
T2 METALS CORP.

(formerly Aguila Copper Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
APRIL 30, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of T2 Metals Corp. (formerly Aguila Copper Corp.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of T2 Metals Corp. (formerly Aguila Copper Corp.) (the “Company”), which comprise the consolidated statements of financial position as at April 30, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are the following key audit matters to communicate in our auditor’s report.

Key audit matter:	How our audit addressed the key audit matter:
<p>Assessment of impairment indicators of Exploration and evaluation assets.</p> <p><i>Refer to Note 3 – Summary of significant accounting policies, and Note 5 Exploration and evaluation assets</i> Management assesses at each reporting period whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company’s share price; (ii) changes in the Company’s assessment of whether commercially viable quantities of mineral resources exist within the property; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <p>Evaluated the reasonableness of management’s assessment of impairment indicators, which included the following:</p> <ul style="list-style-type: none"> Assessed the Company’s market capitalization in comparison to the Company’s net assets, which may be an indication of impairment. Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit. Confirmed that the Company’s right to explore the property had not expired.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation asset balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets.
 - Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.
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Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related

disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Vancouver, BC, Canada
August 25, 2023

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	April 30, 2023 \$	April 30, 2022 \$
ASSETS			
Current assets			
Cash		1,463,855	1,782,915
GST receivable		12,875	10,109
Prepays		<u>39,780</u>	<u>44,043</u>
Total current assets		<u>1,516,510</u>	<u>1,837,067</u>
Non-current assets			
Property, plant and equipment	4	67,999	-
Exploration and evaluation assets	5	1,272,558	316,151
Bonds		<u>33,616</u>	<u>4,513</u>
Total non-current assets		<u>1,374,173</u>	<u>320,664</u>
TOTAL ASSETS		<u>2,890,683</u>	<u>2,157,731</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	378,246	258,775
Flow-through share premium liability	6	<u>121,782</u>	<u>-</u>
TOTAL LIABILITIES		<u>500,028</u>	<u>258,775</u>
SHAREHOLDERS' EQUITY			
Share capital	7	31,032,568	29,951,417
Share-based payments reserve		2,027,227	1,936,409
Deficit		<u>(30,669,140)</u>	<u>(29,988,870)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,390,655</u>	<u>1,898,956</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,890,683</u>	<u>2,157,731</u>

Nature of Operations - see Note 1

These consolidated financial statements were approved for issue by the Board of Directors on August 25, 2023 and are signed on its behalf by:

/s/ Mark Saxon
Mark Saxon
Director

/s/ Nick DeMare
Nick DeMare
Director

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

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended April 30	
		2023 \$	2022 \$
Expenses			
Accounting and administration	8(b)(ii)	48,650	31,400
Audit		13,000	12,000
Corporate development		178,880	45,094
Director and officer compensation	8	151,738	134,363
General exploration		38,461	26,636
Insurance		-	3,870
Investor relations		-	125,295
Legal		28,810	29,762
Office		10,550	7,681
Professional fees		122,228	180,942
Regulatory fees		34,657	28,269
Share-based compensation	7(d)	67,900	102,200
Shareholder costs		11,320	10,015
Transfer agent		7,063	7,443
Travel		30,755	5,698
Website development and support		5,604	5,291
		<u>749,616</u>	<u>755,959</u>
Loss before other items		<u>(749,616)</u>	<u>(755,959)</u>
Other items			
Interest income		60,496	13,956
Flow-through share premium recovery	6	5,665	-
Foreign exchange		3,185	8,290
Impairment of exploration and evaluation assets	5(d)	-	(536,240)
		<u>69,346</u>	<u>(513,994)</u>
Net loss and comprehensive loss for the year		<u>(680,270)</u>	<u>(1,269,953)</u>
Basic and diluted loss per common share		<u>\$(0.03)</u>	<u>\$(0.06)</u>
Basic and diluted weighted average number of common shares outstanding		<u>26,578,789</u>	<u>22,263,459</u>

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

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

Year Ended April 30, 2023					
Common Shares					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at April 30, 2022	24,001,541	29,951,417	1,936,409	(29,988,870)	1,898,956
Common shares issued for:					
- private placement	3,090,478	1,023,686	-	-	1,023,686
- property option	100,000	23,000	-	-	23,000
- warrants exercised	1,712,000	227,280	-	-	227,280
Share issue costs	-	(65,368)	-	-	(65,368)
Premium on flow-through shares	-	(127,447)	-	-	(127,447)
Share-based compensation:					
- share options	-	-	67,900	-	67,900
- finders' warrants	-	-	22,918	-	22,918
Net loss for the year	-	-	-	(680,270)	(680,270)
Balance at April 30, 2023	28,904,019	31,032,568	2,027,227	(30,669,140)	2,390,655

