



**C3 Metals Inc.**

(An Exploration Stage Company)

**Unaudited Condensed Consolidated Interim Financial Statements**

**For the three and nine month periods ended May 31, 2023 and 2022**

(expressed in Canadian dollars)

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

The accompanying condensed consolidated interim financial statements of C3 Metals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's Audit Committee and Board of Directors has reviewed and approved these condensed consolidated interim financial statements.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

## C3 Metals Inc.

(An Exploration Stage Company)

### Unaudited Consolidated Interim Statements of Financial Position



(expressed in Canadian dollars)

	May 31, 2023	August 31, 2022
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	3,926,342	7,302,637
Restricted deposits (note 4)	50,472	50,790
Amounts receivable (note 5)	20,851	171,027
Prepaid expenses	555,335	425,889
Marketable securities (note 6)	68,750	326,536
	<u>4,621,750</u>	<u>8,276,879</u>
<b>Equipment</b>	116,063	75,441
<b>Exploration and evaluation assets</b> (note 7)	<u>49,148,161</u>	<u>41,184,091</u>
	<u>49,264,224</u>	<u>41,259,532</u>
<b>Total assets</b>	<u>53,885,974</u>	<u>49,536,411</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	409,943	1,011,616
<b>Total liabilities</b>	<u>409,943</u>	<u>1,011,616</u>
<b>Shareholders' equity</b>		
<b>Capital stock</b> (note 8)	67,435,582	62,570,390
<b>Warrants</b> (note 8)	-	66,390
<b>Contributed surplus</b>	5,670,275	5,262,413
<b>Accumulated deficit</b>	(21,501,392)	(19,458,403)
<b>Accumulated other comprehensive income</b>	1,871,566	84,005
<b>Total shareholders' equity</b>	<u>53,476,031</u>	<u>48,524,795</u>
<b>Total liabilities and shareholders' equity</b>	<u>53,885,974</u>	<u>49,536,411</u>

Going concern (note 1)

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

Approved by the Board of Directors:

/s/ Antony Manini  
Director

/s/ Kimberly Ann Arntson  
Director

**C3 Metals Inc.**

(An Exploration Stage Company)

**Unaudited Consolidated Interim Statements of Operations and Comprehensive Loss**

(expressed in Canadian dollars)

	Three months ended May 31, 2023 \$	Three months ended May 31, 2022 \$	Nine months ended May 31, 2023 \$	Nine months ended May 31, 2022 \$
<b>Expenses</b>				
Promotion and investor relations	52,696	215,307	448,958	618,698
Regulatory authority and transfer agent fees	17,091	17,442	48,323	66,730
Legal, accounting, audit and financial advisory	41,615	97,137	120,284	220,419
Office, general and administrative	327,185	399,783	1,042,809	1,117,602
Project generation and evaluation	-	-	-	3,367
Share based compensation (note 8)	108,342	37,840	341,472	570,573
	<u>546,929</u>	<u>767,509</u>	<u>2,001,846</u>	<u>2,597,389</u>
Interest income	(19,405)	(23,412)	(62,431)	(42,889)
Loss (gain) on marketable securities (note 6)	6,250	(17,763)	61,575	14,381
Foreign exchange loss	12,384	4,132	41,999	95,728
	<u>(771)</u>	<u>(37,043)</u>	<u>41,143</u>	<u>67,220</u>
<b>Net loss for the period</b>	546,158	730,466	2,042,989	2,664,609
<b>Other comprehensive income</b>				
<b>Items that may be subsequently reclassified to operations</b>				
Foreign currency translation adjustment	(703,773)	(582,296)	(1,787,561)	(1,445,631)
<b>Total comprehensive loss for the period</b>	<u>(157,615)</u>	<u>148,170</u>	<u>255,428</u>	<u>1,218,978</u>
Loss per common share:				
Basic and diluted	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>632,693,800</u>	<u>589,504,235</u>	<u>604,058,960</u>	<u>558,355,514</u>

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

## C3 Metals Inc.

(An Exploration Stage Company)



