-	3,152,500
Property exploration costs									
Assays	-	-	44,239	-	-	-	-	-	44,239
Drilling	-	-	196,990	-	-	-	-	-	196,990
Geological consulting costs	25,814	-	74,954	-	-	-	-	-	100,768
	3,393,514	-	316,183	-	-	-	-	-	3,709,697
Sale of properties (Note 9)	-	-	-	-	(7,500)	(2,500)	(40,000)	(10,000)	(60,000)
Balance, February 28, 2023	\$ 3,378,314	\$ 15,200	\$ 3,703,757	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ 7,202,271
Additions during the period									
Property acquisition costs									
Cash	150,000	1,454	-	-	-	-	-	-	151,454
Shares	6,630,000	-	-	-	-	-	-	-	6,630,000
Property exploration costs									
Assays	73,736	-	2,233	-	-	-	-	-	75,969
Camp	136,605	-	-	-	-	-	-	-	136,605
Field supplies and rentals	90,638	-	-	-	-	-	-	-	90,638
Fuel	36,111	-	-	-	-	-	-	-	36,111
Geological consulting	389,730	4,232	-	-	-	-	-	-	393,962
Other	-	-	6,720	-	-	-	-	-	6,720
Permits	1,969	-	9,581	-	-	-	-	-	11,550
Travel and transport	178,918	-	-	-	-	-	-	-	178,918
	7,687,707	5,686	18,534	-	-	-	-	-	7,711,927
Balance, August 31, 2023	\$ 11,066,021	\$ 20,886	\$ 3,722,291	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ 14,914,198

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6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Mia Property

On November 21, 2022, the Company entered into an agreement with 9219-8845 QC Inc., a private Quebec company dba Canadian Mining House (“CMH”) and certain investors in CMH (“CMH Nominees”) to acquire a 100% interest in the 86 square kilometre Mia Lithium Property (the “Mia Property”). The Mia Property is comprised of 171 mineral claims and located 62 km East of Wemindji Community in the Eeyou Itschee James Bay Territory, Quebec, Canada.

To acquire a 100% interest in the Mia Property, the Company must:

- Issue to CMH and the CMH Nominees 6,500,000 common shares (issued) and pay \$200,000 within 3 days of TSXV acceptance of the acquisition (the “Effective Date”) (paid);
- Issue to CMH and the CMH Nominees 6,500,000 common shares and pay \$150,000 on the six-month anniversary of Effective Date (issued and paid);
- Incur \$1,000,000 in exploration expenditures on the Property within one year of the agreement; and
- Pay to CMH and the CMH Nominees \$150,000 on the one-year anniversary of the Effective Date (paid subsequent to August 31, 2023).

The Company will earn a 100% interest in the Property on the closing date.

CMH will retain up to a maximum of a 3% net smelter returns royalty, of which up to 1% can be repurchased by the Company at any time prior to commercial production for \$1,000,000. The Mia Property is subject to an existing 2% net smelter returns royalty granted by CMH (as assignee) in favour of Franco-Nevada Corporation on certain minerals claims forming a part of the Mia Property as well as an existing 2% net smelter returns royalty granted by CMH in favour of Eastmain Resources Inc. on certain mineral claims forming part of the Mia Property. The Company has assumed the obligations under these existing royalties.

Stellar Lithium Property, Quebec

On March 2, 2023, the Company has acquired the “Stellar Lithium Property” for the cost of staking. The Stellar Lithium Property is comprised of 77 claims totaling 3,972 hectares in the James Bay district of Quebec, Canada.

Big Hill Gold Property, Australia

In December 2021, the Company acquired an 95% interest of Big Hill Gold Mining Company Pty Ltd. ACN 474 179 (“Big Hill”), a private Australian company. Big Hill holds a 100% interest in an exploration permit and two mining licenses comprising the Big Hill Gold Property located in Queensland, Australia.