Year Ended April 30, 2022					
Common Shares					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at April 30, 2021	20,226,541	29,209,019	1,834,209	(28,718,917)	2,324,311
Common shares issued for:					
- private placement	3,750,000	750,000	-	-	750,000
- warrants exercised	25,000	3,250	-	-	3,250
Share issue costs	-	(10,852)	-	-	(10,852)
Share-based compensation	-	-	102,200	-	102,200
Net loss for the year	-	-	-	(1,269,953)	(1,269,953)
Balance at April 30, 2022	24,001,541	29,951,417	1,936,409	(29,988,870)	1,898,956

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

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended April 30,	
	2023	2022
	\$	\$
Operating activities		
Net loss for the year	(680,270)	(1,269,953)
Adjustments for:		
Foreign exchange	(551)	-
Share-based compensation	67,900	102,200
Flow-through share premium recovery	(5,665)	-
Impairment of exploration and evaluation assets	-	536,240
Changes in non-cash working capital items:		
GST receivable	(2,766)	5,392
Prepays	4,263	114,810
Accounts payable and accrued liabilities	138,341	88,222
Net cash used in operating activities	(478,748)	(423,089)
Investing activities		
Additions to property, plant and equipment	(76,273)	-
Exploration and evaluation assets expenditures	(944,003)	(308,152)
Additions to bonds	(28,552)	(4,513)
Net cash used in investing activities	(1,048,828)	(312,665)
Financing activities		
Issuance of common shares	1,250,966	753,250
Share issue costs	(42,450)	(10,852)
Net cash provided by financing activities	1,208,516	742,398
Net change in cash during the year	(319,060)	6,644
Cash at beginning of year	1,782,915	1,776,271
Cash at end of year	1,463,855	1,782,915

Supplemental cash flow information - See Note 11

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

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

1. Nature of Operations

The Company is registered under the Business Corporations Act (British Columbia). On October 20, 2022 the Company changed its name from Aguila Copper Corp. to T2 Metals Corp. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "TWO", the OTCQB under the symbol "AGLAF" and the Frankfurt Stock Exchange under the Symbol "WJ6". The Company's principal and executive office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7, Canada.

The Company is a junior resource company engaged in the acquisition and exploration of unproven mineral interests. On the basis of information to date the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral Company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenues and, as at April 30, 2023, the Company had working capital of \$1,016,482. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its current levels of overhead and fund existing levels of planned exploration expenditures over the course of the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

On November 10, 2020 the Company established a United States subsidiary, Aguila Gold Inc., ("Aguila USA") in the state of Nevada to conduct the Company's activities in the United States. As at April 30, 2023 Aguila USA remains the Company's sole subsidiary.

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. See Note 5.
- (iv) Although the Company takes steps to verify title to exploration and evaluation assets 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.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

- (i) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- (ii) The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2022 management made an impairment charge of \$536,240 on certain of its exploration and evaluation assets, as described in Note 5(d). In fiscal 2023 management concluded that there were no impairment indicators and no impairment charge was required.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at April 30, 2023 and 2022 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties, net of government assistance. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20% for field equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

T2 METALS CORP. (formerly *Aguila Copper Corp.*)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at April 30, 2023 and 2022 the Company does not have any decommissioning obligations.

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit and loss (“FVTPL”); (ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

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3. Summary of Significant Accounting Policies (continued)

Flow-through Common Shares

The Company finances certain exploration expenditures through the issuance of flow-through common shares. Pursuant to the Canadian Income Tax Act and the terms of the flow-through share agreements, the exploration expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate Canadian income tax legislation. When the flow-through common shares are issued, the difference (“premium”) between the amounts recognized for common shares and the amounts the investors pay for the flow-through common shares is recognized as a flow-through share premium liability, which is reversed into the consolidated statement of loss and comprehensive loss as other income when the eligible expenditures are incurred.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced, in accordance with the Canadian Income Tax Act flow-through regulations. When applicable, the estimated tax payable is accrued until paid.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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3. Summary of Significant Accounting Policies (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings and loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of the Company's subsidiary is prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Accounting Standards and Interpretations Issued but Not Yet Effective

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

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counter-party of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not expect the adoption of the amendment to have a material impact.