### Unaudited Consolidated Interim Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Capital stock		Warrants		Contributed	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	#	\$	#	\$	\$	\$	\$	\$
<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
Net loss for the period	-	-	-	-	-	(2,042,989)	-	(2,042,989)
Foreign currency translation adjustment	-	-	-	-	-	-	1,787,561	1,787,561
Total comprehensive loss for the period	-	-	-	-	-	(2,042,989)	1,787,561	(255,428)
Non-brokered private placement of shares (note 8)	100,000,000	5,000,000	-	-	-	-	-	5,000,000
Share issue costs (note 8)	-	(134,808)	-	-	-	-	-	(134,808)
Restricted share unit compensation charge (note 8)	-	-	-	-	84,000	-	-	84,000
Stock option compensation charge (note 8)	-	-	-	-	257,472	-	-	257,472
Expiry of warrants (note 8)	-	-	(5,200,000)	(66,390)	66,390	-	-	-
	100,000,000	4,865,192	(5,200,000)	(66,390)	407,862	(2,042,989)	1,787,561	4,951,236
<b>Balance, May 31, 2023</b>	689,504,235	67,435,582	-	-	5,670,275	(21,501,392)	1,871,566	53,476,031
<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 period	-	-	-	-	-	(2,664,609)	-	(2,664,609)
Foreign currency translation adjustment	-	-	-	-	-	-	1,445,631	1,445,631
Total comprehensive loss for the period	-	-	-	-	-	(2,664,609)	1,445,631	(1,218,978)
Shares issued for Jasperoide property interest (note 7)	25,001,540	5,100,314	-	-	-	-	-	5,100,314
Brokered private placement of shares (note 8)	101,582,178	19,300,614	-	-	-	-	-	19,300,614
Broker warrants issued to finders (note 8)	-	(634,100)	-	-	634,100	-	-	-
Share issue costs	-	(1,339,178)	-	-	-	-	-	(1,339,178)
Exercise of broker warrants (note 8)	423,800	32,137	-	-	(10,948)	-	-	21,189
Shares issued for vested restricted share units (note 8)	1,500,000	165,000	-	-	(165,000)	-	-	-
Shares issued for deferred share units (note 8)	814,014	76,167	-	-	(76,167)	-	-	-
Restricted share unit compensation charge (note 8)	-	-	-	-	55,000	-	-	55,000
Stock option compensation charge (note 8)	-	-	-	-	515,573	-	-	515,573
	129,321,532	22,700,954	-	-	952,558	(2,664,609)	1,445,631	22,434,534
<b>Balance, May 31, 2022</b>	589,504,235	62,570,390	5,200,000	66,390	5,016,861	(18,304,051)	133,077	49,482,667

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

**C3 Metals Inc.**

(An Exploration Stage Company)

**Unaudited Consolidated Interim Statements of Cash Flows**

(expressed in Canadian dollars)

	Nine months ended May 31, 2023 \$	Nine months ended May 31, 2022 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(2,042,989)	(2,664,609)
Items not affecting cash:		
Share based compensation (note 8)	341,472	570,573
Depreciation of equipment	326	301
Interest income on restricted deposits	318	(398)
Loss on marketable securities (note 6)	61,575	14,381
Change in working capital items:		
Amounts receivable	75,176	(31,979)
Prepaid expenses	(129,446)	(404,766)
Accounts payable and accrued liabilities	(802,130)	(729,758)
	<u>(2,495,698)</u>	<u>(3,246,255)</u>
<b>Investing activities</b>		
Proceeds from sale of marketable securities (note 6)	271,211	26,970
Purchase of equipment	(58,267)	(11,185)
Exploration and evaluation assets (note 7)	(5,995,148)	(8,348,052)
	<u>(5,782,204)</u>	<u>(8,332,267)</u>
<b>Financing activities</b>		
Issuance of common shares (note 8)	5,000,000	19,300,614
Share issue costs	(134,808)	(1,339,178)
Exercise of broker warrants (note 8)	-	21,189
	<u>4,865,192</u>	<u>17,982,625</u>
Effect of exchange rate changes on cash	<u>36,415</u>	<u>158,559</u>
<b>Net change in cash and cash equivalents</b>	<b>(3,376,295)</b>	<b>6,562,662</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>7,302,637</b>	<b>5,846,804</b>
<b>Cash and cash equivalents - End of period</b>	<b><u>3,926,342</u></b>	<b><u>12,409,466</u></b>

