

FOUNDERS METALS INC.

(formerly Avalon Works Corp.)

Consolidated Interim Financial Statements

For the three months ended November 30, 2021 and 2020

Expressed in Canadian Dollars

To the shareholders of Founders Metals Inc:

The consolidated interim financial statements of Founders Metals Inc. (the “Company”) for the three months ended November 30, 2021 and 2020 have been compiled by management.

No audit or review of this information has been performed by the Company’s auditors.

FOUNDERS METALS INC. (formerly Avalon Works Corp.)

Consolidated Interim Statements of Financial Position

Expressed in Canadian Dollars

As at	November 30 2021	August 31 2021
ASSETS		
Current		
Cash	\$ 2,639,537	\$ 3,292,639
Good and services tax receivable	193,684	85,455
Prepays and deposits	9,829	64,042
	2,843,050	3,442,136
Equipment (note 4)	49,408	53,414
Exploration and evaluation properties (note 5)	7,953,742	7,205,823
	\$ 10,846,200	\$10,701,373
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 468,969	\$ 182,380
Deferred flow-through liability	50,160	184,800
	519,129	367,180
EQUITY		
Share capital (note 6)	11,090,972	11,090,972
Option and warrant reserve	597,486	597,486
Deficit	(1,361,387)	(1,354,265)
	10,327,071	10,334,193
	\$ 10,846,200	\$10,701,373

Approved by the Board of Directors on January 31, 2022

Director (signed by) "Nicholas Stajduhar"

Director (signed by) "John Williamson"

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

FOUNDERS METALS INC. *(formerly Avalon Works Corp.)*
Consolidated Interim Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

For the three months ended	November 30 2021	November 30 2020
Expenses		
Advertising and promotion	\$ 49,383	\$ -
General and administrative	20,766	1,138
Management fees (note 8)	51,000	7,600
Professional fees	23,331	8,674
Regulatory and filing fees	1,450	1,368
	<u>(145,930)</u>	<u>(18,780)</u>
Other		
Interest income	4,168	-
Settlement of flow-through liability	134,640	-
	<u>134,640</u>	<u>-</u>
Comprehensive loss for the period	<u>\$ (7,122)</u>	<u>\$ (18,780)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Basic and diluted weighted average number of common shares outstanding	<u>26,217,000</u>	<u>8,385,172</u>

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

FOUNDERS METALS INC. *(formerly Avalon Works Corp.)*

Consolidated Interim Statements of Changes in Equity

Expressed in Canadian Dollars

	Share capital	Option and warrant reserve	Deficit	Total equity
Balance at August 31, 2020	\$ 206,000	\$ 14,400	\$ (453,007)	\$ (232,607)
Shares issued for debt settlement	204,388	-	-	204,388
Net loss	-	-	(18,780)	(18,780)
Balance at November 30, 2020	\$ 410,388	\$ 14,400	\$ (471,787)	\$ (46,999)
Shares issued for cash	5,190,500	-	-	5,190,500
Shares issued for property	6,390,000	-	-	6,390,000
Shares issued for debt settlement	25,000	-	-	25,000
Options issued	-	434,750	-	434,750
Warrants issued	-	148,336	-	148,336
Share issuance costs	(512,580)	-	-	(512,580)
Share issuance costs – non-cash	(148,336)	-	-	(148,336)
Flow-through liability	(264,000)	-	-	(264,000)
Net loss	-	-	(882,478)	(882,478)
Balance at August 31, 2021	\$11,090,972	\$ 597,486	\$(1,354,265)	\$10,334,193
Net loss	-	-	(7,122)	(7,122)
Balance at November 30, 2021	\$11,090,972	\$ 597,486	\$(1,361,387)	\$10,327,071

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

FOUNDERS METALS INC. (formerly Avalon Works Corp.)

Consolidated Interim Statements of Cash Flows

Expressed in Canadian Dollars

For the three months ended	November 30 2021	November 30 2020
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (7,122)	\$ (18,780)
Items not affecting cash:		
Settlement of flow-through liability	(134,640)	-
	<u>(141,762)</u>	<u>-</u>
Changes in non-cash working capital:		
Goods and services tax receivable	(108,229)	-
Prepayments and receivables	54,213	-
Accounts payable and accrued liabilities	(156,319)	(27,103)
Cash used in operating activities	<u>(352,097)</u>	<u>(45,883)</u>
Investing activities		
Exploration and evaluation property exploration expenditures (note 5)	(301,005)	-
Cash used in investing activities	<u>(301,005)</u>	<u>-</u>
Financing activities		
Proceeds from convertible debentures issued	-	75,000
Cash provided by financing activities	<u>-</u>	<u>75,000</u>
Net increase (decrease) in cash	(653,102)	29,117
Cash, beginning of period	<u>3,292,639</u>	<u>247</u>
Cash, end of period	\$ 2,639,537	\$ 29,364

As at November 30, 2021, \$442,908 (2020 – \$nil) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

During the period ended November 30, 2021, the Company capitalized amortization of \$4,006 (2020 -\$nil) as exploration and evaluation expenditures.