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4. Property, Plant and Equipment

	Field Equipment \$
Balance at April 30, 2022	-
Additions	76,273
Depreciation	<u>(8,274)</u>
Balance at April 30, 2023	<u>67,999</u>

5. Exploration and Evaluation Assets

	<u>April 30, 2023</u>			<u>April 30, 2022</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
USA						
- Cora Copper Project	28,418	145,163	173,581	18,270	101,382	119,652
- Lida Copper Project	53,570	848,394	901,964	42,321	90,946	133,267
Canada						
- Sherridon Project	<u>38,000</u>	<u>159,013</u>	<u>197,013</u>	<u>15,000</u>	<u>48,232</u>	<u>63,232</u>
	<u>119,988</u>	<u>1,152,570</u>	<u>1,272,558</u>	<u>75,591</u>	<u>240,560</u>	<u>316,151</u>

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5. Exploration and Evaluation Assets (continued)

	Cora Copper Project \$	Lida Copper Project \$	Sherridon Project \$	WUSA Gold Project \$	Total \$
Balance at April 30, 2021	-	-	-	515,159	515,159
Exploration costs					
Assays	-	7,874	-	1,855	9,729
Camp costs	4,845	-	-	-	4,845
Field work	1,098	-	-	-	1,098
Geological	50,833	79,822	48,232	7,782	186,669
Geophysical	42,304	-	-	-	42,304
Permits	-	-	-	8,327	8,327
Travel	-	2,285	-	1,268	3,553
Vehicle rental	2,302	965	-	1,849	5,116
	<u>101,382</u>	<u>90,946</u>	<u>48,232</u>	<u>21,081</u>	<u>261,641</u>
Acquisition costs					
Option payment	-	-	15,000	-	15,000
Staking costs	18,270	42,321	-	-	60,591
	<u>18,270</u>	<u>42,321</u>	<u>15,000</u>	<u>-</u>	<u>75,591</u>
Impairment	-	-	-	(536,240)	(536,240)
Balance at April 30, 2022	<u>119,652</u>	<u>133,267</u>	<u>63,232</u>	<u>-</u>	<u>316,151</u>
Exploration costs					
Assays	-	10,298	1,979	-	12,277
Camp costs	-	1,937	-	-	1,937
Community relations	-	-	15,566	-	15,566
Depreciation	-	4,137	4,137	-	8,274
Drilling	-	492,943	-	-	492,943
Field work	-	35,222	-	-	35,222
Geological	17,543	45,647	76,783	-	139,973
Geophysical	19,698	132,258	-	-	151,956
Supplies	235	5,509	-	-	5,744
Travel	6,305	29,497	12,316	-	48,118
	<u>43,781</u>	<u>757,448</u>	<u>110,781</u>	<u>-</u>	<u>912,010</u>
Acquisition costs					
Staking costs	10,148	11,249	-	-	21,397
Option payment	-	-	23,000	-	23,000
	<u>10,148</u>	<u>11,249</u>	<u>23,000</u>	<u>-</u>	<u>44,397</u>
Balance at April 30, 2023	<u>173,581</u>	<u>901,964</u>	<u>197,013</u>	<u>-</u>	<u>1,272,558</u>

(a) *Cora Copper Project, Arizona*

The Cora Copper project comprises staked mining claims located in Pinal County, Arizona.

(b) *Lida Copper Project, Nevada*

The Lida Copper Project comprises staked mining claims located in Esmeralda County, Nevada.

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5. Exploration and Evaluation Assets (continued)

(c) *Sherridon Property, Manitoba*

On December 6, 2021 the Company entered into an option agreement (the “Sherridon Option Agreement”) with a private British Columbia company (the “Vendor”) pursuant to which the Company has been granted the option to earn up to a 90% interest of 28 mining claims and one mineral lease (the “Sherridon Property”) located in the Sherridon mining district in Manitoba, Canada.

Pursuant to the Sherridon Option Agreement the Company has paid \$15,000 and issued to the Vendor 100,000 common shares of the Company on August 4, 2022. The Company will earn an initial 80% interest (the “Option”) in the Sherridon Property by incurring \$1,000,000 exploration expenditures by January 31, 2026. The Company may then earn a further 10% interest by incurring an additional \$1,000,000 of exploration expenditures by January 31, 2029. Upon exercise of the Option, the Vendor and the Company will form a joint venture and the Vendor will then fund project expenditures in proportion to its interest in the Sherridon Property. If the Vendor’s interest is reduced to less than 10%, its interest will be converted into a 1.5% net smelter royalty that is purchasable by the Company for \$2,000,000 at any time.