Supplemental cash flow information (note 13)

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

## C3 Metals Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

May 31, 2023



(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 exploration and evaluation assets 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 May 31, 2023, the Company had working capital of \$4,211,807. Given the Company's plans for significant exploration expenditures on its projects during 2023, existing funds on hand at period 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as applicable to interim periods, including International Accounting Standard 34, Interim Financial Reporting (IAS 34). These condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the years ended August 31, 2022 and 2021 which have been prepared in accordance with IFRS. These financial statements were approved by the board of directors for issue on July 27, 2023.

#### 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 or Rodinia) 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.

#### Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2022.

### C3 Metals Inc.

(An Exploration Stage Company)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

May 31, 2023



(expressed in Canadian dollars)

### 3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the years ended August 31, 2022 and 2021 except as described in the notes to these condensed consolidated interim financial statements.

#### 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 judgements 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.

### 4. Restricted deposits

The Company has established a corporate credit card account for the payment of travel, corporate costs and exploration expenditures. An amount of \$50,472 (August 31, 2022 - \$50,790) 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 \$20,851 (August 31, 2022 - \$171,027) is comprised of harmonized sales tax (HST) receivable in Canada.

### 6. Marketable securities

	Level 1 \$	Level 3 \$	Total \$
<b>Balance, August 31, 2021</b>	127,803	-	127,803
Value of shares received	450,000	-	450,000
Sale of shares	(26,970)	-	(26,970)
Loss on marketable securities	(224,297)	-	(224,297)
<b>Balance, August 31, 2022</b>	326,536	-	326,536
Value of shares received	-	75,000	75,000
Reclassification of investment	75,000	(75,000)	-
Sale of shares	(271,211)	-	(271,211)
Loss on marketable securities	(61,575)	-	(61,575)
<b>Balance, May 31, 2023</b>	68,750	-	68,750

#### Tocvan Ventures Corp.

At August 31, 2021, the Company had a balance of 113,100 common shares of Tocvan Ventures Corp. ("Tocvan") received under the terms of the option agreement for the Rogers Creek, BC project. During September 2021, the Company received 500,000 additional Tocvan common shares in connection with its sale of the Rogers Creek project to Tocvan (see note 7). During April 2022, the Company sold 30,000 shares realizing proceeds of \$26,970. During November and December 2022, the Company sold the remaining 583,100 shares realizing proceeds of \$271,211. As at May 31, 2023, the Company had no remaining investment in the common shares of Tocvan. These shares were classified as fair value through profit and loss as a level 1 investment and were recorded at fair value using the quoted market price of Tocvan's common shares on the Canadian Securities Exchange.

#### Cascade Copper Corp.

During September 2022, the Company received 625,000 Cascade Copper Corp. ("Cascade Copper") common shares in connection with its sale of the Rogers Creek project to Tocvan (see note 7). These shares were classified as fair value through profit and loss as a level 3 investment and were initially recorded at the fair value based on the prelisting financing price of Cascade Copper. Cascade Copper completed its public listing on the Canadian Securities Exchange during April 2023 and the investment was subsequently reclassified as a level 1 investments and was recorded at fair value using the quoted market price of Cascade Copper on the Canadian Securities Exchange.

**C3 Metals Inc.**

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Notes to Unaudited Condensed Consolidated Interim Financial Statements

May 31, 2023



(expressed in Canadian dollars)

