

# **FOUNDERS METALS INC.**

Consolidated Financial Statements

For the years ended August 31, 2022 and 2021

Expressed in Canadian Dollars

## Independent Auditor's Report

To the Shareholders of Founders Metals Inc.

### Opinion

We have audited the consolidated financial statements of Founders Metals Inc. (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2022, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Other Matters

The consolidated financial statements of the Company for the year ended August 31, 2021 were audited by another auditor who expressed an unqualified opinion on those statements on January 27, 2022.

### Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

### 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

  
MS Partners LLP  
Licensed Public Accountants  
Toronto, Ontario  
November 25, 2022

**FOUNDERS METALS INC.**

Consolidated Statements of Financial Position  
Expressed in Canadian Dollars

<b>As at</b>	<b>August 31 2022</b>	<b>August 31 2021</b>
<b>ASSETS</b>		
Current		
Cash (note 7)	\$ 969,590	\$ 3,292,639
Good and services tax receivable	284,798	85,455
Prepays and deposits	14,295	64,042
	<b>1,268,683</b>	3,442,136
Non-current		
Equipment (note 4)	37,390	53,414
Exploration and evaluation properties (note 5)	8,587,610	7,205,823
	<b>\$ 9,893,683</b>	<b>\$ 10,701,373</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 17,295	\$ 182,380
Deferred flow-through liability (note 6)	-	184,800
	<b>17,295</b>	367,180
<b>EQUITY</b>		
Share capital (note 6)	11,086,539	11,090,972
Option and warrant reserve	629,886	597,486
Deficit	(1,840,037)	(1,354,265)
	<b>9,876,388</b>	10,334,193
	<b>\$ 9,893,683</b>	<b>\$ 10,701,373</b>

Subsequent events (note 10)

Approved by the Board of Directors on November 25, 2022

Director (signed by) "Nicholas Stajduhar"

Director (signed by) "John Williamson"

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

**FOUNDERS METALS INC.**

Consolidated Statements of Loss and Comprehensive Loss  
Expressed in Canadian Dollars

<b>For the years ended</b>	<b>August 31 2022</b>	<b>August 31 2021</b>
<b>Operating expenses</b>		
Advertising and promotion (note 8)	\$ 208,018	\$ 109,464
General and administrative	85,110	30,303
Management fees (note 8)	204,000	118,600
Professional fees	100,633	257,592
Project evaluation	34,361	-
Regulatory and filing fees	22,953	39,531
	<b>(655,075)</b>	<b>(555,490)</b>
<b>Other income (expense)</b>		
Interest income	16,903	9,782
Settlement of flow-through liability (note 6)	184,800	79,200
Share-based compensation (note 6)	(32,400)	(434,750)
<b>Net and comprehensive loss for the year</b>	<b>\$ (485,772)</b>	<b>\$ (901,258)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>26,217,000</b>	<b>14,234,244</b>

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



**FOUNDERS METALS INC.**

Consolidated Statements of Changes in Equity  
Expressed in Canadian Dollars

	Share capital	Option and warrant reserve	Deficit	Total equity
<b>Balance at August 31, 2020</b>	<b>\$ 206,000</b>	<b>\$ 14,400</b>	<b>\$ (453,007)</b>	<b>\$ (232,607)</b>
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 (note 6)	-	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	-	-	(901,258)	(901,258)
<b>Balance at August 31, 2021</b>	<b>\$11,090,972</b>	<b>\$ 597,486</b>	<b>\$(1,354,265)</b>	<b>\$10,334,193</b>
Options issued (note 6)	-	32,400	-	32,400
Share issuance costs (note 6)	(4,433)	-	-	(4,433)
Net loss	-	-	(485,772)	(485,772)
<b>Balance at August 31, 2022</b>	<b>\$11,086,539</b>	<b>\$ 629,886</b>	<b>\$(1,840,037)</b>	<b>\$9,876,388</b>