(d) *WUSA Gold Project, Oregon*

Effective December 27, 2017, as amended, Mawson Gold Limited (“Mawson”) entered into an agreement (the “WUSA Option Agreement”) whereby it was granted the option to lease and to conduct exploration on mineral rights (the “WUSA Gold Project”) located in Oregon, USA.

On July 27, 2020 Mawson and the Company entered into an agreement whereby the Company was granted the right to earn up to an 80% indirect interest in the WUSA Gold Project. The Company subsequently earned an initial 51% indirect interest (the “Initial Interest”) by funding a minimum of US \$200,000 in exploration expenditures and making a US \$25,000 payment to the landholder. The Company could earn an additional 29% indirect interest by funding a further US \$1,000,000 in exploration expenditures by December 31, 2022 and making all the remaining option lease payments and exploration expenditures required under the WUSA Option Agreement.

During fiscal 2022 the Company determined not to incur any additional costs required to maintain its interest in the WUSA Option Agreement and provided notice of termination. Accordingly, during fiscal 2022 the Company impaired all capitalized expenditures on the WUSA Gold Project and recorded an impairment of \$536,240.

The Company and Mawson have an officer in common.

6. Flow-through Share Premium Liability

	\$
Balance at April 30, 2022	-
Flow-through share premium liability incurred	127,447
Settlement of flow-through share liability on incurred expenditures	<u>(5,665)</u>
Balance at April 30, 2023	<u>121,782</u>

In December 2022 the Company completed a flow-through financing for gross proceeds of \$655,444 as described in Note 7(b). See also Note 13.

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7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Fiscal 2023

During fiscal 2023 the Company completed a non-brokered private placement totalling 3,090,478 units as follows:

- (i) in December 2022 the Company issued 1,820,678 units in the flow-through portion of the financing (the "FT units") at \$0.36 per unit, for gross proceeds of \$655,444. Each FT unit comprised one flow-through common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.45 per share for three years from the date issuance; and
- (ii) in January 2023 the Company issued 1,269,800 units in the non-flow-through portion of the financing (the "NFT units") at \$0.29 per unit, for gross proceeds of \$368,242. Each NFT unit comprised one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.45 per share for three years from the date issuance.

The Company paid a finders' fee of \$33,001 cash and issued 91,672 share purchase warrants (the "Finders' Warrants"). Each Finders' Warrant entitles the holder to purchase an additional common share at a price of \$0.29 per share on or before December 28, 2025. The value assigned to the Finders' Warrants was \$22,918. The weighted average fair value of the Finders' Warrants issued was \$0.25 per warrant. The fair value of the Finders' Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 3.6%; expected volatility of 111%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The above warrants including the Finders' Warrants are subject to an acceleration clause. Post expiration of the hold period the Company can elect to accelerate the expiry of the warrants in the event that the volume weighted average trading price of its common shares on the TSXV equals or exceeds \$0.90 per share for twenty consecutive trading days, in which case the warrants will expire thirty days after the date the Company provides written notice of acceleration by way of the issuance of a press release.

The Company incurred a total of \$9,449 for legal and other costs associated with this private placement.

Two directors of the Company purchased a total of 277,800 FT units and 200,000 NFT units

Fiscal 2022

On October 15, 2021 the Company completed a non-brokered private placement of 3,750,000 units at \$0.20 per unit, for total proceeds of \$750,000. Each unit comprised one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.30 per share on or before October 15, 2024. A director of the Company purchased a total of 125,000 units of the private placement.

The Company incurred a total of \$10,852 for legal and other costs associated with this private placement.

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7. **Share Capital** (continued)

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at April 30, 2023 and 2022 and the changes for the years ended on those dates is as follows:

	2023		2022	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	10,081,278	0.35	8,231,278	0.36
Issued	2,547,250	0.44	1,875,000	0.30
Exercised	(1,712,000)	0.13	(25,000)	0.13
Expired	(540,500)	0.14	-	-
Balance, end of year	10,376,028	0.42	10,081,278	0.35

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at April 30, 2023:

Number	Exercise Price \$	Expiry Date
5,953,778	0.45	March 25, 2024*
1,875,000	0.30	October 15, 2024
1,666,700	0.45	December 22, 2025
153,978	0.45	December 28, 2025
91,672	0.29	December 28, 2025
125,000	0.45	January 20, 2026
509,900	0.45	January 23, 2026
10,376,028		

* Effective July 18, 2022 the expiry date of the warrants was extended from September 25, 2022 to March 25, 2024.

