

# **FOUNDERS METALS INC.**

Consolidated Interim Financial Statements

For the three months ended November 30, 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 months ended November 30, 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.**

Consolidated Interim Statements of Financial Position  
Expressed in Canadian Dollars

As at	November 30 2022	August 31 2022
<b>ASSETS</b>		
Current		
Cash (note 6)	\$ 747,623	\$ 969,590
Good and services tax receivable	13,289	284,798
Prepays and deposits	10,662	14,295
	<b>771,574</b>	1,268,683
Non-current		
Equipment (note 3)	34,586	37,390
Exploration and evaluation properties (note 4)	8,621,222	8,587,610
	<b>\$ 9,427,382</b>	<b>\$ 9,893,683</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 78,776	\$ 17,295
	<b>78,776</b>	17,295
<b>EQUITY</b>		
Share capital (note 5)	11,086,539	11,086,539
Option and warrant reserve	629,886	629,886
Deficit	(2,367,819)	(1,840,037)
	<b>9,348,606</b>	9,876,388
	<b>\$ 9,427,382</b>	<b>\$ 9,893,683</b>

Subsequent events (note 8)

Approved by the Board of Directors on January 30, 2023

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.**

Consolidated Interim Statements of Loss and Comprehensive Loss  
Expressed in Canadian Dollars

<b>For the three months ended</b>	<b>November 30 2022</b>	<b>November 30 2021</b>
<b>Expenses</b>		
Advertising and promotion	\$ 46,817	\$ 49,383
General and administrative	36,132	20,766
Management fees (note 7)	51,000	51,000
Professional fees	28,494	23,331
Project evaluation (note 8)	365,384	-
Regulatory and filing fees	9,279	1,450
	<u>(537,106)</u>	<u>(145,930)</u>
<b>Other</b>		
Interest income	9,324	4,168
Settlement of flow-through liability	-	134,640
	<u>\$ (527,782)</u>	<u>\$ (7,122)</u>
<b>Comprehensive loss for the period</b>		
	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
<b>Basic and diluted loss per common share</b>		
	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
<b>Basic and diluted weighted average number of common shares outstanding</b>		
	<u>26,217,000</u>	<u>26,217,000</u>

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

**FOUNDERS METALS INC.**

Consolidated Interim Statements of Changes in Equity  
Expressed in Canadian Dollars

	Share capital	Option and warrant reserve	Deficit	Total equity
<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>
Net loss	-	-	(7,122)	(7,122)
<b>Balance at November 30, 2021</b>	<b>\$11,090,972</b>	<b>\$ 597,486</b>	<b>\$(1,361,387)</b>	<b>\$10,327,071</b>
Options issued (note 6)	-	32,400	-	32,400
Share issuance costs	(4,433)	-	-	(4,433)
Net loss	-	-	(478,650)	(478,650)
<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>
Net loss	-	-	(527,782)	(527,782)
<b>Balance at November 30, 2022</b>	<b>\$11,086,539</b>	<b>\$ 629,886</b>	<b>\$(2,367,819)</b>	<b>\$ 9,348,606</b>

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**FOUNDERS METALS INC.**

Consolidated Interim Statements of Cash Flows  
Expressed in Canadian Dollars

<b>For the three months ended</b>	<b>November 30 2022</b>	<b>November 30 2021</b>
<b>Operating activities</b>		
Net loss for the period	\$ (527,782)	\$ (7,122)
Items not affecting cash:		
Settlement of flow-through liability	-	(134,640)
	<u>(527,782)</u>	<u>(141,762)</u>
Changes in non-cash working capital:		
Goods and services tax receivable	271,509	(108,229)
Prepaid and deposits	3,633	54,213
Accounts payable and accrued liabilities	58,416	(156,319)
Cash used in operating activities	<u>(194,224)</u>	<u>(352,097)</u>
<b>Investing activities</b>		
Exploration and evaluation property exploration expenditures, net (note 5)	<u>(27,743)</u>	<u>(301,005)</u>
Cash used in investing activities	<u>(27,743)</u>	<u>(301,005)</u>
<b>Net increase (decrease) in cash</b>	<b>(221,967)</b>	<b>(653,102)</b>
Cash, beginning of the period	<u>969,590</u>	<u>3,292,639</u>
<b>Cash, end of the period</b>	<b>\$ 747,623</b>	<b>\$ 2,639,537</b>

As at November 30, 2022, \$3,065 (2021 – \$442,908) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

During the period ended November 30, 2022, the Company capitalized amortization of \$2,804 (2021 - \$4,006) as exploration and evaluation expenditures to the exploration and evaluation properties.