To acquire its interest in Big Hill, the Company issued 17,500,000 common shares of the Company and paid \$275,325 (AU\$300,000) in cash. The shares are subject to a statutory hold period for four months and one day from the date of issuance. In addition, the shares are subject to a contractual escrow and released from escrow as follows: (i) 40% of the shares shall be released from escrow four months and one day following the date of issuance; (ii) 20% of the shares shall be released from escrow 180 days after issuance; (iii) 20% of the shares shall be released from escrow 270 days after issuance; and (iv) the remaining 20% of the shares shall be released from escrow one year from the date of issuance.

As a result of the transaction, the Company has recorded the pro-rata fair value of the non-controlling interest’s portion of the net assets of Big Hill at the time of acquisition, resulting in a charge of \$171,070 to non-controlling interest. The non-controlling interest (5%) can be acquired by the Company at any time for cash of AU\$700,000. Upon the Company acquiring the remaining 5% of Big Hill, the non-controlling interest will receive a 0.75% net smelter royalty.

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6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Big Hill Gold Property, Australia (Continued)

The purchase price consideration is as follows:

	\$
Value of 17,500,000 common shares of the Company	2,975,000
AU \$300,000 cash	275,325
Total	3,250,325

The purchase price allocation is as follows:

Current assets	44,577
Exploration and evaluation assets	3,387,574
	3,432,151
Less liabilities assumed:	
Current liabilities	(10,756)
	3,421,395
Non-controlling interest	(171,070)
	3,250,325

Titan Gold Project, Australia

On January 28, 2022, the Company acquired 100% of the issued and outstanding common shares of Orefox Titan Pty Ltd. CAN 640 056 131 (“Orefox Titan”), a private Australian Company. Orefox Titan holds a 100% interest in the Titan Gold Property located contiguous to the Company’s Big Hill Gold project in Queensland Australia. To acquire Orefox Titan, the Company issued 300,000 common shares valued at \$105,000. At the acquisition date, the net assets of Orefox Titan consisted of the Titan Gold Property.

Nevada Rose Precious Metals Property, Nevada USA

In February, 2020, the Company entered into an agreement with GeoCorp to acquire a 100% interest in 22 lode mineral claims in SW Eureka County Nevada, known as the Nevada Rose Property. In order to earn the 100% interest, the Company was required to make staged payments over 10 years totalling \$450,000 cash and \$4.4 million in work commitments. In accordance with the agreement, the Company issued 40,000 shares to GeoCorp upon approval by the TSX-V, paid \$10,000 USD and committed to a first year work program of \$50,000 USD. The agreement with GeoCorp. was allowed to lapse and during the year ended February 28, 2022, the Company recorded an impairment of \$83,169 on the property. See Note 9.

Angelo Bell Precious Metals Property, Nevada USA

In May 2021, the Company acquired 16 lode claims by staking, located approximately 7 km west from Nevada Rose (the “Angelo Bell Property”). During the year ended February 28, 2022, the Company recorded an impairment of \$6,880 on the property. See Note 9.

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6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Coral Zinc Project, British Columbia

In January 2015, the Company entered into an agreement pursuant to which it had an option to earn up to an initial 60% interest in the Coral Zinc Project, a zinc project situated in northern British Columbia. The optioned claims were subject to work and payment commitments. The Company earned a 20% interest, but during the year ended February 28, 2019, the Company determined that it was not able to meet its commitment to earn the remaining 40% interest in the claims and terminated the option agreement. In September 2018, the Company acquired an additional 36% beneficial ownership interest in the Coral Zinc Project by issuing 1,436,000 shares and 1,436,000 share purchase warrants, exercisable at \$0.07 for two years with a fair value of \$287,200. As a result, the Company held a 56% interest in the Coral Zinc Project. The Company has pledged a \$10,000 GIC as security under a safekeeping agreement with the Ministry of Finance, British Columbia relating to the application for permits on the Coral Zinc Project and this amount is included in cash on the consolidated statement of financial position. During the year ended February 28, 2022, the Company recorded an impairment of \$608,495 on the property. See Note 9.

