



## **C3 Metals Inc.**

(An Exploration Stage Company)

### **Consolidated Financial Statements**

**For the years ended August 31, 2022 and 2021**

(expressed in Canadian dollars)



## Independent auditor's report

To the Shareholders of C3 Metals Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of C3 Metals Inc. and its subsidiaries (together, the Company) as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at August 31, 2022 and 2021;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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 identified above 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.

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## **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.



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## 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
December 8, 2022

## C3 Metals Inc.

(An Exploration Stage Company)

### Consolidated Statements of Financial Position



(expressed in Canadian dollars)

|  | August 31,<br>2022<br>\$ | August 31,<br>2021<br>\$ |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| Current assets:                                      |                          |                          |
| Cash and cash equivalents                            | 7,302,637                | 5,846,804                |
| Restricted deposits (note 4)                         | 50,790                   | 50,076                   |
| Amounts receivable (note 5)                          | 171,027                  | 35,701                   |
| Prepaid expenses                                     | 425,889                  | 215,071                  |
| Marketable securities (note 6)                       | 326,536                  | 127,803                  |
|  | <u>8,276,879</u>         | <u>6,275,455</u>         |
| <b>Equipment</b> (note 7)                            | 75,441                   | 70,518                   |
| <b>Mineral exploration properties</b> (note 8)       | 17,745,558               | 11,399,281               |
| <b>Deferred exploration expenditures</b> (note 8)    | 23,438,533               | 10,449,527               |
|  | <u>41,259,532</u>        | <u>21,919,326</u>        |
| <b>Total assets</b>                                  | <u>49,536,411</u>        | <u>28,194,781</u>        |
| <b>Liabilities</b>                                   |                          |                          |
| Current liabilities:                                 |                          |                          |
| Accounts payable and accrued liabilities             | 1,011,616                | 1,146,648                |
| <b>Total liabilities</b>                             | <u>1,011,616</u>         | <u>1,146,648</u>         |
| <b>Shareholders' equity</b>                          |                          |                          |
| <b>Capital stock</b> (note 9)                        | 62,570,390               | 39,869,436               |
| <b>Warrants</b> (note 9)                             | 66,390                   | 66,390                   |
| <b>Contributed surplus</b>                           | 5,262,413                | 4,064,303                |
| <b>Accumulated deficit</b>                           | (19,458,403)             | (15,639,442)             |
| <b>Accumulated other comprehensive income (loss)</b> | 84,005                   | (1,312,554)              |
| <b>Total shareholders' equity</b>                    | <u>48,524,795</u>        | <u>27,048,133</u>        |
| <b>Total liabilities and shareholders' equity</b>    | <u>49,536,411</u>        | <u>28,194,781</u>        |

Going concern (note 1)

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

Approved by the Board of Directors:

/s/ Antony Manini  
Director

/s/ Kimberly Ann Arntson  
Director

## C3 Metals Inc.

(An Exploration Stage Company)

### Consolidated Statements of Operations and Comprehensive Loss



(expressed in Canadian dollars)

|  | Year ended<br>August 31,<br>2022<br>\$ | Year ended<br>August 31,<br>2021<br>\$ |
|--|--|--|
| <b>Expenses</b>  |  |  |
| Promotion and investor relations   | 741,458                                | 325,260                                |
| Regulatory authority and transfer agent fees   | 96,165                                 | 93,935                                 |
| Legal, accounting, audit and financial advisory  | 264,927                                | 170,137                                |
| Office, general and administrative   | 1,660,229                              | 1,185,001                              |
| Project generation and evaluation  | 3,367                                  | 4,752                                  |
| Share based compensation (note 9)  | 816,125                                | 1,368,712                              |
| Impairment of mineral exploration property and deferred<br>exploration expenditures (note 8) | -                                      | 3,079,171                              |
|  | <u>3,582,271</u>                       | <u>6,226,968</u>                       |
| Interest income  | (75,619)                               | (22,821)                               |
| Loss (gain) on marketable securities (note 6)  | 224,297                                | (744,684)                              |
| Foreign exchange loss  | 88,012                                 | 68,005                                 |
|  | <u>236,690</u>                         | <u>(699,500)</u>                       |
| <b>Net loss for the year</b>   | <b>3,818,961</b>                       | <b>5,527,468</b>                       |
| <b>Other comprehensive loss (income)</b>   |  |  |
| <b>Items that may be subsequently reclassified<br/>to operations</b>                         |  |  |
| Foreign currency translation adjustment  | (1,396,559)                            | 539,670                                |
|  | <u>2,422,402</u>                       | <u>6,067,138</u>                       |
| <b>Total comprehensive loss for the year</b>   |  |  |
| Loss per common share:   |  |  |
| Basic and diluted  | <u>0.01</u>                            | <u>0.01</u>                            |
| Weighted average number of common shares outstanding:  |  |  |
| Basic and diluted  | <u>566,206,699</u>                     | <u>419,249,022</u>                     |

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

## C3 Metals Inc.

(An Exploration Stage Company)



### Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

|  | Capital stock |             | Warrants     |           | Contributed surplus | Accumulated deficit | Accumulated other comprehensive income (loss) | Total shareholders' equity |
|--|---------------|-------------|--------------|-----------|---------------------|---------------------|---|----------------------------|
|  | #             | \$          | #            | \$        | \$                  | \$                  | \$  | \$                         |
| <b>Balance, August 31, 2020</b>                          | 375,168,311   | 29,702,603  | 29,229,750   | 564,110   | 2,735,436           | (10,111,974)        | (772,884)                                     | 22,117,291                 |
| Net loss for the year                                    | -             | -           | -            | -         | -                   | (5,527,468)         | -   | (5,527,468)                |
| Foreign currency translation adjustment                  | -             | -           | -            | -         | -                   | -                   | (539,670)                                     | (539,670)                  |
| Total comprehensive loss for the year                    | -             | -           | -            | -         | -                   | (5,527,468)         | (539,670)                                     | (6,067,138)                |
| Brokered private placement of shares (note 9)            | 52,960,779    | 7,414,509   | -            | -         | -                   | -                   | -   | 7,414,509                  |
| Broker warrants issued to finders (note 9)               | -             | (286,000)   | -            | -         | 286,000             | -                   | -   | -                          |
| Share issue costs  | -             | (654,396)   | -            | -         | -                   | -                   | -   | (654,396)                  |
| Shares issued for purchase of Rodinia royalty (note 8)   | 190,062       | 29,840      | -            | -         | -                   | -                   | -   | 29,840                     |
| Exercise of warrants (note 9)                            | 23,344,751    | 2,817,959   | (23,344,751) | (483,484) | -                   | -                   | -   | 2,334,475                  |
| Expiry of warrants (note 9)                              | -             | -           | (684,999)    | (14,236)  | 14,236              | -                   | -   | -                          |
| Exercise of broker warrants (note 9)                     | 458,800       | 37,862      | -            | -         | (14,022)            | -                   | -   | 23,840                     |
| Exercise of stock options (note 9)                       | 8,060,000     | 807,059     | -            | -         | (326,059)           | -                   | -   | 481,000                    |
| Restricted share unit compensation charge (note 9)       | -             | -           | -            | -         | 110,000             | -                   | -   | 110,000                    |
| Stock option compensation charge (note 9)                | -             | -           | -            | -         | 1,258,712           | -                   | -   | 1,258,712                  |
|  | 85,014,392    | 10,166,833  | (24,029,750) | (497,720) | 1,328,867           | (5,527,468)         | (539,670)                                     | 4,930,842                  |
| <b>Balance, August 31, 2021</b>                          | 460,182,703   | 39,869,436  | 5,200,000    | 66,390    | 4,064,303           | (15,639,442)        | (1,312,554)                                   | 27,048,133                 |
| Net loss for the year                                    | -             | -           | -            | -         | -                   | (3,818,961)         | -   | (3,818,961)                |
| Foreign currency translation adjustment                  | -             | -           | -            | -         | -                   | -                   | 1,396,559                                     | 1,396,559                  |
| Total comprehensive loss for the year                    | -             | -           | -            | -         | -                   | (3,818,961)         | 1,396,559                                     | (2,422,402)                |
| Shares issued for Jasperoide property interest (note 8)  | 25,001,540    | 5,100,314   | -            | -         | -                   | -                   | -   | 5,100,314                  |
| Brokered private placement of shares (note 9)            | 101,582,178   | 19,300,614  | -            | -         | -                   | -                   | -   | 19,300,614                 |
| Broker warrants issued to finders (note 9)               | -             | (634,100)   | -            | -         | 634,100             | -                   | -   | -                          |
| Share issue costs  | -             | (1,339,178) | -            | -         | -                   | -                   | -   | (1,339,178)                |
| Exercise of broker warrants (note 9)                     | 423,800       | 32,137      | -            | -         | (10,948)            | -                   | -   | 21,189                     |
| Shares issued for vested restricted share units (note 9) | 1,500,000     | 165,000     | -            | -         | (165,000)           | -                   | -   | -                          |
| Shares issued for deferred share units (note 9)          | 814,014       | 76,167      | -            | -         | (76,167)            | -                   | -   | -                          |
| Restricted share unit compensation charge (note 9)       | -             | -           | -            | -         | 59,667              | -                   | -   | 59,667                     |
| Stock option compensation charge (note 9)                | -             | -           | -            | -         | 756,458             | -                   | -   | 756,458                    |
|  | 129,321,532   | 22,700,954  | -            | -         | 1,198,110           | (3,818,961)         | 1,396,559                                     | 21,476,662                 |
| <b>Balance, August 31, 2022</b>                          | 589,504,235   | 62,570,390  | 5,200,000    | 66,390    | 5,262,413           | (19,458,403)        | 84,005  | 48,524,795                 |