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

## **FOUNDERS METALS INC.**

Notes to the Consolidated Interim Financial Statements  
For the three months ended November 30, 2022 and 2021  
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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 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 interim financial statements were authorized for issue by the Board of Directors of the Company on January 30, 2023.

These 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. Equipment**

During the year ended August 31, 2021, the Company purchased a vehicle for \$62,840 and recorded amortization of \$9,426. During the period ended November 30, 2022, the Company recorded amortization of \$2,804 (August 31, 2022 - \$16,024) which was capitalized to exploration and evaluation properties.

## FOUNDERS METALS INC.

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### 4. 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
<b>Balance, August 31, 2021</b>	<b>\$ 6,767,103</b>	<b>\$ 438,720</b>	<b>\$ 7,205,823</b>
Amortization	-	16,024	16,024
Assays and analysis	-	297,410	297,410
Drilling	-	567,020	567,020
Fieldwork	-	251,797	251,797
Geological consulting	-	267,536	267,536
Grants received	-	(18,000)	(18,000)
<b>Balance, August 31, 2022</b>	<b>\$ 6,767,103</b>	<b>\$ 1,820,507</b>	<b>\$ 8,587,610</b>
Amortization	-	2,804	2,804
Assays and analysis	-	1,160	1,160
Fieldwork	-	19,184	19,184
Geological consulting	-	10,464	10,464
<b>Balance, November 30, 2022</b>	<b>\$ 6,767,103</b>	<b>\$ 1,854,119</b>	<b>\$ 8,621,222</b>

### 5. 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.



**FOUNDERS METALS INC.**

Notes to the Consolidated Interim Financial Statements  
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A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
<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 and November 30, 2022</b>	<b>26,217,000</b>	<b>\$ 11,086,539</b>

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, 6,322,440 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
<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 and November 30, 2022</b>	<b>1,428,162</b>	<b>\$ 0.53</b>

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

November 30, 2022			August 31, 2022		
Exercise Price	Number of options	Remaining contractual life (years)	Exercise Price	Number of options	Remaining contractual life (years)
\$ 0.50	91,162	0.2	\$ 0.50	91,162	0.5
0.50	1,175,000	3.3	0.50	1,175,000	3.5
0.75	162,000	4.0	0.75	162,000	4.3
<b>\$ 0.53</b>	<b>1,428,162</b>	<b>3.2</b>	<b>\$ 0.53</b>	<b>1,428,162</b>	<b>3.4</b>

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## 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, 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>
Expired	(100,000)	0.50
<b>Outstanding warrants, November 30, 2022</b>	<b>7,741,398</b>	<b>\$ 0.73</b>

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

November 30, 2022			August 31, 2022		
Exercise Price	Number of warrants	Remaining contractual life (years)	Exercise Price	Number of warrants	Remaining contractual life (years)
\$ -	-	-	\$ 0.50	100,000	0.2
0.75	7,176,998	0.2	0.75	7,176,998	0.5
0.50	406,000	0.2	0.50	406,000	0.5
0.55	158,400	0.2	0.55	158,400	0.5
<b>\$ 0.73</b>	<b>7,741,398</b>	<b>0.2</b>	<b>\$ 0.73</b>	<b>7,841,398</b>	<b>0.5</b>

**6. 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, 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.

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### *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 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:

	<b>November 30 2022</b>	<b>August 31 2022</b>
Financial assets at amortized cost		
Cash	\$ 747,623	\$ 969,590
Goods and services tax receivable	13,289	284,798
	<u>\$ 760,912</u>	<u>\$ 1,254,388</u>

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

	<b>November 30 2022</b>	<b>August 31 2022</b>
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	\$ 78,776	\$ 17,295
	<u>\$ 78,776</u>	<u>\$ 17,295</u>

## FOUNDERS METALS INC.

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### 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.

### 7. 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 2022	August 31 2022
Management fees paid to key management and directors	\$ 51,000	\$ 204,000
Management fees paid to companies controlled by directors, officers - capitalized to exploration and evaluation assets	9,000	48,000
Advertising and promotion fees paid to a director	30,000	120,000
Project evaluation fees paid to key management and directors		10,000
	<u>\$ 100,000</u>	<u>\$ 372,000</u>

### 8. 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 (paid), and issuing 1,000,000 common shares of the Company on the earlier of Closing or March 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.