



# Transition Metals

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**TRANSITION METALS CORP.**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2021 AND 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Transition Metals Corp.

### **Opinion**

We have audited the financial statements of Transition Metals Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2021 and 2020, and the statements of income and comprehensive income, statements of changes in shareholders equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 financial statements in Canada. 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 information**

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 risks 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 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 financial statements, including the disclosures, and whether the 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 of the audit resulting in this independent auditor's report is Chris Milios.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
December 17, 2021

**Transition Metals Corp.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

<b>As at August 31,</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,807,171	\$ 1,544,170
Restricted cash equivalents (note 3)	49,817	49,704
Accounts receivable (note 9)	320,188	63,544
Prepaid expenses	80,458	16,879
Marketable securities (note 4)	3,889,800	2,162,290
<b>Total current assets</b>	<b>7,147,434</b>	<b>3,836,587</b>
<b>Non-Current</b>		
Equity investment in associates (note 5 and 6)	2,043,965	3,588,889
Mineral exploration property acquisition costs (note 10)	57,000	221,005
Equipment (note 7)	61,119	10,580
<b>Total assets</b>	<b>\$ 9,309,518</b>	<b>\$ 7,657,061</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9)	\$ 381,092	\$ 346,693
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	11,271,034	11,009,709
Warrant reserve (note 8)	473,651	473,651
Contributed surplus (note 8)	441,800	277,050
Deficit	(3,258,059)	(4,450,042)
<b>Total shareholders' equity</b>	<b>8,928,426</b>	<b>7,310,368</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,309,518</b>	<b>\$ 7,657,061</b>

See accompanying notes to these financial statements.

**Nature of operations and going concern** (note 1)  
**Contingencies and commitments** (note 10 and 14)  
**Subsequent event** (note 15)

Approved on Behalf of the Board:

"Scott McLean"  
Director

"Jason Marks"  
Director

**Transition Metals Corp.**  
**Statements of Income and Comprehensive Income**  
**(Expressed in Canadian Dollars)**

<b>For the years ended August 31,</b>	<b>2021</b>	<b>2020</b>
<b>Expenses</b>		
Exploration and evaluation (recoveries) expenditures (note 9 and 10)	\$ (877,404)	\$ 287,280
Consultant fee (note 9)	223,191	196,003
Depreciation (note 7)	22,686	3,556
Investor relations	98,810	45,941
Professional fees	156,837	118,200
Office and general	191,624	204,049
Share based compensation (note 8(d) and 9)	279,000	-
Rent	57,246	48,148
<b>Total expenses</b>	<b>151,990</b>	<b>903,177</b>
<b>Other Items</b>		
Share of loss of equity investment (note 5 and 6)	(918,887)	(431,389)
Gain on dilution and reversal of impairment in SPC and CGM (note 5 and 6)	284,614	702,081
Management fee income (note 5 and 6)	54,998	41,490
Interest income	904	2,542
Other income	204,283	219,482
Gain on sale of marketable securities (note 4)	1,486,039	4,858
Gain on dividend-in-kind (note 5)	1,303,820	-
Loss on dividend payment (note 5)	(1,303,820)	-
Unrealized gain on marketable securities (note 4)	2,402,243	1,520,600
Write down of investment in Canadian Gold Miner Corp. (note 6)	-	(697,238)
Foreign exchange loss	-	(577)
<b>Total other items</b>	<b>3,514,194</b>	<b>1,361,849</b>
<b>Net income and comprehensive income for the year</b>	<b>\$ 3,362,204</b>	<b>\$ 458,672</b>
<b>Net income and comprehensive income per share</b>		
Basic (note 8(f))	\$ 0.06	\$ 0.01
Diluted (note 8(f))	\$ 0.06	\$ 0.01
<b>Weighted average number of common shares outstanding</b>		
Basic (note 8(f))	56,438,512	45,719,370
Diluted (note 8(f))	57,154,047	45,719,370

*See accompanying notes to these financial statements.*

# Transition Metals Corp.

## Statement of Cash Flows

(Expressed in Canadian Dollars)