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

**C3 Metals Inc.**

(An Exploration Stage Company)

**Consolidated Statements of Cash Flows**

(expressed in Canadian dollars)

|  | Year ended<br>August 31,<br>2022<br>\$ | Year ended<br>August 31,<br>2021<br>\$ |
|--|--|--|
| <b>Cash provided by (used in)</b>  |  |  |
| <b>Operating activities</b>  |  |  |
| Net loss for the year  | (3,818,961)                            | (5,527,468)                            |
| Items not affecting cash:  |  |  |
| Share based compensation (note 9)  | 816,125                                | 1,368,712                              |
| Depreciation of equipment  | 404                                    | 260                                    |
| Impairment of mineral exploration property and deferred<br>exploration expenditures (note 8) | -                                      | 3,079,171                              |
| Interest income on restricted deposits   | (714)                                  | (125)                                  |
| Loss (gain) on marketable securities (note 6)  | 224,297                                | (744,684)                              |
| Change in working capital items:   |  |  |
| Amounts receivable   | (60,326)                               | (22,497)                               |
| Prepaid expenses   | (210,818)                              | (196,182)                              |
| Accounts payable and accrued liabilities   | (739,577)                              | (23,178)                               |
|  | <u>(3,789,570)</u>                     | <u>(2,065,991)</u>                     |
| <b>Investing activities</b>  |  |  |
| Restricted deposits (note 4)   | -                                      | (34,889)                               |
| Proceeds from sale of marketable securities (note 6)   | 26,970                                 | 816,381                                |
| Purchase of equipment (note 7)   | (15,434)                               | (60,869)                               |
| Mineral exploration property costs (note 8)  | (1,613,306)                            | (645,616)                              |
| Deferred exploration expenditures (note 8)   | (11,487,005)                           | (4,773,146)                            |
|  | <u>(13,088,775)</u>                    | <u>(4,698,139)</u>                     |
| <b>Financing activities</b>  |  |  |
| Issuance of common shares (note 9)   | 19,300,614                             | 7,414,509                              |
| Share issue costs  | (1,339,178)                            | (654,396)                              |
| Exercise of warrants (note 9)  | -                                      | 2,334,475                              |
| Exercise of broker warrants (note 9)   | 21,189                                 | 23,840                                 |
| Exercise of stock options (note 9)   | -                                      | 481,000                                |
|  | <u>17,982,625</u>                      | <u>9,599,428</u>                       |
| Effect of exchange rate changes on cash  | <u>351,553</u>                         | <u>(223,795)</u>                       |
| <b>Net change in cash and cash equivalents</b>   | <b>1,455,833</b>                       | <b>2,611,503</b>                       |
| <b>Cash and cash equivalents - Beginning of year</b>   | <b>5,846,804</b>                       | <b>3,235,301</b>                       |
| <b>Cash and cash equivalents - End of year</b>   | <b>7,302,637</b>                       | <b>5,846,804</b>                       |

Supplemental cash flow information (note 15)

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

## C3 Metals Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

August 31, 2022 and 2021



(expressed in Canadian dollars)

### 1. Nature of operations and going concern

#### General information

On July 31, 2020, the company changed its name to C3 Metals Inc. (referred to herein collectively with its subsidiaries as the "Company") from Carube Copper Corp. Additionally, the Company's ticker symbol on the TSX Venture Exchange ("TSX-V") was changed to C3CM. On June 18, 2015, Miocene Resources Limited ("Miocene") completed a reverse takeover with Carube Resources Inc. (CRI). On July 7, 2015, the Company commenced trading on the TSX-V under the former name Carube Copper Corp.

C3 Metals Inc. is an exploration stage junior mining company. Since November of 2009, the Company has been engaged in the identification, acquisition, evaluation and exploration of mineral properties. The Company has not determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company's registered office is located at 161 Bay Street, 27th Floor, Toronto, Ontario, Canada where it is domiciled. The Company's subsidiaries include: Carube Resources Inc., domiciled in Toronto, Canada; Carube Resources Jamaica Limited and Rodinia Jamaica Limited, which are both domiciled in Kingston, Jamaica; Latin America Resource Group Limited, domiciled in Toronto, Canada; C3 Metals Peru S.A.C. (formerly KA Oro S.A.C.) and Molino Azul S.A.C., which are both domiciled in Lima, Peru.

#### Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

From inception to date, the Company has incurred losses from operations and has had negative cash flows from operating activities. As at August 31, 2022, the Company had working capital of \$7,265,263. Given the Company's plans for significant exploration expenditures focused on both the Jasperoide, Peru and the Jamaica projects during 2023, existing funds on hand at year end are not sufficient to support planned exploration costs, costs of acquiring new exploration properties or ongoing corporate costs over the coming year. These conditions raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company will require additional funding to be able to advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

There is no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### 2. Significant accounting policies

#### Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Board of Directors of the Company approved these consolidated financial statements for issue on December 8, 2022.

#### General information and basis of consolidation

C3 Metals Inc. was incorporated under the *Business Corporations Act (Ontario)* on March 29, 2010. The Company completed a reverse takeover with CRI on June 18, 2015. Carube Resources Inc. was incorporated under the *Business Corporations Act (Ontario)* on August 2, 2007 under the name 2144321 Ontario Inc. and was inactive until October 2009 at which time its name was changed to CRI. On March 31, 2011, CRI incorporated Carube Resources Jamaica Limited (CRJL), a wholly-owned Jamaican subsidiary, in order for it to hold the Bellas Gate project mineral exploration licences and to conduct business as operator of the project. On March 31, 2012, CRI acquired all of the outstanding shares of Rodinia Jamaica Limited (RJL) in exchange for common shares of CRI. RJL held title to four Special Exclusive Prospecting Licenses (SEPLs) in Jamaica. On February 26, 2020, the Company acquired all of the outstanding shares of Latin America Resource Group Limited (LARG) along with its wholly-owned Peruvian subsidiary, KA Oro S.A.C., which has been renamed C3 Metals Peru S.A.C. (C3 Peru). On June 7, 2021, Molino Azul S.A.C. (Molino) was incorporated to hold additional property interest in Peru.

The Company's financial statements consolidate those of the parent company and each of its 100% wholly-owned subsidiaries CRI, CRJL, RJL, LARG, C3 Peru and Molino. All inter-company balances and transactions are eliminated upon consolidation. The consolidated financial statements are expressed in Canadian dollars and are prepared using the historical cost method.

#### Acquisition accounting

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in net loss.

### C3 Metals Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

August 31, 2022 and 2021



(expressed in Canadian dollars)

If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

#### Cash and cash equivalents

Cash and cash equivalents include cash held in banks and investments which have a term to maturity at the time of purchase of ninety days or less and which are readily convertible into cash.

#### Equipment

Equipment is initially recorded at cost and is then depreciated using the diminishing balance method at the following annual rates: computers at 25% to 30%, office furniture and equipment at 20% and field vehicles and equipment at 10% to 30%.

#### Mineral exploration property and deferred exploration expenditures

Acquisition costs of mineral exploration properties together with direct exploration and development expenditures are capitalized and are carried at cost less any impairment loss recognized. When production is attained, these costs will be amortized. If properties are abandoned or it is determined that there is an impairment in value, the costs of the properties and related deferred expenditures will be written down to their estimated recoverable amount at that time. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the consolidated statements of operations and comprehensive loss. Expenditures of a general nature are expensed to project generation and business development in the consolidated statements of operations and comprehensive loss.