**7. Exploration and evaluation assets**

	Jasperoide (Peru) \$	Bellas Gate (Jamaica) \$	Rodinia and Other Licenses (Jamaica) \$	Rogers Creek and Mackenzie (BC, Canada) \$	Total \$
<b>Balance, August 31, 2021</b>	<b>13,636,057</b>	<b>5,899,507</b>	<b>1,788,244</b>	<b>525,000</b>	<b>21,848,808</b>
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
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	817,479	152,333	27,674	-	997,486
<b>Balance, August 31, 2022</b>	<b>30,639,927</b>	<b>8,301,931</b>	<b>2,242,233</b>	<b>-</b>	<b>41,184,091</b>
Licence acquisition and renewal fees	29,755	391	811	-	30,957
Geology and general field costs	977,935	723,745	1,368,369	-	3,070,049
Geochemical	-	-	315	-	315
Geophysical	325	-	-	-	325
Drilling and related	76,972	1,057,327	994,512	-	2,128,811
Environmental	54,252	18,396	38,909	-	111,557
Community and social development	427,326	76,335	115,187	-	618,848
Health and safety	98,719	25,673	413	-	124,805
IVA tax recoverable	100,391	-	-	-	100,391
Translation to presentation currency	1,718,640	52,558	6,814	-	1,778,012
<b>Balance, May 31, 2023</b>	<b>34,124,242</b>	<b>10,256,356</b>	<b>4,767,563</b>	<b>-</b>	<b>49,148,161</b>

**Jasperoide project, Peru**

The Company holds a 100% beneficial interest in 46 exploration concessions and has an option agreement to earn a 100% interest in two additional concessions. These 48 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 24,093 hectares. During the nine month period ended May 31, 2023, the Company applied for and was awarded an additional 12 exploration concessions for which the Company is now awaiting official title. The Company also applied for two additional exploration concessions through an auction process. Once official title is granted on the additional 12 exploration concessions and depending on whether the Company wins the auction process for two additional exploration concessions, the total Jasperoide project area could increase to between 30,893 hectares and 31,393 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% 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 29 new exploration concessions through an auction and petition process covering a total area of 16,887 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 970 hectares. At June 30, 2023, full legal title has transferred to the Company and the amounts outstanding have been paid in full, except for a payment of US\$80,000 that becomes payable in November 2024. 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 for US\$300,000.

**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. Between June 2020 and February 2023, 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 May 31, 2023, 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 August 23, 2023; US\$200,000 by August 23, 2024; US\$350,000 by February 23, 2025; and, US\$500,000 by August 23, 2025. 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.

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May 31, 2023



(expressed in Canadian dollars)

#### 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.

In connection with the acquisition, the Company granted a 2% 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 1%) 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. In addition, the 2% NSR royalty applies to a five kilometre area of interest from the borders of the three concessions.

#### **Bellas Gate property agreements, Jamaica**

##### ***OZ Minerals Ltd. 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 including the 70% interest that OZ Minerals had earned from the Company in January 2016 in the Bellas Gate Project 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 prior joint venture earn-in. 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.

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

#### **Rodinia and Other property licenses, Jamaica**

The Rodinia and Other property licenses consists of the 100% owned SEPLs in Jamaica known as Arthurs Seat, Main Ridge and Hungry Gully. On February 19, 2022, the Company entered into an agreement with Rodinia Resources Pty Limited to purchase the 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.

#### **Rogers Creek and Mackenzie properties, BC, Canada**

On September 29, 2021, the Company and Tocvan Ventures Corp. 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 625,000 common shares in a newly formed company called Cascade Copper (see note 6) for a combined value of \$525,000. Tocvan spun 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 retains a 2% NSR on the Rogers Creek project where 1% can be repurchased for \$1 million.

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### 8. Capital stock

#### Authorized

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

#### Issued

##### Share issuances during fiscal 2023

On April 21, 2023 and May 1, 2023, the Company closed a non-brokered private placement in two tranches through the issuance of 100,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$5,000,000. In connection with this financing, the Company paid certain eligible finders cash commissions of \$93,900.

##### 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 7).

#### Warrants

As at May 31, 2023, there were no warrants outstanding. During September 2022, a balance of 5,200,000 warrants exercisable at \$0.08 expired. No warrants were issued during fiscal 2022 or during the nine month period ended May 31, 2023.

#### Broker warrants

As at May 31, 2023, 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.

The fair value of broker warrants was 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. During February 2022, a balance of 3,706,900 broker warrants at an exercise price of \$0.14 per share expired.