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

**FOUNDERS METALS INC.**

Consolidated Statements of Cash Flows  
Expressed in Canadian Dollars

<b>For the years ended</b>	<b>August 31 2022</b>	<b>August 31 2021</b>
<b>Operating activities</b>		
Net loss for the year	\$ (485,772)	\$ (901,258)
Items not affecting cash:		
Settlement of flow-through liability	(184,800)	(79,200)
Share based compensation	32,400	434,750
	<u>(638,172)</u>	<u>(545,708)</u>
Changes in non-cash working capital:		
Goods and services tax receivable	(199,343)	(85,455)
Prepaid and deposits	49,747	(64,042)
Accounts payable and accrued liabilities	(165,085)	13,768
Cash used in operating activities	<u>(952,853)</u>	<u>(681,437)</u>
<b>Investing activities</b>		
Exploration and evaluation property acquisition expenditures (note 5)	-	(377,103)
Exploration and evaluation property exploration expenditures, net (note 5)	(1,365,763)	(264,148)
Purchase of equipment (note 4)	-	(62,840)
Cash used in investing activities	<u>(1,365,763)</u>	<u>(704,091)</u>
<b>Financing activities</b>		
Proceeds from private placements (note 6)	-	5,190,500
Cash share issuance costs (note 6)	(4,433)	(512,580)
Cash provided by (used in) financing activities	<u>(4,433)</u>	<u>4,677,920</u>
<b>Net increase (decrease) in cash</b>	<b>(2,323,049)</b>	<b>3,292,392</b>
Cash, beginning of the year	<u>3,292,639</u>	<u>247</u>
<b>Cash, end of the year</b>	<b>\$ 969,590</b>	<b>\$ 3,292,639</b>

As at August 31, 2022, there were no exploration and evaluation property expenditures included in accounts payable and accrued liabilities (2021 – \$165,146).

During the year ended August 31, 2022, the Company capitalized amortization of \$16,024 (2021 - \$9,426) as exploration and evaluation expenditures to the exploration and evaluation properties.

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

## **FOUNDERS METALS INC.**

Notes to the Consolidated Financial Statements  
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### **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. The mineral property is located in Canada and in the exploration stage and, based on information to date, does not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for the mineral property and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in the property and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the property.

### **2. Basis of presentation**

These consolidated 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 financial statements were authorized for issue by the Board of Directors of the Company on November 25, 2022.

These consolidated 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. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

#### **a) Significant management estimates and judgments**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its 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 include:



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### *Estimates and assumptions*

#### Share-based compensation and non-cash share issuance costs

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The fair values of share-based compensation and non-cash share issuance costs relating to the issuance of agents' warrants and stock options are determined using the Black-Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility, expected dividend yield and expected life of the equity instruments. Changes in these assumptions can significantly affect the fair value estimates.

### *Judgments*

#### Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant judgments in connection with future taxable profits. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

#### Exploration and evaluation assets

The recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

#### Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty. Management concluded that there is a remote material uncertainty exists, however, its potential impact and likelihood of occurrence is such that, in the management's judgment, the financial statements are appropriately presented on a going concern basis.

#### b) Cash

Cash is comprised of cash on hand and cash on deposit with the Company's financial institution on which it earns variable amounts of interest.

#### c) Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

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### Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost.

Receivables are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

### Financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method. Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of loss and comprehensive loss.

### Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk.
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low.
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

The Company assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that a counter party is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when indicators suggest that there are measurable decreases in the estimated future cash flows.

The Company did not recognize any impairment of financial assets during the year ended August 31, 2022.

### d) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss. Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates enacted or substantively enacted at the balance sheet date.