Option-out agreements are accounted for as farm-out arrangements. The Company, as the farmor, does not record any expenditures made by the optionee on its behalf, does not recognize any gain or loss on the option-out arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash or share consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

Proceeds realized from the sale of mineral exploration property interests are credited against mineral property and deferred exploration costs previously capitalized for each project. Any shortfall or excess is recorded as a loss or gain, respectively, in the consolidated statement of operations.

The Company may be entitled to certain refundable tax credits on qualified exploration expenditures incurred in the Province of British Columbia. The refundable tax credit rate based on qualified expenditures incurred is 20% in British Columbia. In accordance with IAS 20, any tax credits receivable are credited against the costs incurred at the time they are determined to be receivable.

Although the Company has taken steps to verify title to the exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### Impairment of non-financial assets

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash generating unit is reviewed for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property by property basis.

An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less cost to dispose and its value in use. To determine the value in use, management determines a suitable interest rate and estimates expected future cash flows from each asset or cash generating unit. An impairment loss is recognized immediately in the consolidated statements of operations and comprehensive loss. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

#### Share capital and equity-settled share-based payments

Share issue costs are recorded as a reduction of share capital when the related shares are issued.

Share capital issued for non-monetary consideration including exploration property assets and other goods or services is measured at the fair values of the property or goods and services received, unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the property or goods and services received, the Company determines their value indirectly by reference to the fair value of the equity instruments granted at an amount based on the recent trading price of Company shares on the TSX-V.

The Company grants stock options to certain officers, directors and consultants of the Company. The vesting period and life of stock options is determined by the Company's Compensation Committee at the time of grant. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation cost related to stock options is charged to expense or is capitalized to deferred exploration expenditures when related to direct exploration activities. Compensation cost is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Restricted share units (RSUs) and deferred share units (DSUs) are measured at the fair value of the shares at the grant date as these are settled through the issuance of shares. The Company's compensation expense is recognized over the vesting period based on the number of units estimated to vest. Management estimates the number of awards likely to vest on grant and at each reporting date up to the vesting date. The estimated forfeiture rate is adjusted for actual forfeitures in the period.

(expressed in Canadian dollars)

#### **Leases**

The Company assesses whether a contract is a lease at inception of the contract and recognizes a right-of-use asset and a corresponding liability with respect to all lease arrangements unless the lease is a low value lease or ends within 12 months. Mineral leases held by the Company are exempt from the provisions of IFRS 16.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### **Flow-through share accounting**

In accordance with current tax legislation, the Company renounces the tax deductions relating to qualified resource expenditures that are financed by the issuance of flow-through shares to the benefit of the flow-through shareholders. Common shares issued on a flow-through basis typically include a premium over the market price of the Company's common shares that is associated with the tax benefits of the flow-through share. The Company estimates the proportion of proceeds attributable to the flow-through premium as the excess of the subscription price over the market value of the shares and records this value as a liability at issuance.

Deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of operations and comprehensive loss. If unrecognized deferred tax assets exist, deferred tax liabilities recorded upon incurring the qualified expenditures are offset with a deferred tax recovery recorded in the consolidated statements of operations and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as other income in the consolidated statements of operations and comprehensive loss.

#### **Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of C3 Metals Inc., CRI and LARG is the Canadian dollar. The functional currency of CRJL and RJL is the Jamaican dollar. The functional currency of C3 Peru and Molino is the Peruvian Soles. The functional currency has remained unchanged during the reporting periods for both the parent company and its subsidiaries. The presentation currency of the Company is the Canadian dollar.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Foreign exchange gains or losses on translation to the functional currency of an entity are recorded in the consolidated statements of operations and comprehensive loss as foreign exchange gain or loss.

##### *Consolidation*

The financial statements of CRJL, RJL, C3 Peru and Molino are translated into Canadian dollars on consolidation as follows: assets and liabilities - at the closing rate at the date of the statements of financial position, and income and expenses - at the average rate of the period (as this is considered a reasonable approximation of actual rates). All resulting foreign exchange translation adjustments are recognized in other comprehensive income (loss).

#### **Income taxes**

Income tax comprises current and deferred tax, when applicable. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax liabilities are always recorded in full.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

#### **Loss per common share**

Loss per common share is calculated based upon the weighted average number of common shares outstanding during the year. As the Company incurred a net loss for the fiscal years ended August 31, 2022 and 2021, the diluted number of common shares outstanding excludes all contingently issuable shares as they have an anti-dilutive effect for the years presented.

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### Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as: amortized cost; fair value through profit or loss; or, fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when it first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held by a business whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Amounts receivable are classified as and measured at amortized cost.

#### Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVTOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVTOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of loss. The election is available on an investment-by-investment basis.

#### Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of operations when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

#### Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statement of operations. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations.

#### Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period end. Any gains or losses arising from changes in fair value of derivatives are recorded in the statement of operations.

#### Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 - Fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within 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 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was \$Nil as at August 31, 2022 and 2021.

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### Segmented reporting

The Company presents and discloses segmented information based on information that is regularly reviewed by the Company's President and CEO who is the chief operating decision-maker. The President & CEO has primary responsibility for allocating resources to the Company's operating segments and assessing their performance. The Company has determined that there is only one operating segment being the sector of exploration and development of mineral resource properties.

### New and revised accounting standards

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting years beginning on or after January 1, 2022. Many are not applicable or do not have a significant impact on the Company and have been excluded from the summary below.

### Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policies. The amendments aim to help entities provide accounting policy disclosures that are more useful to the users of the financial statements by replacing significant accounting policies with the requirement of disclosing only those accounting policies that are material. The amendments further clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The IASB has developed guidance and examples to help entities apply materiality judgments to accounting policy disclosure. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

## 3. Critical accounting estimates and judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, equity, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, equity, income and expenses are discussed below.

### Mineral exploration property and deferred exploration expenditure assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

### Valuation of stock options, warrants and compensation options

The estimation of share-based payment costs and the value of warrants and compensation options requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model. The Company has made estimates as to the volatility of its own common shares, the expected life of share options, warrants and compensation options granted and the time of exercise of those instruments.

The Company allocates values to share capital and to warrants according to their fair value using the proportional method when the two are issued together as a unit. The Company uses the Black-Scholes valuation model to determine the fair value of warrants issued.

### Going concern

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions. Further information regarding going

## 4. Restricted deposits

The Company has established a corporate credit card account for the payment of certain field exploration, travel and corporate costs. An amount of \$50,790 (August 31, 2021 - \$50,076) held in a guaranteed investment certificate has been pledged as collateral for the maximum credit limit on this credit card account.

## 5. Amounts receivable

Amounts receivable of \$171,027 (August 31, 2021 - \$35,701) is comprised of harmonized sales tax (HST) receivable in Canada of \$96,027 and a value of \$75,000 receivable related to the sale of the Rogers Creek project (see note 8).

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**6. Marketable securities**

During March 2019, the Company received 500,000 common shares of Tocvan Ventures Corp. ("Tocvan") under the terms of the option agreement for the Rogers Creek, BC project (see note 8). During June 2020, the Company received an additional 200,000 common shares of Tocvan in connection with the first anniversary payment under the option agreement, increasing the Company's total holding to 700,000 common shares at that time. During May through July 2021, the Company sold 586,900 common shares realizing proceeds of \$816,381. During September 2021, the Company received 500,000 additional Tocvan common shares in connection with its sale of Rogers Creek project to Tocvan (see note 8). During April 2022, the Company sold 30,000 shares realizing proceeds of \$26,970. As at August 31, 2022, the Company held 583,100 common shares. These shares are classified as fair value through profit and loss and are recorded at fair value using the quoted market price of Tocvan's common shares on the Canadian Securities Exchange. The following table summarizes information regarding the Company's marketable securities.

|                                 | \$               |
|---------------------------------|------------------|
| <b>Balance, August 31, 2020</b> | 199,500          |
| Sale of shares                  | (816,381)        |
| Gain on marketable securities   | <u>744,684</u>   |
| <b>Balance, August 31, 2021</b> | 127,803          |
| Value of shares received        | 450,000          |
| Sale of shares                  | (26,970)         |
| Loss on marketable securities   | <u>(224,297)</u> |
| <b>Balance, August 31, 2022</b> | <u>326,536</u>   |