Round Pond Zinc Project, Newfoundland and Labrador

In March 2018, the Company entered into an agreement to acquire a 100% interest in the Round Pond Zinc Project, comprising 30 claims, on the Great Northern Peninsula of northwest Newfoundland and Labrador, for total consideration of 150,000 shares (issued) of the Company. The Company staked an additional 33 contiguous claims to the Round Pond Zinc Project, extending the property to 1,575 hectares. During the year ended February 28, 2022, the Company recorded an impairment of \$74,681 on the property. See Note 9.

7. Share capital

Common Shares

On August 17, 2021, the Company consolidated its common shares on a ratio of five pre-consolidation shares to one post-consolidation share. All share figures in these financial statements are shown as post-consolidated shares.

(a) *Authorized* - Unlimited number of common shares without par value.

(b) *Issued* - As at August 31, 2023, the Company had 83,649,732 (February 28, 2023 – 75,748,693) shares issued and outstanding.

Issued during the six months ended August 31, 2023:

On June 1, 2023, the Company issued 6,500,000 shares with a fair value of \$6,630,000 in connection with the acquisition of the Mia Property. See Note 6.

During the six months ended August 31, 2023, 690,200 share purchase warrants priced at \$0.25 per share were exercised for gross proceeds of \$172,550, 484,339 share purchase warrants priced at \$0.305 per share were exercised for gross proceeds of \$147,723, 126,500 finder's warrants priced at \$0.25 were exercised for gross proceeds of \$31,625, and 100,000 stock options priced at \$0.20 were exercised for gross proceeds of \$20,000.

Issued during the year ended February 28, 2023:

On December 2, 2022, the Company issued 6,500,000 shares with a fair value of \$3,152,500 in connection with the acquisition of the Mia Property. See Note 6.

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7. Share capital (Continued)

Common Shares (Continued)

Issued during the year ended February 28, 2023: (Continued)

On December 15, 2022, the Company completed a non-brokered private placement of 12,500,000 units (each, a “Unit”) at a price of \$0.10 per Unit for gross proceeds of \$1,250,000. Each Unit consists of one common share of the Company (each, a “Share”) and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of \$0.305 for two years after the date of issuance. Directors of the Company participated in the private placement for an aggregate 331,612 units.

On February 23, 2023, the Company completed a non-brokered private placement of 4,975,000 units at a price of \$0.50 per unit (the “NFT Units”) for gross proceeds of \$2,487,500. Each NFT Unit consists of one non-flow-through common share and one warrant, entitling the holder to acquire one additional non-flow-through common share at a price of \$1.25 per share for a period of two years.

On February 23, 2023, the Company completed a non-brokered private placement of 333,333 units at a price of \$0.75 per unit (the “Additional Units”) for gross proceeds of \$250,000. Each Additional Unit consists of one non-flow-through common share and one warrant, entitling the holder to acquire one additional non-flow-through common share at a price of \$1.25 per share for a period of two years.

On February 23, 2023, the Company completed a non-brokered private placement of 6,250,000 units at a price of \$1.04 per unit (the “Series C Units”) for gross proceeds of \$6,500,000. Each Series C Unit consists of one flow-through common share (a “FT Share”) and one share purchase warrant, entitling the holder to acquire one additional non-flow-through common share at a price of \$1.25 per share for a period of two years. A total of 312,500 units (“Finder Units”), consisting of one common share and one warrant (“Finders Unit Warrants”) and an additional 625,000 warrants (“Finder’s Warrants”) were issued to Churchill SIG Pty Ltd. of Subiaco, Western Australia. Each of the Finder’s Unit Warrants are exercisable into one Share at a price of \$1.25 per share for a period of two years, and the Finder’s Warrants are each exercisable into one Share at a price of \$0.50 per share for a period of two years.