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Deferred income taxes are recorded using the liability method where by deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

### e) Exploration and evaluation assets

Exploration and evaluation property acquisition costs and exploration costs directly related to specific properties are capitalized as exploration and evaluation assets and are classified as intangible assets, commencing on the date that the Company acquires legal rights to explore a property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. Exploration costs may include costs such as materials used, surveying costs, drilling costs, payments made to contractors, analyzing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the capitalized costs of the related property are reclassified as mining assets, which will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

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### f) Impairment of non-financial assets

Management assesses the exploration and evaluation assets and property and equipment for impairment at least annually and whenever factors or circumstances indicate that the carrying amount may not be recoverable. For exploration and evaluation assets, examples of such facts and circumstances are as follows:

1. the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
2. substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
3. exploration for and evaluation of mineral resources in the 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; and
4. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

### g) Government assistance

The Company may be eligible to receive grants pursuant to the New Brunswick Junior Mining Assistance Program for certain exploration expenditures incurred in New Brunswick. The receipt of any grants are treated as a reduction of exploration and evaluation expenditures of the respective mineral property and are recorded when it is probable the Company will receive the grants. During the year ended August 31, 2022, the Company received a grant of \$18,000 (2021 - \$12,000).

### h) Loss per share

Loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding stock options and warrants. In the periods when the Company reports a net loss, the effect of potential issuances of shares under stock options and warrants is anti-dilutive. When diluted earnings per share is calculated, only those stock options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the years ended August 31, 2022 and August 31, 2021, all the outstanding stock options and warrants were anti-dilutive as the Company reported a net loss.

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### i) Share-based payments

Share-based payments related to the issuance of stock options to employees and others providing similar services pursuant to the Company's stock option plan, is measured at grant date, for using the fair value method whereby compensation expense is recorded in profit or loss with a corresponding increase to option and warrant reserve in equity. Share-based payments related to warrants and options issued to non-employees are measured at the fair value of the goods or services received using the graded vesting method. When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. Consideration paid on the exercise of stock options and warrants is recorded as an increase to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options that may not vest.

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

### j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. When some or all the economic benefits required settling a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

### k) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

### l) Equipment

The cost of an equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as equipment and are subject to depreciation once they are available for use. Major overhauls include improvement

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programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as repairs and maintenance.

Amortization is calculated over the useful life of the asset at rates ranging from 15% to 30% per annum once the asset is available for use. Amortization charges on assets that are directly related to mineral properties are allocated to that mineral property.

### m) Flow-through shares

The Company may, from time to time, issue flow-through shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date to the extent that a premium exists. The equity portion is measured at the market value and the residual premium is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the “premium” the investor attributes to a flow-through share versus an ordinary share.

When the expenditures are incurred, provided there is an expectation that the expenditures will be renounced, the Company reduces the deferred flow-through liability and records a recovery on settlement of flow-through liability. Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures within a two-year period. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

### n) Adoption of new accounting standards

Standards and amendments issued but not yet effective or adopted

IAS 16 - Property, Plant and Equipment (“IAS 16”) was amended to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant, and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. No material impact on the Company’s financial statements is expected to arise from this change.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. – costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. There are no other standards/amendments or interpretations that are expected to have a significant effect on the consolidated financial statements of the Company.

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**4. Equipment**

During the year ended August 31, 2021, the Company purchased a vehicle for \$62,840 and recorded amortization of \$9,426. During the year ended August 31, 2022, the Company recorded amortization of \$16,024 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:

	<b>Acquisition</b>	<b>Exploration</b>	<b>Total</b>
<b>Balance, August 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Acquisition costs	6,767,103	-	6,767,103
Airborne survey	-	91,996	91,996
Amortization	-	9,426	9,426
Community relations	-	19,964	19,964
Assays and analysis	-	51,387	51,387
Fieldwork	-	22,392	22,392
General and administrative	-	3,369	3,369
Geological consulting	-	220,778	220,778
Grants received	-	(12,000)	(12,000)
Travel and support	-	31,408	31,408
<b>Balance, August 31, 2021</b>	<b>\$ 6,767,103</b>	<b>\$ 438,720</b>	<b>\$ 7,205,823</b>
Drilling	-	567,020	567,020
Amortization	-	16,024	16,024
Community relations	-	14,677	14,677
Assays and analysis	-	297,410	297,410
Fieldwork	-	108,342	108,342
General and administrative	-	34,956	34,956
Geological consulting	-	267,536	267,536
Grants received	-	(18,000)	(18,000)
Travel and support	-	93,822	93,822
<b>Balance, August 31, 2022</b>	<b>\$ 6,767,103</b>	<b>\$ 1,820,507</b>	<b>\$ 8,587,610</b>



