

FOUNDERS METALS INC.

Consolidated Interim Financial Statements

For the three and nine months ended May 31, 2022 and 2021

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 and nine months ended May 31, 2022 and 2021 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

(unaudited)

As at	May 31 2022	August 31 2021
ASSETS		
Current		
Cash	\$ 1,153,867	\$ 3,292,639
Good and services tax receivable	276,370	85,455
Prepays and deposits	5,058	64,042
	1,435,295	3,442,136
Equipment (note 4)	41,396	53,414
Exploration and evaluation properties (note 5)	8,565,987	7,205,823
	\$ 10,042,678	\$ 10,701,373
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 15,074	\$ 182,380
Deferred flow-through liability	-	184,800
	15,074	367,180
EQUITY		
Share capital (note 6)	11,090,972	11,090,972
Option and warrant reserve	629,886	597,486
Deficit	(1,693,254)	(1,354,265)
	10,027,604	10,334,193
	\$ 10,042,678	\$ 10,701,373

Approved by the Board of Directors on July 25, 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

(unaudited)

For the	three months ended May 31		nine months ended May 31	
	2022	2021	2022	2021
Expenses				
Advertising and promotion	61,724	54,651	159,348	55,679
General and administration	27,137	8,580	63,750	9,407
Management fees (note 8)	51,000	51,000	153,000	67,600
Professional fees	13,019	28,903	72,284	73,603
Project evaluation	25,059	-	31,675	-
Regulatory and filing fees	811	24,045	21,881	37,552
	(178,750)	(167,179)	(501,938)	(243,841)
Other income				
Interest income	3,482	4,697	10,549	4,697
Settlement of flow-through liability (note 6)	-	-	184,800	-
Share based compensation	-	(434,750)	(32,400)	(434,750)
Comprehensive loss for the period	\$ (175,268)	\$ (597,232)	\$ (338,989)	\$ (673,894)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.07)
Basic and diluted weighted average number of common shares outstanding	26,217,000	26,217,000	26,217,000	10,238,229

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

(unaudited)

	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 cash	5,190,500	-	-	5,190,500
Shares issued for property	6,390,000	-	-	6,390,000
Shares issued for debt settlement	229,388	-	-	229,388
Options issued	-	434,750	-	434,750
Warrants issued	-	103,136	-	103,136
Share issuance costs	(512,580)	-	-	(512,580)
Share issuance costs – non-cash	(103,136)	-	-	(103,136)
Net loss	-	-	(673,894)	(673,894)
Balance at May 31, 2021	\$11,400,172	\$ 552,286	\$(1,126,901)	\$10,825,557
Warrants issued	-	45,200	-	45,200
Share issuance costs – non-cash	(45,200)	-	-	(45,200)
Flow-through liability	(264,000)	-	-	(264,000)
Net loss	-	-	(227,364)	(227,364)
Balance at August 31, 2021	\$11,090,972	\$ 597,486	\$(1,354,265)	\$10,334,193
Options issued	-	32,400	-	32,400
Net loss	-	-	(338,989)	(338,989)
Balance at May 31, 2022	\$11,090,972	\$ 629,886	\$(1,693,254)	\$10,027,604

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

(unaudited)

For the nine months ended	May 31 2022	May 31 2021
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (338,989)	\$ (673,894)
Items not affecting cash:		
Settlement of flow-through liability	(184,800)	-
Share based compensation	32,400	434,750
	<u>(491,389)</u>	<u>(239,144)</u>
Changes in non-cash working capital:		
Goods and services tax receivable	(190,916)	(48,385)
Prepayments and receivables	58,984	-
Accounts payable and accrued liabilities	(169,455)	85,174
Cash used in operating activities	<u>(792,776)</u>	<u>(202,355)</u>
Investing activities		
Exploration and evaluation property acquisition expenditures (note 5)	-	(532,025)
Exploration and evaluation property exploration expenditures (note 5)	(1,345,996)	(63,641)
Cash used in investing activities	<u>(1,345,996)</u>	<u>(595,666)</u>
Financing activities		
Proceeds from private placements (note 6)	-	5,190,500
Cash share issuance costs	-	(512,341)
Cash provided by financing activities	<u>-</u>	<u>4,678,159</u>
Net increase (decrease) in cash	(2,138,772)	3,880,138
Cash, beginning of period	<u>3,292,639</u>	<u>247</u>
Cash, end of period	\$ 1,153,867	\$ 3,880,385

As at May 31, 2022, \$2,150 (2021 – \$nil) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

During the period ended May 31, 2022, the Company capitalized amortization of \$12,018 (2021 –\$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 consolidated interim 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 consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on July 25, 2022.