On February 23, 2023, the Company completed a non-brokered private placement of 1,350,000 units at a price of \$0.75 per unit (the “Series R Units”) for gross proceeds of \$1,012,500. Each Series R Unit consists of one FT Share and one Warrant; entitling the holder to acquire one additional non-flow-through common share at a price of \$1.25 per share for a period of two years.

Gross proceeds from the sale of the FT Shares will be used to incur during 2023, “Canadian exploration expenses”, as defined in the *Income Tax Act* (Canada) (the “Tax Act”), on the Mia Property in Quebec that the Company will renounce to the subscribers pursuant to the Tax Act with an effective date not later than December 31, 2023, and that qualify as “flow-through critical mineral mining expenditures”, as defined in the Tax Act. Where applicable, gross proceeds from the sale of the FT Shares from purchasers in Québec will also qualify as exploration expenses under the *Taxation Act* (Québec). Proceeds from the sale of the NFT Units will be used for general working capital.

During the year ended February 28, 2023, 3,054,000 share purchase warrants priced at \$0.25 were exercised for gross proceeds of \$763,500, 100,000 share purchase warrants priced at \$0.305 were exercised for gross proceeds of \$30,500, and 25,714 stock options priced at \$0.40 were exercised for gross proceeds of \$10,286.

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7. Share capital (Continued)

Warrants

	August 31, 2023		February 28, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	25,652,533	\$ 0.78	9,484,700	\$ 0.25
Expired	-	-	(774,000)	0.25
Issued	-	-	20,095,833	0.93
Exercised	(1,301,039)	0.27	(3,154,000)	0.25
Balance, end of period	24,351,494	\$ 0.81	25,652,533	\$ 0.78

The following table summarizes information about warrants outstanding and exercisable at August 31, 2023:

Number of Warrants	Exercise Price	Expiry Date	Number of Exercisable Warrants	Weighted Average Remaining Life (years)
4,840,000	\$0.25	December 1, 2023	4,840,000	0.25
-	\$0.25	December 1, 2023*	-	0.00
5,665,661	\$0.305	December 19, 2024	5,665,661	1.30
12,908,333	\$1.25	February 23, 2025	12,908,333	1.48
625,000	\$0.50	February 23, 2025*	625,000	1.48
312,500	\$1.25	February 23, 2025*	312,500	1.48
24,351,494			24,351,494	1.43

*indicates broker warrants

Stock Options

The Company has an Equity Incentive Plan (the “Plan”) under which it is authorized to grant options, restricted shares units, performance share units or deferred share units to directors, officers, consultants or employees of the Company. At the Company’s Annual General Meeting on December 28, 2022, the shareholders approved the Company’s equity incentive plan and set the number of common shares that may be granted under the Plan as a rolling 10% of the Company’s issued and outstanding shares at any time. A copy of the plan is available to view on SEDAR.

On January 10, 2023, the Company granted 2,300,000 stock options to directors, officers, and consultants of the Company to purchase an aggregate 2,300,000 common shares in the capital of the Company at an exercise price of \$0.42 per share until January 10, 2028. A fair value of \$936,338 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.42; dividend yield – 0%; expected volatility – 190.34%; risk free interest rate – 3.23%; and expected life – 5 years. The options vested immediately upon grant.

On March 2, 2023, the Company granted 1,250,000 stock options to directors and consultants. The options are exercisable at the price of \$0.85 per share until March 2, 2028. A fair value of \$1,038,199 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.85; dividend yield – 0%; expected volatility – 187.21%; risk free interest rate – 3.66%; and expected life – 5 years. The options vested immediately upon grant.