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

1. Nature of operations

Founders Metals Inc. ("Founders" or the "Company"), formerly Avalon Works Corp. ("Avalon"), was incorporated under the Canada Business Corporations Act on April 6, 2000. The Company terminated its operations in 2007. On July 31, 2009, the Company's Securities were delisted from the TSX Venture Exchange ("TSXV"). The Company obtained its certificate of revival on November 9, 2018 and the revocation of cease trade orders on September 24, 2019.

On February 26, 2021, the Company acquired an aggregate 100% interest in the Elmtree Gold Project in northeast New Brunswick (note 5). Effective March 25, 2021, Avalon changed its name to Founders Metals Inc. and now trades under the symbol "FDR" on the TSXV.

The address of the Company's corporate office and principal place of business is 250 Southridge NW, Suite 300, Edmonton, AB, T6H 4M9. The Company's registered office is Suite 780 - 1111 West Hastings Street, Vancouver, BC V6E 2J3. The Company's principal business is to explore and develop the gold and mineral exploration Elmtree Gold Project located in New Brunswick.

2. Basis of presentation

These financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors of the Company on January 31, 2022.

These financial statements are presented in Canadian Dollars, unless otherwise noted and have been prepared on a historical cost basis. The Canadian dollar is the functional and presentation currency of the Company.

3. Management estimates and judgments

The preparation of these consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its consolidated interim financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values are consistent with those applied and disclosed in the Company's financial statements for the year ended August 31, 2020, unless otherwise stated.

4. Equipment

During the year ended August 31, 2021, the Company purchased a vehicle for \$62,840 (2020 - \$nil) and recorded amortization of \$9,426 (2020 - \$nil). During the three months ended November 30, 2021, the Company recorded amortization of \$4,006 (2020 - \$nil) which was capitalized to exploration and evaluation properties.

5. Exploration and evaluation properties

On February 26, 2021, the Company acquired the Elmtree Gold Project, a mineral exploration property comprised of two mineral exploration properties respectively comprised of 24 and 25 contiguous mineral claims totaling 1,063,326 hectares in northeast New Brunswick. To acquire the property, the Company paid \$350,000 cash to the vendor and issued 14,000,000 common shares of the Company with an estimated fair value of \$0.45 per share for a total consideration of \$6,650,000. The vendor retains a 2% net smelter royalty. The Company also paid an arm's length third party a finders' fee of 200,000 common shares of the Company with an estimated fair value of \$0.45 per share. Transaction costs of \$27,103 are included in acquisition cost. On completion of this transaction, the four vendors of the property became the directors of the Company.

Total costs incurred by the Company on the Elmtree Gold Project are summarized as follows:

	Acquisition	Exploration	Total
Balance, August 31, 2021	\$ 6,767,103	\$ 438,720	\$ 7,205,823
Drilling	-	356,435	356,435
Amortization	-	4,006	4,006
Community relations	-	9,676	9,676
Assays and analysis	-	65,969	65,969
Fieldwork supplies	-	22,271	22,271
Fieldwork	-	30,599	30,599
General and administrative	-	10,044	10,044
Geological consulting	-	163,782	163,782
Permits	-	417	417
Rentals	-	24,017	24,017
Travel and support	-	60,703	60,703
Balance, November 30, 2021	\$ 6,767,103	\$ 1,186,639	\$ 7,953,742

6. Share capital

a) Common shares

On February 25, 2021, the Company consolidated all its issued and outstanding common shares based on one post-consolidation common share for every 4.9362 pre-consolidation common shares. All share data and equity-based instruments have been retroactively adjusted to give effect to the consolidation.

The Company's articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares.

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance, August 31, 2021 and November 30, 2021	26,217,000	\$ 11,090,972

On February 26, 2021, the Company completed a non-brokered bridge financing by issuing 400,000 units of the Company at a price of \$0.375 per unit for gross proceeds of \$150,000. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 for a period of one year from the date of issuance.

On February 26, 2021, the Company issued 7,176,998 units of the Company at a price of \$0.50 per unit for gross proceeds of \$3,588,500. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 for a period of two years from the date of issuance.

On February 26, 2021, the Company completed a flow-through placement of 2,640,000 shares at \$0.55 per share for gross proceeds of \$1,452,000 and recognized a deferred flow-through premium of \$264,000 as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at November 30, 2021, the Company has incurred \$1,173,207 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$134,640 in connection with the settlement of the flow-through liability was recognized in other income.

Escrowed common shares

Upon closing of the transaction on February 26, 2021, 14,049,867 common shares of the Company will be subject to a Tier 2 Value Escrow Agreement. Under the Tier 2 Value Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As of the date of these financial statements, 10,537,400 common shares remained in escrow.

b) Stock options

The Company's has a stock option plan (the "Plan") for directors, officers, employees, and consultants. The Plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX. The options can be granted for a maximum term of 5 years with vesting provisions determined by the Company.