For the year ended August 31,	2021	2020
<b>Operating Activities</b>		
Net income for the year	\$ 3,362,204	\$ 458,672
<i>Non-cash adjustment:</i>		
Shares issued for property acquisitions (note 8 and 10)	98,325	29,000
Depreciation (note 7)	22,686	3,556
Property option payments received in shares (note 10)	(1,061,250)	(260,000)
Gain on sale of marketable securities and investment in SPC (note 4 and 5)	(2,787,859)	(4,858)
Unrealized gain on investments (note 4)	(2,402,243)	(1,520,600)
Loss on dividend payment (note 5)	1,303,820	-
Share based compensation (note 8)	279,000	-
Flow-through liability realized on renunciation	-	(164,455)
Gain on dilution and reversal of impairment in SPC and CGM (note 5 and 6)	(284,614)	(702,081)
Share of loss of equity investment (note 5 and 6)	918,887	431,389
Write down of investment in Canadian Gold Miner Corp. (note 5)	-	697,238
<i>Net changes in non-cash working capital</i>		
Net changes in restricted cash	(113)	(130)
Net changes in accounts payable and accrued liabilities	34,399	118,724
Net changes in accounts receivable	(256,644)	38,453
Net changes in prepaid expenses	(63,579)	2,260
<b>Cash flows used in operating activities</b>	<b>(836,981)</b>	<b>(872,832)</b>
<b>Investing Activities</b>		
Proceeds on sale of marketable securities	1,936,202	113,751
Purchase of marketable securities	(20,000)	-
Recovery of exploration and expenditure asset (note 10)	164,005	-
Purchase of equipment (note 7)	(73,225)	-
<b>Cash flows from investing activities</b>	<b>2,006,982</b>	<b>113,751</b>
<b>Financing Activities</b>		
Proceeds from exercise of stock options (note 8)	93,000	1,354,324
Issuance of shares purchase warrants (note 8)	-	492,150
Cost of issuances (note 8)	-	(137,327)
<b>Cash flows from financing activities</b>	<b>93,000</b>	<b>1,709,147</b>
<b>Net change in cash</b>	<b>1,263,001</b>	<b>950,066</b>
<b>Cash, beginning of year</b>	<b>1,544,170</b>	<b>594,104</b>
<b>Cash, end of year</b>	<b>\$ 2,807,171</b>	<b>\$ 1,544,170</b>
<b>Supplemental information</b>		
Dividend-in-kind (note 5)	\$ 2,214,471	\$ -

See accompanying notes to these financial statements.

## Transition Metals Corp.

### Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	# of Common shares	Share capital	Options reserve	Warrants reserve	Deficit	Total
<b>Balance, August 31, 2019</b>	<b>43,615,056</b>	<b>\$ 9,909,668</b>	<b>\$ 277,050</b>	<b>\$ 304,521</b>	<b>\$ (5,213,235)</b>	<b>\$ 5,278,004</b>
Shares issued for property acquisitions (note 8(c))	167,647	29,000	-	-	-	29,000
Issuance of shares net of costs (note 8(c))	11,898,686	1,071,041	-	-	-	1,071,041
Issue of warrants net of costs (note 8(e))	-	-	-	473,651	-	473,651
Warrants expired (note 8(e))	-	-	-	(304,521)	304,521	-
Net income and comprehensive income for the year	-	-	-	-	458,672	458,672
<b>Balance, August 31, 2020</b>	<b>55,681,389</b>	<b>\$ 11,009,709</b>	<b>\$ 277,050</b>	<b>\$ 473,651</b>	<b>\$ (4,450,042)</b>	<b>\$ 7,310,368</b>
Shares issued for property acquisitions (note 8(c))	625,000	98,325	-	-	-	98,325
Share based compensation (note 8(d))	-	-	279,000	-	-	279,000
Expiry of options (note 8(d))	-	-	(44,250)	-	44,250	-
Exercise of options (note 8(d))	800,000	163,000	(70,000)	-	-	93,000
Dividends paid (note 5)	-	-	-	-	(2,214,471)	(2,214,471)
Net income and comprehensive income for the year	-	-	-	-	3,362,204	3,362,204
<b>Balance, August 31, 2021</b>	<b>57,106,389</b>	<b>\$ 11,271,034</b>	<b>\$ 441,800</b>	<b>\$ 473,651</b>	<b>\$ (3,258,059)</b>	<b>\$ 8,928,426</b>

See accompanying notes to these financial statements.



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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 1. Nature of Operations and Going Concern

#### Nature of Operations

Transition Metals Corp. ("TMC" or the "Company") was incorporated federally on June 30, 1999. The Company is engaged in the acquisition and exploration of mineral exploration properties in Canada and the United States. The Company's registered office is 100 King Street West, 1 First Canadian Place, Suite 6200, Toronto, Ontario, M5X 1B8.