#### 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-average exercise price \$	Expiry
<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	(500,000)	0.17	April 2026
<b>Balance, August 31, 2022</b>	51,660,000	0.10	December 2022 to August 2027
Expired	(11,700,000)	0.12	December 2022 to January 2023
Forfeited	(1,000,000)	0.12	January 2023 to May 2023
<b>Balance, May 31, 2023</b>	38,960,000	0.09	July 2023 to August 2027

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As at May 31, 2023 outstanding stock options are as follows:

Exercise price \$	Options outstanding		Options exercisable		Expiry
	Number of options	Weighted-average contractual life (years)	Number of options	Weighted-average contractual life (years)	
0.05	8,610,000	1.5	8,610,000	1.5	December 7, 2024
0.08	4,550,000	1.0	4,550,000	1.0	May 15, 2024
0.08	15,000,000	4.2	6,000,000	4.2	August 15, 2027
0.10	1,000,000	0.2	1,000,000	0.2	July 31, 2023
0.11	1,600,000	2.6	1,600,000	2.6	January 5, 2026
0.15	1,000,000	0.2	1,000,000	0.2	July 31, 2023
0.15	4,700,000	2.8	4,700,000	2.8	March 26, 2026
0.17	500,000	2.9	500,000	2.9	April 15, 2026
0.20	1,000,000	0.2	1,000,000	0.2	July 31, 2023
0.25	1,000,000	0.2	1,000,000	0.2	July 31, 2023
	<u>38,960,000</u>	2.6	<u>29,960,000</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 were exercisable at \$0.125 per share and expired 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. For the nine months period ended May 31, 2023, a total of 11,700,000 stock options with exercise prices ranging between \$0.08 to \$0.15 expired.

During the nine month period ended May 31, 2023, the Company recorded a total of \$257,472 (nine month period ended May 31, 2022 - \$515,573) 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 utilized the following assumptions and values.

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

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 an 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.

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### 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. During the nine month period ended May 31, 2023, the Company recorded \$84,000 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 May 31, 2023, a total of 196,527 DSUs were outstanding (May 31, 2022 - 737,680) having been previously granted to directors of the Company. No additional DSUs were granted during the nine month period ended May 31, 2023 or during the year ended August 31, 2022. During May 2023, a total of 541,152 DSUs previously issued to a former director valued at \$59,124 expired. During February 2022, the Company issued 814,014 common shares in settlement of DSUs to a retired director.

## 9. 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:

	Three months ended May 31, 2023 \$	Three months ended May 31, 2022 \$	Nine months ended May 31, 2023	Nine months ended May 31, 2022
Salaries and contract fee expense of key management	169,503	242,361	534,078	786,635
Value of RSUs expensed (note 8)	28,000	-	84,000	55,000
Value of stock options with officers and directors expensed (note 8)	66,952	31,039	210,163	413,407
	<u>264,454</u>	<u>273,400</u>	<u>828,241</u>	<u>1,255,042</u>

As at May 31, 2023, a total of \$18,838 (August 31, 2022 - \$20,164) 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.

## 10. Financial instruments and risk management

As at May 31, 2023, 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's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk, currency risk and interest rate risk. These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Company's annual financial statements as at August 31, 2022. There have been no changes in the Company's risk management policies or procedures since the year end.

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**11. 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:

	<b>May 31, 2023</b>		<b>August 31, 2022</b>	
	<b>Exploration and evaluation</b>		<b>Exploration and evaluation</b>	
	<b>Equipment</b>	<b>assets</b>	<b>Equipment</b>	<b>assets</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Peru	56,080	34,124,242	62,145	30,639,927
Jamaica	52,235	15,023,919	3,507	10,544,164
Canada	7,748	-	9,789	-
	<b>116,063</b>	<b>49,148,161</b>	<b>75,441</b>	<b>41,184,091</b>

**12. 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.

**13. Supplemental cash flow information**

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

	<b>Nine months ended</b>	<b>Nine months ended</b>
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation costs included in accounts payable and accrued liabilities	167,884	675,839
Depreciation of field vehicles and equipment charged to exploration expenditures	23,026	11,208
Share consideration receivable for sale of Rogers Creek project	(75,000)	75,000
Shares issued for Jasperoide property interest	-	5,100,314
Effect of changes in foreign exchange rates on:		
Working capital	(30,630)	154,021
Equipment	5,707	6,766
Exploration and evaluation assets	1,778,012	1,126,285