**7. Equipment**

|   | Computers<br>\$ | Office furniture<br>and equipment<br>\$ | Field<br>vehicles and<br>equipment<br>\$ | Total<br>\$    |
|---|-----------------|---|--|----------------|
| <b>Gross carrying amount</b>            |                 |   |  |                |
| Balance, September 1, 2021              | 39,662          | 4,593                                   | 114,875                                  | 159,130        |
| Additions                               | 15,434          | -                                       | -  | 15,434         |
| Translation to presentation currency    | 3,056           | -                                       | 3,010                                    | 6,067          |
| Balance, August 31, 2022                | <u>58,152</u>   | <u>4,593</u>                            | <u>117,885</u>                           | <u>180,631</u> |
| <b>Accumulated depreciation</b>         |                 |   |  |                |
| Balance, September 1, 2021              | 17,011          | 4,593                                   | 67,008                                   | 88,612         |
| Depreciation                            | 9,064           | -                                       | 6,848                                    | 15,912         |
| Translation to presentation currency    | 541             | -                                       | 125                                      | 666            |
| Balance, August 31, 2022                | <u>26,616</u>   | <u>4,593</u>                            | <u>73,980</u>                            | <u>105,190</u> |
| <b>Carrying amount, August 31, 2022</b> | <u>31,536</u>   | <u>-</u>                                | <u>43,905</u>                            | <u>75,441</u>  |
| <b>Gross carrying amount</b>            |                 |   |  |                |
| Balance, September 1, 2020              | 13,696          | 4,593                                   | 84,291                                   | 102,580        |
| Additions                               | 28,114          | -                                       | 32,755                                   | 60,869         |
| Translation to presentation currency    | (2,148)         | -                                       | (2,171)                                  | (4,319)        |
| Balance, August 31, 2021                | <u>39,662</u>   | <u>4,593</u>                            | <u>114,875</u>                           | <u>159,130</u> |
| <b>Accumulated depreciation</b>         |                 |   |  |                |
| Balance, September 1, 2020              | 13,696          | 4,593                                   | 60,706                                   | 78,995         |
| Depreciation                            | 3,602           | -                                       | 6,326                                    | 9,928          |
| Translation to presentation currency    | (287)           | -                                       | (24)                                     | (311)          |
| Balance, August 31, 2021                | <u>17,011</u>   | <u>4,593</u>                            | <u>67,008</u>                            | <u>88,612</u>  |
| <b>Carrying amount, August 31, 2021</b> | <u>22,651</u>   | <u>-</u>                                | <u>47,867</u>                            | <u>70,518</u>  |

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**8. Mineral exploration properties and deferred exploration expenditures**

|  | Jasperoide<br>(Peru)<br>\$ | Bellas Gate<br>(Jamaica)<br>\$ | Rodinia<br>and Other<br>Licenses<br>(Jamaica)<br>\$ | Stewart Brook<br>Gold<br>(Nova Scotia,<br>Canada)<br>\$ | Rogers Creek<br>and<br>Mackenzie<br>(BC, Canada)<br>\$ | Total<br>\$ |
|--|----------------------------|--------------------------------|---|---|--|-------------|
| <b><u>Mineral exploration properties:</u></b>    |                            |                                |   |   |  |             |
| <b>Balance, August 31, 2020</b>                  | 7,728,935                  | 1,734,520                      | 869,683   | 2,602   | 3,179,850  | 13,515,590  |
| Licence and claim renewal fees                   | 172,654                    | 184                            | 553   | -   | -  | 173,391     |
| Cash option payment                              | 408,321                    | -                              | -   | -   | -  | 408,321     |
| Cash paid for Rodinia royalty purchase           | -                          | -                              | 93,497  | -   | -  | 93,497      |
| Shares issued for Rodinia royalty purchase       | -                          | -                              | 29,840  | -   | -  | 29,840      |
| Impairment of mineral exploration property costs | -                          | -                              | -   | (2,602)   | (2,654,850)  | (2,657,452) |
| Translation to presentation currency             | (172,221)                  | 4,205                          | 4,110   | -   | -  | (163,906)   |
| <b>Balance, August 31, 2021</b>                  | 8,137,689                  | 1,738,909                      | 997,683   | -   | 525,000  | 11,399,281  |
| Licence acquisition and renewal fees             | 1,248,103                  | 1,616                          | 184   | -   | -  | 1,249,903   |
| Cash paid for Rodinia royalty purchase           | -                          | -                              | 31,785  | -   | -  | 31,785      |
| Shares issued to Ares for Jasperoide interest    | 5,100,314                  | -                              | -   | -   | -  | 5,100,314   |
| Proceeds from sale of Rogers Creek project       | -                          | -                              | -   | -   | (525,000)  | (525,000)   |
| Cash paid for La Bruja option agreement          | 331,617                    | -                              | -   | -   | -  | 331,617     |
| Translation to presentation currency             | 156,448                    | 620                            | 589   | -   | -  | 157,657     |
| <b>Balance, August 31, 2022</b>                  | 14,974,172                 | 1,741,145                      | 1,030,241   | -   | -  | 17,745,558  |
| <b><u>Deferred exploration expenditures:</u></b> |                            |                                |   |   |  |             |
| <b>Balance, August 31, 2020</b>                  | 248,991                    | 4,184,863                      | 623,335   | 37,195  | 379,474  | 5,473,858   |
| Geology  | 1,142,045                  | 81,223                         | 208,693   | -   | 1,800  | 1,433,761   |
| Geochemical                                      | -                          | -                              | 1,928   | -   | 3,250  | 5,178       |
| Geophysical                                      | 276,897                    | -                              | -   | -   | -  | 276,897     |
| Drilling and related                             | 2,466,641                  | 30,114                         | 690   | -   | -  | 2,497,445   |
| Environmental                                    | 60,124                     | 1,402                          | 832   | -   | -  | 62,358      |
| Community and social development                 | 623,774                    | 1,797                          | 452   | -   | -  | 626,023     |
| Health and safety                                | 137,666                    | 3,794                          | 987   | -   | -  | 142,447     |
| IVA tax recoverable                              | 688,160                    | -                              | -   | -   | -  | 688,160     |
| Impairment of deferred exploration expenditures  | -                          | -                              | -   | (37,195)  | (384,524)  | (421,719)   |
| Translation to presentation currency             | (145,930)                  | (142,595)                      | (46,356)  | -   | -  | (334,881)   |
| <b>Balance, August 31, 2021</b>                  | 5,498,368                  | 4,160,598                      | 790,561   | -   | -  | 10,449,527  |
| Geology and general field costs                  | 2,523,250                  | 879,711                        | 326,712   | -   | -  | 3,729,673   |
| Geochemical                                      | 1,524                      | 53                             | -   | -   | -  | 1,577       |
| Geophysical                                      | 184,496                    | 1,838                          | -   | -   | -  | 186,334     |
| Drilling and related                             | 3,657,255                  | 1,233,103                      | 57,546  | -   | -  | 4,947,903   |
| Environmental                                    | 163,952                    | 6,672                          | 2,172   | -   | -  | 172,796     |
| Community and social development                 | 1,638,549                  | 69,681                         | 7,180   | -   | -  | 1,715,409   |
| Health and safety                                | 261,194                    | 57,418                         | 736   | -   | -  | 319,348     |
| IVA tax recoverable                              | 1,076,136                  | -                              | -   | -   | -  | 1,076,136   |
| Translation to presentation currency             | 661,031                    | 151,713                        | 27,085  | -   | -  | 839,829     |
| <b>Balance, August 31, 2022</b>                  | 15,665,755                 | 6,560,786                      | 1,211,992   | -   | -  | 23,438,533  |

**Jasperoide project, Peru**

The Company holds a 100% beneficial interest in 49 exploration concessions and has an option agreement to earn a 100% interest in two additional concessions. These 51 concessions are located in the Andahuaylas-Yauri belt of Peru and comprise the Jasperoide copper-gold project. The Jasperoide project concessions cover a total area of 26,798 hectares. On February 26, 2020, the Company completed the acquisition of a 100% interest in LARG. At that time, LARG's subsidiary C3 Peru held a 100% beneficial interest in eight exploration concessions and had two option agreements to earn a potential 100% interest in five additional concessions. On July 13, 2021, the Company entered into a binding Heads of Agreement to acquire 100% of Hochschild Mining PLC's ("Hochschild") interest in the Jasperoide project relating to three concessions subject to an option agreement. This transaction to consolidate the ownership in Jasperoide was closed during October 2021 (see below).