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**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
<b>Balance at August 31, 2020</b>	<b>870,593</b>	<b>\$ 206,000</b>
Shares issued in private placements	10,216,998	5,190,500
Shares issued for debt settlement	929,409	229,388
Shares issued to acquire property (note 5)	14,200,000	6,390,000
Share issuance cost	-	(660,916)
Flow-through premium liability	-	(264,000)
<b>Balance at August 31, 2021</b>	<b>26,217,000</b>	<b>\$ 11,090,972</b>
Share issuance cost	-	(4,433)
<b>Balance at August 31, 2022</b>	<b>26,217,000</b>	<b>\$ 11,086,539</b>

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.

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### Flow-through shares

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 August 31, 2022, the Company has incurred all eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$184,800 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 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:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Outstanding options, August 31, 2020</b>	<b>91,162</b>	<b>\$ 0.50</b>
Issued	1,175,000	0.50
<b>Outstanding options, August 31, 2021</b>	<b>1,266,162</b>	<b>\$ 0.50</b>
Issued	162,000	0.75
<b>Outstanding options, August 31, 2022</b>	<b>1,428,162</b>	<b>\$ 0.53</b>

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

<b>August 31, 2022</b>			<b>August 31, 2021</b>			
<b>Exercise Price</b>	<b>Number of options</b>	<b>Remaining contractual life (years)</b>	<b>Exercise Price</b>	<b>Number of options</b>	<b>Remaining contractual life (years)</b>	
\$ 0.50	91,162	0.5	\$ 0.50	91,162	1.5	i
0.50	1,175,000	3.5	0.50	1,175,000	4.5	ii
0.75	162,000	4.3	-	-	-	iii
<b>\$ 0.53</b>	<b>1,428,162</b>	<b>3.4</b>	<b>\$ 0.50</b>	<b>1,266,162</b>	<b>4.3</b>	

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- i On August 5, 2020, the Company granted stock options to acquire up to an aggregate pre-consolidation 450,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options were exercisable at a price of \$0.10 per common share and had an expiry date of August 5, 2025 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$14,400, or \$0.032 per option, has been recorded as share-based compensation expense during the year ended August 31, 2020 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 \$0.05; 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. On February 26, 2021, the options were replaced with 91,162 options with an exercise price of \$0.50 per post-consolidation common share and an expiry of February 26, 2023. No additional share-based compensation resulted from this modification.
- ii On March 4, 2021, the Company granted stock options to acquire up to an aggregate 1,175,000 common shares of 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 expected volatility was determined by reference to the historical volatility of comparable public companies. 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.
- iii On December 1, 2021, the Company granted stock options to acquire up to an aggregate 162,000 common shares of Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a price of \$0.75 per common share and have an expiry date of December 1, 2026 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$32,400, or \$0.20 per option, has been recorded as share-based compensation expense during the year ended August 31, 2022 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 \$0.33; expected life, 5 years; expected volatility 100%; risk-free rate 1.35%; expected dividends, 0%. The expected volatility was determined by reference to the historical volatility of comparable public companies. 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 options	Weighted average exercise price
<b>Outstanding warrants, August 31, 2020</b>	-	\$ -
Issued	8,041,398	0.73
<b>Outstanding warrants, August 31, 2021</b>	<b>8,041,398</b>	<b>\$ 0.73</b>
Expired	(200,000)	0.75
<b>Outstanding warrants, August 31, 2022</b>	<b>7,841,398</b>	<b>\$ 0.73</b>