#### Going concern

These financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they become due. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programmes will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company raises capital and equity for working capital and exploration and development of its properties. The Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Management believes that it has sufficient working capital to support operations for the next 12 months. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these financial statements.

#### COVID-19

The global outbreak of COVID-19 (coronavirus), has had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies

#### *Statement of Compliance*

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretations Committee ("Interpretation Committee") that are effective for each reporting period presented.

The financial statements were approved by the board of directors on December 17, 2021.

#### *Basis of Measurement, Presentation, and Consolidation*

These financial statements have been prepared on a historical cost basis except for certain financial assets. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These financial statements reflect the following accounting policies which have been applied consistently to all periods presented, except where disclosed.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. Consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The Company previously prepared consolidated financial statements that included the accounts of HTX Minerals Corp. ("HTX"), which had been a wholly owned subsidiary of the Company. Effective February 12, 2021, the Company and HTX effected a corporate amalgamation and continued as Transition Metals Corp. Accordingly, the financial statements of the Company are no longer consolidated financial statements after this date.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the statement of financial position. Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. Warrants and stock options issued by subsidiaries, exercisable into subsidiary shares, are presented as a component of non-controlling interest in the statement of financial position.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The partial disposal of an interest resulting in loss of control meets the definition of a disposal group. A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Basis of Measurement, Presentation, and Consolidation (continued)*

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash-on-hand and balances with banks and short-term investments with original maturities of three months or less.

#### *Revenue Recognition*

Management fee revenue is recognized when the services are rendered and collectability is reasonably assured.

Interest income is recognized on the statements of income and comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

#### *Investment in Associates*

Associates are entities over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments over which the Company has the ability to significantly influence are initially recorded at cost. When the initial recognition of the investment in the associate occurs as a result of a loss of control of a former subsidiary, the fair value of the retained interest in the former subsidiary on the date of the loss of control is deemed to be the cost on initial recognition. Investment income (loss) is calculated using the equity method.

The Company's share of the associate's profit or loss is recognized in the statements of income and its share of movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statements of income.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investors' interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investment in associates are recognized in the statements of income and comprehensive income.

The investment account of the investor reflects:

- i) The cost of the investment in the investee
- ii) The investment income or loss (including the investor's proportionate share of discontinued operations) relating to the investee subsequent to the date when the use of the equity method first became appropriate; and
- iii) The investor's proportion of dividends paid by the investee subsequent to the date when the use of the equity method first became appropriate.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Exploration and Evaluation Expenditures*

The Company expenses exploration and evaluation expenditures as incurred other than property interests acquired in a business combination, which are capitalized. Exploration and evaluation expenditures include acquisition costs of mineral exploration properties, property option payments and exploration and evaluation activity. Properties acquired under option agreements or by joint ventures whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized into property, plant, and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

#### *Joint Arrangements*

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV"). A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Interest in JV's are accounted for using the equity method.

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of the JO and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

As at August 31, 2021 and 2020, the Company did not have any JV's or JO's.

#### *Equipment*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss. Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives as follows:

Computer equipment and software	- 2 year straight line
Exploration equipment	- 30% diminishing balance
Furniture	- 20% diminishing balance
Vehicles	- 30% diminishing balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Impairment of Non-Financial Assets*

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including equipment and mineral exploration property acquisition costs are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of individual assets, the impairment test is carried out on the asset's cash-generation unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely dependent of the cash inflows from other assets. An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

#### *Income Taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

#### *Share-Based Payments and Warrants*

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statements of income and comprehensive income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of income and comprehensive income over the remaining vesting period. When stock options and warrants are granted by TMC, the corresponding increase is recorded to share-based payment reserve and when granted by a subsidiary, the corresponding increase is recorded to non-controlling interest and classified as stock options and warrants.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on the grant date.

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognize in the statement of income and comprehensive income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Share-Based Payments and Warrants (continued)*

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statements of income and comprehensive income. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share based payments are reflected in share-based payment reserve, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital for any consideration paid.

Where cash-settled share-based payments are granted, the goods or services acquired and the liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value is re-measured at the end of each reporting period and at the date of settlement, by applying an option pricing model, with any changes in fair value recognized in profit or loss for the period. The measurement of the liability takes into account the terms and conditions on which the share appreciation rights were granted and to the extent to which the employees or consultants have rendered service to the date of measurement. Unexercised expired stock options and warrants are transferred to deficit.

#### *Foreign Currency Transactions and Translation*

The functional currency and reporting currency is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on translation are included in net income.