During the fiscal year ended August 31, 2022, the Company acquired four explorations concessions through an auction process and acquired the right to 28 new exploration concessions covering a total area of 20,800 hectares. Additionally, during November 2021, the Company entered into four different purchase agreements with various Peruvian companies or individuals to acquire six mining concessions for a total amount of US\$417,663; covering a total area of 1,000 hectares. At August 31, 2022, full legal title has transferred to the Company and the amounts outstanding have been paid in full, except for two payments of US\$10,000 and US\$80,000 that become payable in January 2023 and November 2024, respectively. Of the concessions acquired, three concessions are subject to a 0.5% net smelter return ("NSR") royalty up to a maximum amount of US\$300,000. The Company has a right to repurchase the NSR royalty at any time through a payment of US\$300,000.

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#### La Bruja

Two concessions are subject to an option agreement with Inversiones La Bruja S.A.C. ("La Bruja"), where the Company can earn a 100% interest in the equity shares of La Bruja subject to minimum exploration expenditures of US\$2,000,000 and total cash option payments of US\$2,000,000. During June 2020 and July and October 2022, amending agreements to adjust the timing of cash option payments and exploration expenditure requirements were concluded. Cash option payments totalling US\$750,000 have been provided to August 31, 2022, including US\$250,000 paid during August 2022. A total balance of US\$1,250,000 in future cash payments are required on or before the following dates: US\$200,000 by February 23, 2023; US\$200,000 by August 23, 2023; US\$350,000 by February 23, 2024; and, US\$500,000 by August 23, 2024. During the quarter ended August 31, 2021, cumulative exploration expenditures incurred exceeded the total minimum requirement of US\$2,000,000. Following the earn-in of a 100% interest in the concessions a NSR royalty of 1.5% would be payable to the former shareholders of La Bruja.

#### Ares

Three concessions were subject to an option agreement with Compania Minera Ares S.A.C. ("Ares") where the Company had the right to earn an initial 51% interest in these concessions subject to incurring cumulative exploration expenditures of US\$5,000,000 (including LARG and C3 Peru expenditures prior to the February 26, 2020 acquisition date and including certain administrative costs) by October 2023. During June 2021, the Company exceeded the cumulative expenditure requirements and on July 13, 2021, the Company entered into a binding Heads of Agreement to acquire 100% of Hochschild's interest in the three concessions. As consideration for the acquisition, during October 2021 the Company issued 25,001,540 common shares of the Company valued at \$5,100,314 to Ares. The common shares issued were subject to contractual resale restrictions providing that the common shares may not be sold, transferred, optioned, encumbered, pledged or hypothecated in any way, except as follows: (i) as to 25% on the date which is four months from the date of issuance; (ii) as to 25% on the date which is eight months from the date of issuance; and (iii) as to 50% on the date which is 12 months from the date of issuance.

In connection with the acquisition, the Company granted a 1.5% NSR royalty in favour of Ares in respect of the Ares mineral concessions subject to the right of the Company to purchase 1% of the NSR (thereby reducing the NSR to 0.5%) for a price of US\$1,000,000 at any time, replacing the previously granted 1.5% net smelter returns royalty that had no buy back provision.

#### **Bellas Gate property agreements**

##### ***OZ Minerals Ltd. agreements***

##### Current OZ Minerals agreement

During September 2016, the Company announced it had finalized a Heads of Agreement ("HoA") with OZ Minerals Ltd., an Australian copper-gold producer listed on the Australian Securities Exchange ("OZ Minerals"), to acquire all of OZ Minerals' property holdings in Jamaica which included the 70% interest that OZ Minerals had earned in the Bellas Gate Project (see below) and five licences covering 276 square kilometres which OZ Minerals had acquired directly in 2014. Additionally, the Company retained a 100% interest in the Above Rocks project as OZ Minerals elected not to proceed with the joint venture earn-in (see below). A definitive legal agreement incorporating the terms of the HoA was concluded in January 2017.

Under the terms of the definitive agreement, for the acquisition of the 70% interest in the Bellas Gate Project the Company is obligated to: (i) pay OZ Minerals \$8.5 million within one year of commencement of commercial production at Bellas Gate; (ii) pay OZ Minerals an additional \$4 million within two years of commencement of commercial production; and, (iii) grant OZ Minerals a 2% NSR with a buyback right of two-thirds of the NSR for \$1.3 million with any NSR payments capped at a maximum amount of \$20 million.

Additionally, the Company acquired a 100% interest in the five OZ Minerals licences consisting of the Arthur's Seat, Berkshire Hall, Mount Ogle, Shirley Castle and Windsor Castle Special Exclusive Prospecting Licences (SEPLs). Under the terms of the January 2017 agreement the Company was obligated to provide OZ Minerals a single payment of \$1.5 million within one year of commencement of commercial production on any of the five licences. Each of the licences was subject to a 2% NSR with a buyback of one-half of the NSR for \$500,000. During May 2019, the Company completed amendments to the agreement with OZ Minerals to: (i) waive the \$1.5 million payment within one year of commencement of commercial production if the mineral product is less than 10,000 tonnes per annum; and, (ii) reduce the 2% NSR to a 1% NSR with a buyback of one-half for \$250,000 on any of the SEPLs.

On June 19, 2019, the Company announced an agreement with Geophysx Jamaica Ltd. ("Geophysx"), pursuant to which Geophysx agreed to acquire six of the Company's SEPLs located in Jamaica including four of the SEPLs acquired from OZ Minerals and two of the Rodinia SEPLs. The SEPLs contain early-stage copper-gold exploration projects and include the Belvedere, Mount Royal, Mount Ogle, Berkshire Hall, Windsor Castle and Shirley Castle SEPLs.

Pursuant to this agreement, Geophysx acquired a 100% interest in each of the projects for total cash of \$277,605 (US\$210,000). The Company retains a NSR royalty of 1% on four of these SEPLs. Geophysx will have the right to buy down the first half of the NSR for US\$50,000 per each 0.1% of the NSR (total of US\$250,000) and the second half of the NSR for US\$70,000 per each 0.1% of the NSR (total of US\$350,000). Geophysx would make future cash payments to the Company at milestones following commencement of commercial production that could total US\$240,000.

##### Preceding OZ Minerals agreements

During May 2013, the Company entered into a term sheet with OZ Minerals that lead to a farm-in joint venture agreement relating to the Bellas Gate Project which consists of the Bellas Gate and Browns Hall SEPLs which total 84 sq. km. in area.

The term sheet provided that upon certain conditions being met, that OZ Minerals and the Company would enter into an agreement which would potentially lead to a joint venture with respect to the Bellas Gate Project and the Company would grant OZ Minerals a right to enter into separate agreements on each of the Company's other projects in Jamaica (which comprise the other four SEPLs, excluding the Bellas Gate Project SEPLs). During January 2014, OZ Minerals completed a US\$900,000 equity investment in the Company and confirmed the satisfactory completion of their due diligence and that all conditions precedent had been satisfied such that the terms of the May 2013 term sheet became binding. A definitive agreement incorporating the terms contained in the term sheet and other conditions that are customary for mining exploration project joint venture agreements was completed during May 2015.

Significant terms of the definitive agreement included an initial phase of work by OZ Minerals for \$500,000 of exploration expenditures. In total, to earn a 70% interest in the Bellas Gate Project, OZ Minerals was required to spend \$6.5 million on exploration and make cash payments to the Company of \$475,000 over a maximum period of 3.5 years. During January 2016, the Company announced that OZ Minerals had incurred cumulative exploration expenditures in excess of \$8.3 million and had fulfilled the Phase 4 earn-in requirements to have a vested 70% interest in the Bellas Gate Project. OZ Minerals was then able to earn a further 10% interest by financing all work to the end of a feasibility study. This Phase 5 of the earn-in was initiated during February 2016.

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Additionally, OZ Minerals was provided the option to fly airborne geophysics over the Company's other three Jamaican projects (comprised of four SEPLs, see *Rodinia Jamaica property licenses* below) in return for the right to enter into joint ventures on any or all of the projects. OZ Minerals completed the airborne geophysics during June 2015. During September 2015, the Company and OZ Minerals entered into a definitive agreement with respect to the earn-in and potential joint venture on the Above Rocks Project. OZ Minerals did not elect to proceed with joint ventures on the Hungry Gully and Main Ridge Projects.

The Bellas Gate Project is subject to a 2% NSR in favour of Clarendon Consolidated Minerals Ltd. ("CCM").

### **Rodinia Jamaica property licenses**

#### ***Acquisition of Rodinia Jamaica Limited***

On March 31, 2012, the Company completed the acquisition of a 100% interest in Rodinia Jamaica Limited ("RJL") from Tigers Realm Metals Pty Limited ("TRM") and Rodinia Resources Pty Limited ("Rodinia"). RJL held a 100% interest in four SEPLs in Jamaica which are known as Belvedere, Hungry Gully, Main Ridge and Mount Royal and total 184 sq. km. in area. The Belvedere and Mount Royal SEPLs are contiguous and are considered one project area known as Above Rocks. Rodinia retained a 2% NSR in respect of the four SEPLs.