(d) **Share Option Plan**

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2023 the Company granted share options to purchase 485,000 (2022 - 650,000) common shares and recorded compensation expense of \$67,900 (2022 - \$102,200).

The fair value of share options granted during fiscal 2023 and 2022 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	2023	2022
Risk-free interest rate	3.89%	0.66% - 1.47%
Estimated volatility	108%	99% - 102%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

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7. Share Capital (continued)

The weighted average measurement date fair value of all share options granted during fiscal 2023, using the Black-Scholes Option Pricing Model, was \$0.14 (2022 - \$0.16) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at April 30, 2023 and 2022 and the changes for the years ended on those dates, is as follows:

	2023		2022	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	2,189,000	0.30	1,904,000	0.34
Granted	485,000	0.25	650,000	0.22
Expired / Cancelled	<u>(125,000)</u>	0.32	<u>(365,000)</u>	0.33
Balance, end of year	<u>2,549,000</u>	0.30	<u>2,189,000</u>	0.30

The following table summarizes information about the share options outstanding and exercisable at April 30, 2023:

Number	Exercise Price \$	Expiry Date
400,000	0.32	August 18, 2023 (subsequently expired without exercise)
324,000	0.40	August 18, 2023 (subsequently expired without exercise)
690,000	0.32	November 6, 2023
65,000	0.25	November 28, 2023
150,000	0.22	July 16, 2024
190,000	0.21	October 1, 2024
160,000	0.21	November 1, 2024
150,000	0.25	January 25, 2025
<u>420,000</u>	0.25	October 14, 2025
<u>2,549,000</u>		

8. Related Party Transactions and Balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company has determined that key management personnel consists of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company. During fiscal 2023 the Company incurred \$130,000 (2022- \$120,000) executive compensation with respect to the Company's key management personnel. As at April 30, 2023 \$235,480 (2022 - \$153,630) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2023 the Company also recorded \$14,000 (2022 - \$nil) share-based compensation for share options granted to key management personal.

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8. Related Party Transactions and Balances (continued)

(b) *Transactions with Other Related Parties*

(i) During fiscal 2023 the Company incurred \$22,088 (2022 - \$14,363) for compensation to non-executive directors of the Company of which \$21,738 (2022 - \$14,363) was expensed to director and officer compensation and \$350 (2022 - \$nil) was capitalized to exploration and evaluation assets. As at April 30, 2023 \$41,963 (2022 - \$42,713) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2023 the Company also recorded \$27,300 (2022 - \$24,000) share-based compensation for share options granted to non-executive directors.

(ii) During fiscal 2023 the Company incurred \$48,650 (2022 - \$31,400) for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private company owned by the CFO of the Company. As at April 30, 2023 \$9,000 (2022 - \$5,800) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2023 the Company also recorded \$10,500 (2022 - \$nil) share-based compensation for share options granted to Chase.

(iii) See also Notes 5(d) and 7(b).

9. Income Taxes

Deferred income tax assets and liabilities of the Company as at April 30, 2023 and 2022, are as follows:

	2023 \$	2022 \$
Deferred income tax assets		
Losses carried forward	1,621,000	1,442,700
Mineral resource interests	6,000	14,300
Other	<u>17,000</u>	<u>10,300</u>
	1,644,000	1,467,300
Valuation allowance	<u>(1,644,000)</u>	<u>(1,467,300)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the statements of income (loss) and comprehensive income (loss) and deficit differs from the amounts obtained by applying statutory rates to the income (loss) before provision for income taxes due to the following:

	2023 \$	2022 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>27.0%</u>	<u>27.0%</u>
Expected income tax expense (recovery)	(182,000)	(342,900)
Flow-through expenditures incurred	8,000	-
Share issue costs	(11,000)	-
Permanent differences	17,000	27,600
Foreign income tax rate difference	(9,000)	34,100
Unrecognized benefit of income tax losses	<u>177,000</u>	<u>281,200</u>
Actual income tax expense (recovery)	<u>-</u>	<u>-</u>

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9. Income Taxes (continued)

As at April 30, 2023 the Company has accumulated non-capital losses of approximately \$5,511,000 (2022 - \$4,898,600) and accumulated tax pools of approximately \$88,000 (2022 - \$90,900) carried forward for Canadian income tax purposes which are available to reduce taxable income of future years. The non-capital losses expire commencing in 2029 through 2043.