#### *Provisions*

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect 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 the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under contract. At each statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. The Company had no material provisions as at August 31, 2021 and 2020.

#### *Decommissioning Liabilities*

A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or mining of a mineral property interest. Such costs arising from the decommissioning of plant and other site work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company had no material decommissioning liabilities as at August 31, 2021 and 2020.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Income per Share*

Basic income per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income per share calculation. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Options and warrants have a dilutive effect only when the average market price of the shares exceeds the exercise price of the options or warrants.

#### *Government Assistance*

The Company records the benefit of government assistance when the amounts are known and recovery is reasonably assured. These amounts are reflected in operations.

#### *Flow-through Shares*

The Company may, from time to time, issue flow through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource properties to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to premium on flow-through shares liability. The reduction to the premium liability in the period of renunciation is recognized through operations.

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 reflected as a financial expense.

#### *Leases*

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lesser of the lease term and the asset's useful life. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Financial Instruments**

##### *Financial assets*

##### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Financial Instruments (continued)*

##### *Financial assets (continued)*

##### *Initial recognition and measurement (continued)*

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of August 31, 2021 and 2020, other than restricted cash and marketable securities, none of the Company's financial instruments are recorded at fair value on the statements of financial position. Marketable securities are considered as Level 1 financial instruments. Restricted cash is considered a Level 2 financial instrument.

##### *Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. EIR amortization is included in finance income in the statements of income and comprehensive income.

##### *Subsequent measurement – financial assets at FVPL*

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of income. The Company's investments in marketable securities are classified as financial assets at FVTPL.

##### *Subsequent measurement – financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income when the right to receive payments is established.



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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Financial Instruments (continued)*

##### *Financial assets (continued)*

##### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership of the asset. Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized.

##### *Impairment of financial assets*

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

##### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

##### *Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of income.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statement of income.

#### **Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Critical Accounting Estimates and Judgments (continued)*

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### *Impairment of Mineral Exploration Property Acquisition Costs*

While assessing whether any indications of impairment exist for mineral exploration property acquisition costs, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral exploration property acquisition costs.

#### *Income, Value Added, Withholding and Other Taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company is also subject to tax regulations as they relate to flow-through financing arrangements. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### *Determination of Significant Influence and Impairment of Investment in Associate*

The Company classified SPC as an associate based on management's judgment that the Company has significant influence through board representation and 23% of the voting rights as of August 31, 2020.

As of August 31, 2021, the Company owns 9% of the voting rights. Due to management's judgement, they have come to the conclusion that the Company still has significant influence as a result of holding greater than 20% of the board seats.

The Company has classified CGM as an associate based on management's judgment that the Company has significant influence through board representation and 20.5% of the voting rights as of August 31, 2021 (August 31, 2020 - 37%).

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of impairment requires significant judgement and can be triggered by significant adverse changes in the market, economic or legal environment in which the associate operates.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of Significant Accounting Policies (continued)

#### *Share-Based Payments*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions is disclosed in note 8 (d). The expected volatility assumptions for TMC option and warrant grants are based on the historical volatility of TMC shares.

#### *Contingencies*

Refer to note 10 and 14.

#### Existence of Decommissioning and Restoration Costs and the Timing of Expenditure

Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations with regulatory authorities.

#### ***Changes in accounting policies***

##### *Standards adopted in the current year*

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The adoption of this standard had no material impact on the Company.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this standard had no material impact on the Company.

# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 2. Summary of Significant Accounting Policies (continued)

#### *Changes in accounting policies (continued)*

##### *Standards to be adopted*

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that 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.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

### 3. Restricted Cash Equivalents

As at August 31, 2021, the Company held GICs in the aggregate amount of \$49,817 (August 31, 2020 - \$49,704) as security for its corporate credit cards.

### 4. Investment in Marketable Securities

Entity	August 31, 2021		August 31, 2020	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Class 1 Nickel and Technologies Limited	1,179,600	\$ 589,800	1,529,720	\$ 1,147,290
Forum Energy Metals Corp.	6,000,000	2,310,000	7,000,000	1,015,000
Nova Royalty Corp.	300,000	990,000	-	-
<b>Total</b>		<b>\$ 3,889,800</b>		<b>\$ 2,162,290</b>

The Company realized a gain on sale of marketable securities of \$1,484,039 (August 31, 2020 - \$4,858).

The Company had an unrealized gain on marketable securities of \$2,402,243 (August 31, 2020 - \$1,520,600).

# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 5. Investment in SPC Nickel Corp. (formerly Sudbury Platinum Corp.) ("SPC")

TMC entered into a multi-year operating agreement with SPC to provide exploration services related to the Aer Kidd property, the terms of the agreement allow for the Company to earn a 10% management fee on all exploration costs incurred by SPC other than drilling to which a 3% fee was charged. Included in management fees is \$13,369 (August 31, 2020 - \$34,129) charged to SPC during the year ended August 31, 2021. Included in amounts receivable as at August 31, 2021, is \$3,888 (August 31, 2020 - \$2,218) due from SPC.

On February 24, 2021, the Company's board of directors declared a special dividend-in-kind of a portion of the common shares of SPC held by the Company to the Company's shareholders of record as at March 3, 2021. Each holder of the Company's common shares on the Record Date will receive 0.1 of an SPC share for each one TMC share held by the TMC shareholders to be paid on or about March 17, 2021. As a result, a total of 5,678,132 shares of SPC were distributed by way of the dividend and the Company retained 9,321,868 shares representing approximately 9% of SPC shares outstanding.

The Company recognized a realized gain on the disposition of \$1,303,820 in connection with the issuance of the dividend-in-kind.

The Company recognized a realized loss on the fair value of dividend payment in the amount of \$1,303,820 in connection with the dividend-in-kind

As at August 31, 2021, the Company's ownership is 9% (August 31, 2020 – 23%). The Company has assessed that it still holds significant influence over SPC as a result of maintaining greater than 20% of the voting rights on the Board.

A continuity of the investment in SPC as an associate is as follows:

<b>Balance, August 31, 2019</b>	<b>\$ 1,959,473</b>
Gain on dilution	148,354
Reversal of previously recognized impairment	553,727
Share of the loss for the year	(272,665)
<b>Balance, August 31, 2020</b>	<b>2,388,889</b>
Carrying value of shares distributed for dividend-in-kind	(910,651)
Gain on dilution	277,964
Share of the loss for the year	(520,140)
<b>Balance, August 31, 2021</b>	<b>\$ 1,236,062</b>

Summarized financial information for SPC as at August 31, 2021 and 2020 and for the years then ended is as follows:

	<b>2021</b>	<b>2020</b>
Total assets	<b>\$ 6,084,383</b>	\$ 1,827,782
Total liabilities	<b>\$ 1,299,626</b>	\$ 144,732
Total equity	<b>\$ 4,784,757</b>	\$ 1,683,050
Net loss and comprehensive loss	<b>\$ (4,310,163)</b>	\$ (932,427)
Cash flows used in operating activities	<b>\$ (3,427,015)</b>	\$ (1,113,185)
Cash flows used in investing activities	<b>\$ (180,274)</b>	\$ (76)
Cash flows from financing activities	<b>\$ 7,159,528</b>	\$ 2,052,650

# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 6. Investment in Canadian Gold Miner Corp. ("CGM")

TMC has entered into a multi-year operating agreement with CGM to provide exploration services, the terms of which allow for the Company to earn a 10% management fee on all exploration costs incurred by CGM and administered through the operating agreement with the Company

Included in management fees is \$1,468 (2020 – \$7,361) charged to CGM during the year. Included in amounts receivable as at August 31, 2021 is \$4,879 (2020 - \$15,742) due from CGM.

As at August 31, 2021, the Company's ownership is 20.5% (2020 – 37%).

A continuity of the investment in CGM as an associate is as follows:

<b>Balance, August 31, 2019</b>	\$ 2,055,962
Write down	(697,238)
Share of the loss for the year	(158,724)
<b>Balance, August 31, 2020</b>	\$ 1,200,000
Gain on dilution	6,650
Share of the loss for the year	(398,747)
<b>Balance, August 31, 2021</b>	<b>\$ 807,903</b>

Summarized financial information for CGM as at August 31, 2021 and 2020 and for the years then ended is as follows:

	2021	2020
Total assets	\$ 1,160,667	\$ 109,223
Total liabilities	\$ 621,276	\$ 237,078
Total equity (deficit)	\$ 539,391	\$ (127,855)
Net loss and comprehensive loss	\$ (1,914,405)	\$ (428,984)
Cash flows used in operating activities	\$ (1,430,647)	\$ (7,574)
Cash flows (used in) from investing activities	\$ (10,000)	\$ 38,675
Cash flows from financing activities	\$ 2,260,863	\$ -