A summary of stock option activity in the periods is as follows:

	Number of options	Weighted average exercise price
Outstanding options, August 31, 2021 and November 30, 2021	1,266,162	\$ 0.50

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Notes to the Consolidated Interim Financial Statements
For the three months ended November 30, 2021 and 2020
Expressed in Canadian Dollars

A summary of stock options outstanding and exercisable is as follows:

Exercise Price	November 30, 2021		Exercise Price	August 31, 2021	
	Number of options	Remaining contractual life (years)		Number of options	Remaining contractual life (years)
\$ 0.50	91,162	1.2	\$ 0.50	91,162	1.5
0.50	1,175,000	4.3	0.50	1,175,000	4.5
\$ 0.50	1,266,162	4.0	\$ 0.50	91,162	4.3

- i On March 4, 2021, the Company granted stock options to acquire up to an aggregate 1,175,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a price of \$0.50 per common share and have an expiry date of March 4, 2026 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$434,750, or \$0.37 per option, has been recorded as share-based compensation expense during the year ended August 31, 2021 and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: weighted average grant date stock price \$0.50; expected life, 5 years; expected volatility, 100%; risk-free rate 0.25%; expected dividends, 0%. The options were issued with an exercise price equal to the quoted market price of the Company's common shares on the date of issuance.

c) Warrants

The Following is a summary of the changes in the Company's warrants during the periods:

	Number of Warrants	Weighted average exercise price
Outstanding warrants, August 31, 2021 and November 30, 2021	8,041,398	\$ 0.73

A summary of the warrants outstanding and exercisable is as follows:

Exercise Price	November 30, 2021		Exercise Price	August 31, 2021	
	Number of warrants	Remaining contractual life (years)		Number of warrants	Remaining contractual life (years)
\$ 0.50	100,000	1.0	\$ 0.50	100,000	1.2
0.75	200,000	0.2	\$ 0.75	200,000	0.4
0.75	7,176,998	1.2	0.75	7,176,998	1.5
0.50	406,000	1.2	0.50	406,000	1.5
0.55	158,400	1.2	0.55	158,400	1.5
\$ 0.73	8,041,398	1.2	\$ 0.73	8,041,398	1.5

- i As a separate matter from the Transaction, the Company has also entered into an agreement (the "Termination Agreement") with Leede Jones Gable Inc. ("Leede") dated November 12, 2020 for the termination of an agency agreement in consideration for issuance to Leede of 100,000 common share purchase warrants (the "Termination Warrants"), each of which will be exercisable at a price of \$0.50 per common share for a period of 24 months from the date of the Termination Agreement. The Termination Warrants and common shares issuable upon exercise thereof will be subject to a 4-month period resale restriction in accordance with the policies of the TSXV and applicable securities laws.
- ii On February 26, 2021, 406,000 warrants were issued to agents pursuant to the non-brokered private placement as compensation for services provided by the agents. The estimated fair value of the agents' warrants of \$89,320, or \$0.22 per agents' warrant, has been recorded as a decrease to share capital as a cost of share issuance during the year ended August 31, 2021 and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.50; expected life, 2 years; expected volatility, 80%; risk free rate, 0.30%; expected dividends, 0%.
- iii On February 26, 2021, 158,400 warrants were issued to agents pursuant to the non-brokered private placement as compensation for services provided by the agents. The estimated fair value of the agents' warrants of \$38,016, or \$0.24 per agents' warrant, has been recorded as a decrease to share capital as a cost of share issuance during the year ended August 31, 2021 and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.55; expected life, 2 years; expected volatility, 80%; risk free rate, 0.30%; expected dividends, 0%.

7. Financial instruments and risk management

Fair value of financial instruments

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The Company's cash and cash equivalents are classified as Level 1, whereas accounts receivable and prepayments, and accounts payable and accrued liabilities are classified as Level 2. As at November 30, 2021, the Company believes that the carrying values of cash, accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Financial instruments risk

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

Credit risk

Credit risk is defined as the risk of loss associated with counterparty's inability to fulfill its payment obligations. The maximum exposure to credit risk is the carrying amount of the Company's financial assets.

Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle its obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds available to meet its short-term business requirements by taking into account the anticipated cash expenditures for its exploration and other operating activities, and its holding of cash and cash equivalents. The Company will pursue further equity or debt financing as required to meet its commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at November 30 2021, the Company's financial liabilities consist of its accounts payable and accrued liabilities, which are all current obligations.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange risk is minimal.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	November 30 2021	August 31 2021
Financial assets at amortized cost		
Cash	\$ 2,639,537	\$ 3,292,639
Goods and services tax receivable	193,684	85,455
	<u>\$ 2,833,221</u>	<u>\$ 3,378,094</u>

Financial liabilities included in the statement of financial position are as follows:

	November 30 2021	August 31 2021
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	\$ 468,969	\$ 182,380
	<u>\$ 468,969</u>	<u>\$ 182,380</u>

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve inventor's confidence and retain the ability to seek out and acquire new projects of merit. The Company is not exposed to any externally imposed capital requirements.

8. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the three months ended	November 30 2021	November 30 2020
Management fees paid to key management and directors	\$ 51,000	\$ 7,600
Management fees paid to companies controlled by directors, officers - capitalized to exploration and evaluation assets	12,000	-
Investor relations fees paid to a director	30,000	-
	<u>\$ 93,000</u>	<u>\$ 7,600</u>