These consolidated interim 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, 2021, 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 nine months ended May 31, 2022, the Company recorded amortization of \$12,018 (2021 - \$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	-	567,020	567,020
Amortization	-	12,018	12,018
Community relations	-	14,676	14,676
Assays and analysis	-	294,587	294,587
Fieldwork supplies	-	12,195	12,195
Fieldwork	-	43,591	43,591
General and administrative	-	39,906	39,906
Geological consulting	-	254,504	254,504
Permits	-	728	728
Rentals	-	27,116	27,116
Travel and support	-	93,823	93,823
Balance, May 31, 2022	\$ 6,767,103	\$ 1,798,884	\$ 8,565,987

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 May 31, 2022	26,217,000	\$ 11,090,972

Flow-through shares

During the nine months ended May 31, 2022, the Company has incurred all eligible exploration expenditures relating to flow-through shares. As a result, the amount of \$184,800 in connection with the settlement of the flow-through liability was fully recognized in other income.

Escrowed common shares

Upon closing of the transaction on February 26, 2021, 14,049,867 common shares of the Company are 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, 8,429,920 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	1,266,162	\$ 0.50
Issued	162,000	0.75
Outstanding options, May 31, 2022	1,428,162	\$ 0.53

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

Exercise Price	Number of options	May 31, 2022 Remaining contractual life (years)	Exercise Price	Number of options	August 31, 2021 Remaining contractual life (years)
\$ 0.50	91,162	0.7	\$ 0.50	91,162	1.5
0.50	1,175,000	3.8	0.50	1,175,000	4.5
0.75	162,000	4.5	-	-	-
\$ 0.53	1,428,162	3.7	\$ 0.50	91,162	4.3

c) Warrants

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

	Number of options	Weighted average exercise price
Outstanding warrants, August 31, 2021	8,041,398	\$ 0.73
Expired	(200,000)	0.75
Outstanding warrants, May 31, 2022	7,841,398	\$ 0.73

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

May 31, 2022			August 31, 2021		
Exercise Price	Number of warrants	Remaining contractual life (years)	Exercise Price	Number of warrants	Remaining contractual life (years)
\$ 0.50	100,000	0.5	\$ 0.50	100,000	1.2
-	-	-	0.75	200,000	0.4
0.75	7,176,998	0.7	0.75	7,176,998	1.5
0.50	406,000	0.7	0.50	406,000	1.5
0.55	158,400	0.7	0.55	158,400	1.5
\$ 0.73	7,841,398	0.7	\$ 0.73	8,041,398	1.5

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 May 31, 2022, 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 May 31 2022, 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:

	May 31 2022	August 31 2021
Financial assets at amortized cost		
Cash	\$ 1,153,867	\$ 3,292,639
Goods and services tax receivable	<u>276,370</u>	<u>85,455</u>
	<u>\$ 1,430,237</u>	<u>\$ 3,378,094</u>

FOUNDERS METALS INC. *(formerly Avalon Works Corp.)*
Notes to the Consolidated Interim Financial Statements
For the three and nine months ended May 31, 2022 and 2021
Expressed in Canadian Dollars

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

	May 31 2022	August 31 2021
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	\$ 15,074	\$ 182,380
	<u>\$ 15,074</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 investor'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 nine months ended	May 31 2022	May 31 2021
Management fees paid to key management and directors	\$ 153,000	\$ 51,000
Management fees paid to former management and directors	-	16,600
Management fees paid to companies controlled by directors, officers - capitalized to exploration and evaluation assets	36,000	-
Investor relations fees paid to a director	90,000	-
	<u>\$ 279,000</u>	<u>\$ 67,600</u>