On June 22, 2021, the Company entered into a binding agreement with Rodinia to purchase 1.5% of the 2% NSR related to the Hungry Gully and Main Ridge SEPLs in Jamaica for cash consideration of \$93,497 (US\$75,000) and the issuance of 190,062 common shares valued at \$29,840. On February 19, 2022, the Company entered into an additional agreement with Rodinia to purchase the remaining 0.5% NSR related to the Hungry Gully and Main Ridge SEPLs for cash consideration of \$31,785 (US\$25,000). No royalties remain payable on the Hungry Gully and Main Ridge SEPLs.

#### ***Sale of licences to Geophysx Jamaica Ltd.***

On June 19, 2019, the Company announced an agreement with Geophysx, pursuant to which Geophysx agreed to acquire six of the Company's SEPLs including four of the SEPLs acquired from OZ Minerals and the Belvedere and Mount Royal SEPLs (see above). The Company retains a 100% interest in the Hungry Gully and Main Ridge SEPLs.

### **Stewart Brook Gold project, Nova Scotia**

During April, 2019, the Company acquired, through staking, a 100% interest in four licences comprising the Stewart Brook Gold project area covering over 46 sq. km. in Guysborough County, Nova Scotia. During the third quarter of fiscal 2021, the Company determined that it would not continue with exploration at the Stewart Brook Gold project. An impairment charge of \$39,797 was recorded with respect to prior property costs and exploration expenditures for the project.

### **Rogers Creek and Mackenzie properties**

The Rogers Creek and Mackenzie projects were acquired with the reverse takeover of Miocene. These properties are described as follows.

#### ***Rogers Creek***

During September 2021, the Company completed the sale of a 100% interest in the Rogers Creek property to Tocvan Ventures Corp. ("Tocvan") as discussed below. The Rogers Creek project is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver and consists of 23 claims totalling 212 sq. km. in area. A 2.5% NSR royalty is payable to the original vendor of the property upon production, half of which can be purchased for \$1.25 million.

During May 2018, the Company entered into an option earn-in agreement with Tocvan who had a right to earn an 80% interest in the Rogers Creek project by spending \$1,900,000 on exploration; payment of \$25,000 cash; and the issuance of 1,300,000 Tocvan common shares over the initial four year earn-in period. Initial payments of \$25,000 cash and 500,000 common shares were payable following the Canadian Securities Exchange's approval of Tocvan's going public transaction. These initial payments were received during March 2019. During June 2020, the Company received a second payment of 200,000 common shares. Following the successful completion of the earn-in, an 80% / 20% joint venture was to be formed where the Company would have retained a 20% interest in the project subject to funding future pro-rata expenditures. A 3% NSR royalty was to be payable by Tocvan to the Company with advance royalty payments of \$50,000 per year after Tocvan had earned its 80% interest.

On September 29, 2021, the Company and Tocvan entered into a purchase and sale agreement for the Rogers Creek project whereby Tocvan acquired a 100% interest in the project and the prior option earn-in agreement was terminated. Consideration received for the sale was comprised of 500,000 common shares of Tocvan and will also include common shares in a newly formed company called Cascade Copper Corp. ("Cascade Copper"), having a value of \$75,000, based on the prelisting financing price when listed on the Canadian Securities Exchange. Tocvan will, subject to shareholder and regulatory approval, spin out its 100% interest in the Rogers Creek project into Cascade Copper, which will focus on copper porphyry exploration assets in Southern British Columbia. The Company will retain a 2% NSR on the Rogers Creek project where 1% can be repurchased for \$1 million.

#### ***Mackenzie***

The Company had a 100% interest in the Mackenzie property located within the Coastal Mountain Belt of British Columbia, north of Vancouver which consisted of 9 claims totalling 91 sq. km. in area. As at August 31, 2021, the Company recorded an impairment charge of \$3,039,374 with respect to its property and exploration expenditures related to the Rogers Creek and Mackenzie projects. This impairment charge left a residual value of \$525,000 relating to the Rogers Creek property equivalent to the value of the Tocvan and Cascade Copper common shares received and to be received. A full impairment charge with respect to the Mackenzie project was recorded. During December 2021, the Mackenzie project claims lapsed.

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### 9. Capital stock

#### Authorized

The Company is authorized to issue an unlimited number of common shares, having no par value.

#### Issued

##### *Share issuances during fiscal 2022*

During February 2022, the Company issued 1,500,000 common shares valued at \$165,000 for vested restricted share units and issued 814,014 common shares valued at \$76,167 for deferred share units.

During December 2021, the Company issued 423,800 common shares valued at \$32,137 in connection with the exercise of 423,800 broker warrants.

On November 9, 2021, the Company closed a bought deal private placement with a syndicate of underwriters led by Canaccord Genuity Corp., pursuant to which the underwriters purchased a total of 101,582,178 common shares of the Company for gross proceeds of \$19,300,614. In connection with this financing, cash commissions totaling \$1,150,541 were paid to the underwriters (in addition to other direct share issue costs incurred of \$165,323) and a total of 6,016,031 broker warrants exercisable for common shares at \$0.19 were issued with an expiry date of November 9, 2023. These broker warrants were recorded at a value of \$634,100.

During October 2021, the Company issued 25,001,540 common shares of the Company valued at \$5,100,314 to Ares for its interest in the Jasperoide project (see note 8).

##### *Share issuances during fiscal 2021*

During August 2021, the Company issued 190,062 common shares in connection with the purchase of the Rodinia royalty (see note 8). These common shares were recorded at a value of \$29,840.

During February 2021, the Company closed a brokered private placement financing in two tranches raising total gross proceeds of \$7,414,509 with the issuance of 52,960,779 common shares. In connection with this financing, the Company paid cash commissions and a corporate finance fee in the aggregate amount of \$518,446 (in addition to other direct share issue costs incurred of \$135,950) and issued a total of 3,706,900 broker warrants to the agents. Each broker warrant entitles the holder to purchase one common share at a price of \$0.14 per share until their expiry date on February 18, 2022. These broker warrants were recorded at a value of \$286,000.

During January through March of 2021, the Company issued 23,344,751 common shares upon the exercise of 23,344,571 warrants with a fair value of \$483,484 for cash proceeds of \$2,334,475; issued 8,060,000 common shares upon the exercise of 8,060,000 stock options with a fair value of \$326,059 for cash proceeds of \$481,000; and, issued 458,800 common shares upon the exercise of 458,800 broker warrants with a fair value of \$14,022 for cash proceeds of \$23,840.

#### Warrants

No warrants were issued during fiscal 2022. As at August 31, 2022, a total of 5,200,000 warrants were outstanding. These warrants were exercisable at \$0.08 and expired on September 4, 2022. During January through March of 2021, a total of 23,344,751 warrants were exercised for cash proceeds to the Company of \$2,334,475. During March 2021, a balance of 684,999 warrants exercisable at \$0.10 expired.

The fair value of warrants were estimated using the Black-Scholes option pricing model and this value has been presented as a separate component of shareholders' equity. The range of assumptions used for the valuation of warrants during fiscal 2020 was as follows: expected life of 3.0 years; expected volatility of 91%; risk-free interest rate of 1.70%; and, a dividend yield of nil.

#### Broker warrants

As at August 31, 2022, a total of 6,016,031 broker warrants were outstanding that were issued to agents in connection with the November 2021 bought deal private placement. Each broker warrant entitles the holder to purchase one common share at a price of \$0.19 per share until their expiry date on November 9, 2023. These broker warrants were recorded at a value of \$634,100. In connection with the February 2021 brokered placement, the Company issued a total of 3,706,900 broker warrants to the agents. Each broker warrant entitled the holder to purchase one common share at a price of \$0.14 per share. These broker warrants expired on February 18, 2022. These broker warrants were recorded at a value of \$286,000.

The fair value of broker warrants have been estimated using the Black-Scholes option pricing model and these values have been presented in contributed surplus and share issue costs reducing capital stock. The range of assumptions used for the valuation of warrants during fiscal 2022 was as follows: expected life of 2.0 years; expected volatility of 107%; risk-free interest rate of 0.95%; and, a dividend yield of nil.

During August 2022, a balance of 1,575,000 broker warrants exercisable at \$0.055 expired.

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**Stock options**

During October 2010, the Company approved a stock option plan available to its employees, officers, directors and service providers. The number of options available under the plan is a maximum of 10% of the total number of issued and outstanding common shares. The Compensation Committee recommends to the Board the vesting period and exercise rights for each stock option granted.