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7. Share capital (Continued)

Stock Options (Continued)

	August 31, 2023		February 28, 2023	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of period	6,004,285	\$ 0.29	3,889,428	\$ 0.22
Exercised	(100,000)	0.20	(25,714)	0.40
Cancelled	-	-	(159,429)	0.38
Issued	1,250,000	0.85	2,300,000	0.42
Balance, end of period	7,154,285	\$ 0.39	6,004,285	\$ 0.29

The following table summarizes the stock options outstanding and exercisable at August 31, 2023:

Number of Options	Exercise Price	Expiry Date	Number of Exercisable Options	Weighted Average Remaining Life (years)
204,285	\$0.35	September 9, 2025	204,285	2.03
3,400,000	\$0.20	December 7, 2026	3,400,000	3.27
2,300,000	\$0.42	January 10, 2028	2,300,000	4.36
1,250,000	\$0.85	March 2, 2028	1,250,000	4.51
7,154,285			7,154,285	3.80

8. Basic and diluted net loss per share

The calculation of basic and diluted loss per share for the six months ended August 31, 2023, was based on the loss attributable to common shareholders of \$1,130,690 (August 31, 2022 - \$400,924) and the weighted average number of common shares outstanding of 64,977,054 (August 31, 2022 - 40,348,146). Outstanding warrants and stock options have been excluded from the calculation of diluted income per share for the periods presented as their effect would be anti-dilutive.

9. Related party balances and transactions

During the six months ended August 31, 2023 and 2022, the Company incurred the following with officers or directors of the Company:

	2023	2022
Key management compensation* - cash	\$ 191,000	\$ 120,000
Compensation – share-based compensation	\$ 581,392	\$ -

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

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9. Related party balances and transactions (Continued)

Officers and directors of the Company and companies controlled by such individuals were owed \$nil as at August 31, 2023 (February 28, 2023 – \$19,996) for services rendered and for expenses incurred in the ordinary course of business. The amounts are unsecured, non-interest bearing with no fixed terms of repayment.

On April 1, 2022, the Company transferred its Nevada Rose, Angelo Bell, Coral Zinc and Round Pond properties to its wholly-owned subsidiary Minfocus International Inc. (“MFI”). On May 30, 2022, the Company sold MFI to a former director, now an arm’s length party, as settlement for aggregate amounts owing of \$60,000.

10. Loan payable

As part of the acquisition of Big Hill, the Company assumed a balance payable from an intercompany loan from the former owner of the property in the amount of AU\$30,499 (February 28, 2023 – AU\$30,499). The balance was non-interest bearing and no terms of repayment were set. During the six months ended August 31, 2023, the loan was paid in full.

11. Commitments

The Company engaged Venture Liquidity Providers Inc. (“VLP”) to provide market-making services. The market making service is undertaken by VLP through a registered broker, W.D.Latimer Co. Ltd. in compliance with TSX-V policies. VLP will buy and sell shares of the Company on the TSX-V for the purpose of maintaining an orderly trading market or providing liquidity in the Company’s shares. The term of the agreement is for one year and may be terminated by either party immediately upon receiving written notice. In consideration, the Company will pay VLP \$60,000 plus GST. Following the initial term, the agreement will automatically renew for successive additional 12-month terms. The Company and VLP are unrelated and unaffiliated entities.

12. Liability and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On February 23, 2023, the Company issued 6,250,000 common shares on a “flow-through” basis at a price of \$1.04 per Share for gross proceeds of \$6,500,000. A flow-through share liability of \$1,562,500 was recognized at the date of issuance based on the premium value of the flow-through share at the time of issuance. At August 31, 2023, the Company has incurred \$786,939 in qualified expenditures.

On February 23, 2023, the Company issued 1,350,000 common shares on a “flow-through” basis at a price of \$0.50 per Share for gross proceeds of \$1,012,500. A flow-through share liability of \$nil was recognized at the date of issuance based on the flow-through shares being issued at a price below market at the time of issuance. At August 31, 2023, the Company has incurred \$nil in qualified expenditures

13. Subsequent events

On October 11, 2023, the Company announced the early completion of the purchase of the Mia Lithium Property, by making the final payment of \$150,000.

Subsequent to August 31, 2023 and up to the date of this report, 1,217,500 share purchase warrants priced at \$0.25 per share were exercised for gross proceeds of \$304,375 and 191,236 share purchase warrants priced at \$0.305 per share were exercised for gross proceeds of \$58,327.