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

Exercise Price	Number of warrants	August 31, 2022	Exercise Price	Number of warrants	August 31, 2021	
		Remaining contractual life (years)			Remaining contractual life (years)	
\$ 0.50	100,000	0.2	\$ 0.50	100,000	1.2	i
-	-	-	0.75	200,000	0.4	
0.75	7,176,998	0.5	0.75	7,176,998	1.5	
0.50	406,000	0.5	0.50	406,000	1.5	ii
0.55	158,400	0.5	0.55	158,400	1.5	iii
<b>\$ 0.73</b>	<b>7,841,398</b>	<b>0.5</b>	<b>\$ 0.73</b>	<b>8,041,398</b>	<b>1.5</b>	

- i As a separate matter from the Transaction, the Company has also entered into an agreement (the "Termination Agreement") with Leede Jones Gable Inc. dated November 12, 2020 for the termination of an agency agreement in consideration for issuance to Leede of 100,000 common share purchase 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 estimated fair value of the termination warrants of \$21,000, or \$0.21 per 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, 0.27%; expected dividends, 0%.
- 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

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- 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 August 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 August 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:

	August 31 2022	August 31 2021
Financial assets at amortized cost		
Cash	\$ 969,590	\$ 3,292,639
Goods and services tax receivable	284,798	85,455
	<u>\$ 1,254,388</u>	<u>\$ 3,378,094</u>

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

	August 31 2022	August 31 2021
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	\$ 17,295	\$ 182,380
	<u>\$ 17,295</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 years ended	August 31 2022	August 31 2021
Management fees paid to key management and directors	\$ 204,000	\$ 102,000
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	48,000	24,000
Advertising and promotion fees paid to a director	120,000	60,000
	<u>\$ 372,000</u>	<u>\$ 202,600</u>

**9. Income taxes**

For the years ended	August 31 2022	August 31 2021
Loss before income taxes	\$ (485,722)	\$ (901,258)
Statutory rate	27%	27%
Expected income tax recovery at statutory tax rates	131,158	243,340
Non-deductible items	(8,748)	(95,999)
Impact of flow-through shares	49,896	(115,909)
Other	1,197	43,264
Change in unrecognized deductible temporary differences	(173,503)	(74,696)
	<u>\$ -</u>	<u>\$ -</u>

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Details of the Company's recognized deferred tax assets and liabilities are as follows:

<b>As at</b>	<b>August 31 2022</b>	<b>August 31 2021</b>
Non-capital losses	<b>\$ 627,742</b>	\$ 351,983
Exploration and evaluation assets	<b>(627,742)</b>	(351,983)
Net deferred tax assets and liabilities	<b>\$ -</b>	\$ -

At August 31, 2022, the Company has Canadian non-capital losses of approximately \$3 million that expire in the years 2026 to 2041. The Company has share issuance costs of \$0.4 million that will be amortized into tax losses over the next four years.

**10. Subsequent events**

Subsequent to August 31, 2022, the Company signed a letter agreement ("the Letter Agreement") with Orea Mining Corp. ("Orea") to acquire up to 75% of the Antino Gold Project (the "Project") in Suriname. In connection with the acquisition, the Company also intends to complete a concurrent equity financing (the "Financing") to raise gross proceeds of up to \$2,500,000 in accordance with the policies of the TSX Venture Exchange (the "Exchange").

Pursuant to the Letter Agreement, Orea will assign to the Company all of its option, rights, and obligations pursuant to an existing option agreement (the "Option") with Nana Resources N.V. ("Nana") dated March 16, 2022 to acquire up to 75% of the shares in the capital of Lawa Gold N.V. ("Lawa") which is the registered owner of 100% of the Project (the "Assignment").

To acquire the Option, the Company will compensate Orea by issuing a cash payment of \$250,000 upon signing of the Letter Agreement (paid), issuing an additional cash payment of \$250,000 on the earlier of completion of the Assignment (the "Closing") or December 31, 2022, and issuing 1,000,000 common shares of the Company on the earlier of Closing or January 31, 2023.

The Closing and issuance of common shares shall be subject to the policies of the Exchange and applicable securities laws, including a four-month statutory hold period on any common shares issued. Closing shall occur as soon as possible following receipt of Exchange approval.