The Company's subsidiary has incurred losses of approximately \$632,500 (2022 - \$571,700) for tax purposes. The losses may be carried forward indefinitely.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	April 30, 2023 \$	April 30, 2022 \$
Cash	Amortized cost	1,463,855	1,782,915
Bonds	Amortized cost	33,616	4,513
Accounts payable and accrued liabilities	Amortized cost	(378,246)	(258,775)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and bonds approximate their fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

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FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

Contractual Maturity Analysis at April 30, 2023					
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	1,463,855	-	-	-	1,463,855
Bonds	-	-	33,616	-	33,616
Accounts payable and accrued liabilities	(378,246)	-	-	-	(378,246)
Contractual Maturity Analysis at April 30, 2022					
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	1,782,915	-	-	-	1,782,915
Bonds	-	-	4,513	-	4,513
Accounts payable and accrued liabilities	(258,775)	-	-	-	(258,775)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents bear floating rates of interest. The interest rate risk on cash and cash equivalents and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company maintains a US Dollar currency bank accounts to support the cash needs of its foreign operation. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At April 30, 2023, 1 Canadian Dollar was equal to 0.74 US Dollar.

Balances are as follows:

	US Dollars	CDN \$ Equivalent
Cash	30,031	40,582
Amount receivable	4,125	5,601
Bonds	24,758	33,616
Accounts payable and accrued liabilities	(27,405)	(37,034)
	<u>31,509</u>	<u>42,765</u>

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10. Financial Instruments and Risk Management (continued)

Based on the net exposures as of April 30, 2023 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's comprehensive loss being approximately \$4,300 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties or evaluate business opportunities which may become available. 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 to sustain future development of the business. The Company defines capital that it manages as share capital and cash equivalents. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. Supplemental Cash Flow Information

During fiscal 2023 and 2022 non-cash activities were conducted by the Company as follows:

	2023 \$	2022 \$
Operating activities		
Depreciation	8,274	-
Accounts payable and accrued liabilities	<u>(18,870)</u>	<u>35,042</u>
	<u>(10,596)</u>	<u>35,042</u>
Investing activity		
Exploration and evaluation assets	<u>10,596</u>	<u>(35,042)</u>
Financing activities		
Share-based payments reserve	22,918	-
Share issue costs	<u>(22,918)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

12. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for precious metals. As at April 30, 2023 the Company's mineral property interests are mainly located in the United States and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	April 30, 2023		
	Corporate Canada \$	Mineral Operations USA \$	Total \$
Current assets	1,475,733	40,777	1,516,510
Exploration and evaluation assets	197,013	1,075,545	1,272,558
Property, plant and equipment	34,000	33,999	67,999
Bonds	-	<u>33,616</u>	<u>33,616</u>
	<u>1,706,746</u>	<u>1,183,937</u>	<u>2,890,683</u>

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12. Segmented Information (continued)

	<u>April 30, 2022</u>		
	<u>Corporate Canada \$</u>	<u>Mineral Operations USA \$</u>	<u>Total \$</u>
Current assets	1,812,610	24,457	1,837,067
Exploration and evaluation assets	63,232	252,919	316,151
Bonds	-	4,513	4,513
	<u>1,875,842</u>	<u>281,889</u>	<u>2,157,731</u>

13. Commitment

In December 2022 the Company entered into a flow-through private placement to fund exploration activities on its Canadian properties. Canadian tax rules require the Company to spend flow-through funds on exploration expenses by the end of the calendar year following the year in which they were raised.

At April 30, 2023, the Company has expended \$12,956 of the flow-through private placement amount of \$655,444 on qualified exploration expenditures. The Company has until December 31, 2023 to spend the remaining balance of approximately \$642,488 of the flow-through financing on exploration expenditures.

The Company may be subject to interest on flow-through proceeds (“Part XII.6 Tax”) renounced under the look-back rules in respect of prior years, and penalties, in accordance with regulations in the Income Tax Act (Canada), if it is determined that flow-through proceeds were not properly or timely spent on Canadian exploration expenses. Any Part XII.6 Tax is expensed as incurred as an operating expense.

The Company has indemnified the subscribers of flow-through shares from any tax consequences should the Company, notwithstanding its plans, fail to meet its commitments under the flow-through subscription agreements.