Activity with respect to stock options is as follows:

|                                 | Number            | Weighted-<br>average<br>exercise price<br>\$ | Expiry                         |
|---------------------------------|-------------------|--|--------------------------------|
| <b>Balance, August 31, 2020</b> | 28,705,000        | 0.08   | February 2021 to December 2024 |
| Exercised                       | (8,060,000)       | 0.06   | February 2021 to May 2024      |
| Granted                         | 18,000,000        | 0.13   | January 2026 to April 2026     |
| Forfeited                       | <u>(300,000)</u>  | 0.15   | March 2026                     |
| <b>Balance, August 31, 2021</b> | 38,345,000        | 0.11   | April 2022 to April 2026       |
| Granted                         | 16,400,000        | 0.08   | January 2023 to August 2026    |
| Expired                         | (2,585,000)       | 0.10   | April 2022 to June 2022        |
| Forfeited                       | <u>(500,000)</u>  | 0.17   | April 2026                     |
| <b>Balance, August 31, 2022</b> | <u>51,660,000</u> |  |                                |

As at August 31, 2022 outstanding stock options are as follows:

| Exercise price<br>\$ | Options outstanding |   | Options exercisable |   | Expiry            |
|----------------------|---------------------|---|---------------------|---|-------------------|
|                      | Number of options   | Weighted-average remaining contractual life (years) | Number of options   | Weighted-average remaining contractual life (years) |                   |
| 0.05                 | 8,610,000           | 2.3   | 8,610,000           | 2.3   | December 7, 2024  |
| 0.08                 | 4,550,000           | 1.7   | 4,550,000           | 1.7   | May 15, 2024      |
| 0.08                 | 900,000             | 0.3   | 900,000             | 0.3   | December 31, 2022 |
| 0.10                 | 1,000,000           | 0.9   | 1,000,000           | 0.9   | July 31, 2023     |
| 0.11                 | 1,600,000           | 3.4   | 1,600,000           | 3.4   | January 5, 2026   |
| 0.11                 | 6,400,000           | 0.3   | 6,400,000           | 0.3   | December 31, 2022 |
| 0.125                | 1,000,000           | 0.4   | 1,000,000           | 0.4   | January 31, 2023  |
| 0.15                 | 1,000,000           | 0.9   | 1,000,000           | 0.9   | July 31, 2023     |
| 0.15                 | 5,300,000           | 3.6   | 5,300,000           | 3.6   | March 26, 2026    |
| 0.15                 | 3,400,000           | 0.3   | 3,400,000           | 0.3   | December 31, 2022 |
| 0.17                 | 500,000             | 3.6   | 500,000             | 3.6   | April 15, 2026    |
| 0.20                 | 1,000,000           | 0.9   | 1,000,000           | 0.9   | July 31, 2023     |
| 0.25                 | 1,000,000           | 0.9   | 1,000,000           | 0.9   | July 31, 2023     |
| 0.08                 | <u>15,400,000</u>   | 5.0   | <u>6,000,000</u>    | 5.0   | August 15, 2027   |
|                      | <u>51,660,000</u>   | 2.7   | <u>42,260,000</u>   | 2.1   |                   |

On January 31, 2022, the Company granted a total of 1,000,000 stock options to a consultant of the Company. These stock options are exercisable at \$0.125 per share and expire on January 31, 2023. On August 15, 2022, the Company granted a total of 15,400,000 stock options to directors, officers, employees and consultants of the Company. These stock options are exercisable at \$0.08 per share and expire on August 15, 2027.

On January 5, 2021, the Company granted a total of 8,000,000 stock options to directors, officers, employees and consultants of the Company. These stock options are exercisable at \$0.11 per share and expire on December 31, 2022 and January 5, 2026. On March 25, 2021, the Company granted a total of 9,000,000 stock options to directors, officers, employees and consultants of the Company. These stock options are exercisable at \$0.15 per share and expire on December 31, 2022 and March 26, 2026. On April 14, 2021, the Company granted a total of 1,000,000 stock options to an officer and a consultant of the Company. These stock options are exercisable at \$0.17 per share and expire on April 15, 2026.

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During the year ended August 31, 2022, the Company recorded a total of \$756,458 (2021 - \$1,258,712) in share based compensation expense related to stock options. Share based compensation amounts are included in shareholders' equity as contributed surplus. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during fiscal 2022 and 2021 utilized the following assumptions and values.

|   | <u>2022</u>     | <u>2021</u>     |
|---|-----------------|-----------------|
| Expected volatility                         | 66.9% to 96.12% | 99.7% to 106.7% |
| Expected option life (in years)             | 1.0 to 5.0      | 5.0             |
| Risk-free interest rate                     | 1.22% to 3.05%  | 0.33% to 0.75%  |
| Expected dividend yield                     | Nil             | Nil             |
| Weighted-average exercise price             | 0.083           | 0.133           |
| Weighted-average market price at grant date | 0.060           | 0.110           |
| Weighted-average fair value                 | 0.038           | 0.098           |

The Company determines expected volatility in relation to both historical Company volatility and by analysis of comparable companies in the mineral exploration sector.

### **Restricted share unit / Deferred share unit plan ("RSU / DSU Plan")**

On June 13, 2013, Company shareholders adopted a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, consultants and non-employee directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The number of shares reserved for issuance for the RSU/DSU Plan and the stock option plan combined shall not exceed 20% of the issued and outstanding common shares on the date of adoption. Under the RSU/DSU Plan, no cash settlements are made as settlement is in common shares only. On June 16, 2017, shareholders of the Company approved an increase in the number of common shares reserved for the RSU/DSU Plan to 9,126,451. Under the terms of the RSU/DSU Plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares; and, to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common shares.

### **Restricted share units**

RSUs have been utilized to compensate participants for their individual performance based achievements and corporate performance, and they are intended to supplement stock option awards. The Company's Compensation Committee may determine the vesting schedule of RSUs at the time of grant. The settlement date shall be no later than the third anniversary of the date of grant and all payments in respect of the vested units shall be paid in full before the end of the same calendar year. Non-vested RSUs are forfeited if the participant voluntarily leaves employment with the Company. On exercise of RSUs, the shares are issued from treasury.

On August 15, 2022, the Company granted 2,036,364 RSUs to an officer. These RSUs will vest over a one year period. On January 5, 2021, the Company granted 1,500,000 RSUs to a director. During the year ended August 31, 2022, the Company recorded \$59,667 in share based compensation expense with respect to these RSUs based on the fair value at the respective grant dates. The value of RSUs granted is recorded as share based compensation expense in contributed surplus over the vesting period. During February 2022, the Company issued 1,500,000 common shares in settlement of vested RSUs.

### **Deferred share units**

DSUs have been utilized as a means of reducing the cash payable by the Company for amounts owing to non-executive directors. A DSU is a notional share that has the same value as one share of the Company as at the grant date. DSUs are settled with the issuance of common shares to directors when they retire from the board. As DSUs are equity settled, they are fair valued based on the market value of the shares at the grant date and recorded as share based compensation expense in contributed surplus over the vesting period.

As at August 31, 2022, a total of 737,680 DSUs were outstanding (August 31, 2021 - 1,551,694) having been previously granted to directors of the Company. No additional DSUs were granted during the years ended August 31, 2022 or August 31, 2021 respectively. During February 2022, the Company issued 814,014 common shares in settlement of DSUs to a retired director.

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**10. Income taxes**

For the years ended August 31, 2022 and 2021 a reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

|   | Year ended<br>August 31,<br>2022<br>\$ | Year ended<br>August 31,<br>2021<br>\$ |
|---|--|--|
| Loss before income taxes                          | 3,818,961                              | 5,527,468                              |
| Statutory rate                                    | 26.50%                                 | 26.50%                                 |
| Expected recovery of income tax                   | (1,012,024)                            | (1,464,779)                            |
| Permanent differences                             | 245,659                                | 350,552                                |
| Foreign tax rate difference                       | (20,783)                               | (8,614)                                |
| Share issue costs recorded in equity              | (354,882)                              | (173,415)                              |
| Origination and reversal of temporary differences | 1,142,030                              | 1,296,256                              |
| Recovery of income taxes                          | -                                      | -                                      |

Statutory tax rates presented above reflect the combined Canadian federal and provincial income tax rates enacted as at the Company's fiscal year ends. Significant components of the Company's deferred income tax assets and liabilities are as follows.

|   | August 31,<br>2022<br>\$ | August 31,<br>2021<br>\$ |
|---|--------------------------|--------------------------|
| <b>Deferred income tax assets and liabilities</b> |                          |                          |
| Non-capital loss carry forwards                   | 5,183,901                | 4,254,389                |
| Asset basis differences                           | 1,851,459                | 1,711,385                |
| Share issue costs                                 | 412,213                  | 182,969                  |
| Marketable securities                             | 28,801                   | (14,793)                 |
|   | 7,476,374                | 6,133,950                |

As at August 31, 2022, no deferred tax asset was recognized related to these non-capital loss carry forward, asset basis difference and share issue cost amounts as realization was not probable. As at August 31, 2022, the Company had loss carry forward balances totalling \$19,438,696 which are available to offset future years' taxable income. Loss carry forward balances in each jurisdiction expire as follows.

| Canada |           | Jamaica    |         | Peru       |           |
|--------|-----------|------------|---------|------------|-----------|
| Year   | \$        | Year       | \$      | Year       | \$        |
| 2042   | 2,719,089 | Indefinite | 362,868 | Indefinite | 1,269,666 |
| 2041   | 1,477,886 |            |         |            |           |
| 2040   | 918,670   |            |         |            |           |
| 2039   | 1,363,844 |            |         |            |           |
| 2038   | 1,454,881 |            |         |            |           |
| 2037   | 1,372,157 |            |         |            |           |
| 2036   | 642,323   |            |         |            |           |
| 2035   | 1,277,248 |            |         |            |           |
| 2034   | 1,832,709 |            |         |            |           |
| 2033   | 1,173,019 |            |         |            |           |
| 2032   | 1,640,594 |            |         |            |           |
| 2031   | 1,473,847 |            |         |            |           |
| 2030   | 459,895   |            |         |            |           |

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#### 11. Related party transactions and compensation of key management

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Chief Financial Officer, Vice President and Director. Compensation awarded to key management has been recorded at the exchange amount, being the amount agreed to by the respective parties, and is with respect to short-term compensation and was conducted in the normal course of business. Amounts are summarized as follows:

|   | Year ended<br>August 31,<br>2022<br>\$ | Year ended<br>August 31,<br>2021<br>\$ |
|---|--|--|
| Salaries and contract fee expense of key management                   | 1,168,010                              | 799,109                                |
| Value of RSUs expensed (note 10)                                      | 59,667                                 | 110,000                                |
| Value of stock options with officers and directors expensed (note 10) | 651,308                                | 1,131,857                              |
|   | <u>1,878,985</u>                       | <u>2,040,966</u>                       |

As at August 31, 2022, a total of \$20,164 (August 31, 2021 - \$18,233) is included in accounts payable and accrued liabilities with respect to amounts due to key executive management for service contract obligations and expenses.

The Company has management service agreements with each of its Chief Executive Officer, Vice President, Exploration and Chief Financial Officer which provide for a payment upon termination without cause. The Chief Executive Officer and Vice President Exploration would be entitled to six months' compensation upon termination without cause. With respect to the Chief Financial Officer, a payment equivalent to three months' compensation is payable upon termination without cause. The service agreements for the Chief Executive Officer, Vice President Exploration and Chief Financial Officer also provide that under certain conditions, including a change in control of the Company, that each of these individuals would be entitled to a lump sum payment. These payments are equivalent to twelve months' compensation with respect to the Chief Executive Officer and Vice President Exploration and six months' compensation with respect to the Chief Financial Officer.

#### 12. Financial instruments and risk management

As at August 31, 2022 and 2021, the Company's financial instruments include cash and cash equivalents, restricted deposits, marketable securities, accounts payable and accrued liabilities. Due to the short-term nature of these financial instruments the carrying values approximate their fair values. The Company examines the various financial risks to which it may be exposed and assesses the impact and likelihood of those risks. The Company may be exposed to various financial risks related to credit risk, liquidity risk, price risk and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Company.

##### **Credit risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and restricted deposits. The Company's cash and restricted deposits are held at a major Canadian financial institution in both Canada and Jamaica and a major financial institution in Peru. The maximum exposure to credit risk is equivalent to the carrying amount. As at August 31, 2022, the Company does not consider any of its financial assets to be impaired.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through monitoring cash outflows due in its day-to-day business and by regular cash flow forecasting of cash requirements to fund exploration projects and operating costs. As at August 31, 2022, the Company's liabilities included accounts payable and accrued liabilities of \$1,011,616 all of which are due within normal trade terms of generally 30 days (see note 1, going concern).

##### **Price risk**

Marketable securities are subject to price risk relating to the market price and performance of the underlying company in which equity securities are held. A 5% movement in the share price of marketable securities would not have had a significant impact on the Company's results of operations.

##### **Currency risk**

The Company's cash is held in Canadian dollar, Jamaican dollar, US dollar and Peruvian Soles accounts. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates with respect to the US dollar. As at August 31, 2022, the Company held cash in United States dollars of US\$965,802, equivalent to \$1,262,713 (2021 - US\$1,241,245, equivalent to \$1,565,358). The Company has not utilized derivative instruments to reduce its exposure to foreign currency risk.

During the year ended August 31, 2022, the majority of the Company's cash based operating expenses were denominated in Canadian dollars with a total of US\$39,486 (2021 - US\$29,833) denominated in United States dollars. With all other variables held constant, a plus or minus 10% change in the United States / Canadian dollar exchange rate would give rise to a change in reported net loss for the year of plus or minus \$5,001 (2021 - \$3,792). The use of the 10% rate of change is based on observed historical fluctuations in exchange rates.

##### **Interest rate risk**

As at August 31, 2022, the Company does not have any obligations that bear fixed interest rates. The Company is therefore not exposed to the risk of changes in fair value resulting from interest rate fluctuations.

### C3 Metals Inc.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

August 31, 2022 and 2021



(expressed in Canadian dollars)

#### 13. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration property assets are in Peru, Jamaica and previously in British Columbia, Canada. Long-term assets by geographic area are as follows:

|         | August 31, 2022 |                                |                                   | August 31, 2021 |                                |                                   |
|---------|-----------------|--------------------------------|-----------------------------------|-----------------|--------------------------------|-----------------------------------|
|         | Equipment       | Mineral exploration properties | Deferred exploration expenditures | Equipment       | Mineral exploration properties | Deferred exploration expenditures |
|         | \$              | \$                             | \$                                | \$              | \$                             | \$                                |
| Peru    | 62,145          | 14,974,172                     | 15,665,755                        | 53,314          | 8,137,689                      | 5,498,368                         |
| Jamaica | 3,507           | 2,771,386                      | 7,772,778                         | 3,833           | 2,736,592                      | 4,951,159                         |
| Canada  | 9,789           | -                              | -                                 | 13,371          | 525,000                        | -                                 |
|         | 75,441          | 17,745,558                     | 23,438,533                        | 70,518          | 11,399,281                     | 10,449,527                        |

#### 14. Capital management

The Company's capital structure is comprised of shareholders' equity. The Company is not subject to externally imposed capital requirements. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs (see note 1, going concern).

The Company monitors its capital structure using future forecasts of cash flows, particularly those related to its exploration programs.

The Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares and warrants. The Company's capital management objectives have remained unchanged over the periods presented in these consolidated financial statements.

#### 15. Supplemental cash flow information

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

|   | Year ended<br>August 31,<br>2022 | Year ended<br>August 31,<br>2021 |
|---|----------------------------------|----------------------------------|
|   | \$                               | \$                               |
| Mineral exploration property costs included in accounts payable and accrued liabilities | -                                | 29,593                           |
| Exploration expenditures included in accounts payable and accrued liabilities           | 646,664                          | 949,455                          |
| Depreciation of field vehicle and equipment charged to exploration expenditures         | 15,508                           | 9,668                            |
| Shares issued for Rodinia royalty purchase (note 8)                                     | -                                | 29,840                           |
| Share consideration receivable for sale of Roger Creek project                          | 75,000                           | -                                |
| Shares issued for Jasperoide property interest  | 5,100,314                        | -                                |
| Effect of changes in foreign exchange rates on:   |                                  |                                  |
| Working capital   | (42,118)                         | (186,920)                        |
| Equipment   | (5,401)                          | 4,008                            |
| Mineral exploration property costs  | (157,657)                        | 163,906                          |
| Deferred exploration expenditures   | (839,829)                        | 334,881                          |

#### 16. Global COVID-19 pandemic

The outbreak of COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The ultimate duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. COVID-19 may hinder both the Company's ability to conduct exploration activities in the jurisdictions that it operates in and its ability to raise financing for exploration or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.