### 7. Equipment

	Furniture	Vehicles	Computer Equipment and Software	Exploration Equipment	Total
<b>Cost</b>					
Balance, August 31, 2019	\$ 32,906	\$ 107,514	\$ 269,453	\$ 53,270	\$ 463,143
Additions	-	-	-	-	-
Balance, August 31, 2020	32,906	107,514	269,453	53,270	463,143
Additions	-	70,191	-	3,034	73,225
Balance, August 31, 2021	<b>\$ 32,906</b>	<b>\$ 177,705</b>	<b>\$ 269,453</b>	<b>\$ 56,304</b>	<b>\$ 536,368</b>
<b>Accumulated depreciation and impairment</b>					
Balance at August 31, 2019	\$ 28,154	\$ 101,563	\$ 269,453	\$ 49,837	\$ 449,007
Additions	874	1,785	-	897	3,556
Balance at August 31, 2020	29,028	103,348	269,453	50,734	452,563
Additions	699	20,807	-	1,180	22,686
Balance at August 31, 2021	<b>\$ 29,727</b>	<b>\$ 124,155</b>	<b>\$ 269,453</b>	<b>\$ 51,914</b>	<b>\$ 475,249</b>
Net book value August 31, 2020	<b>\$ 3,878</b>	<b>\$ 4,166</b>	<b>\$ -</b>	<b>\$ 2,536</b>	<b>\$ 10,580</b>
Net book value August 31, 2021	<b>\$ 3,179</b>	<b>\$ 53,550</b>	<b>\$ -</b>	<b>\$ 4,390</b>	<b>\$ 61,119</b>

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 8. Share Capital

#### a) Authorized

An unlimited number of common shares with no par value

An unlimited number of preferred shares, non-voting, non-participating, retractable, redeemable

#### b) Common shares issued

At August 31, 2021, the issued share capital amounted to \$11,271,034 (August 31, 2020 - \$11,009,709).

#### c) Transactions

##### Year ended August 31, 2021

The Company issued 625,000 shares based on the quoted market price for a total value of \$98,325 in satisfaction of an exploration property option payments (see note 10).

The Company further issued 800,000 shares pursuant to the exercise of stock options at an average exercise price of \$0.12.

##### Year ended August 31, 2020

On December 20, 2019, the Company completed a private placement financing consisting of 994,500 flow-through common shares for gross proceeds of \$179,010 and 1,932,667 units for gross proceeds of \$289,900. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of two years, at a price of \$0.25. The grant date fair value of \$0.05 per warrant was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 2 years, expected volatility of 100%, a risk free interest rate of 0.29%, and an expected dividend yield of 0%. Agents were paid a cash fee of \$21,388. Management purchased 102,000 units valued at \$15,300.

On February 28, 2020, the Company issued 117,647 shares at \$0.17 per share based on the quoted market price (total value of \$20,000) in satisfaction of an exploration property option payment see (note 10) (n).

On May 15, 2020 the Company issued 50,000 shares at \$0.18 per share based on the quoted market price (total value of \$9,000) in satisfaction of an exploration property option payment see (note 10) (l).

On June 6, 2020, the Company completed a private placement financing consisting of 1,061,188 flow-through common shares for gross proceeds of \$191,014 and 7,910,331 units for gross proceeds of \$1,186,550. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of two years, at a price of \$0.22. The grant date fair value of \$0.05 per warrant was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 2 years, expected volatility of 100%, a risk free interest rate of 0.02%, and an expected dividend yield of 0%. Agents were paid a cash fee of \$80,322 and received 508,026 share purchase warrants with the same terms as the warrants issued in the units valued at \$0.05 using the same grant date value as the unit warrants issued. Management purchased 134,000 units valued at \$24,130.

# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 8. Share Capital (continued)

#### d) Stock Options

The Company has a stock option plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 10% of the total issued and outstanding common shares of the Company. These options are non-transferable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at a minimum of the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

At August 31, 2021, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
May 3, 2017	480,000	\$0.20	May 3, 2022	0.67	\$0.13
January 9, 2019	1,400,000	\$0.10	January 9, 2024	2.36	\$0.07
December 18, 2020	2,225,000	\$0.155	December 18, 2025	4.30	\$0.12
	4,105,000			3.13	

On December 18, 2020, the Company granted 2,325,000 incentive stock options to directors, management and employees of the Company, exercisable at \$0.155 per share for a period of 5 years. The grant date fair value of \$0.12 per option was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 5 years, expected volatility of 160%, expected dividend yield of 0%, and a risk free interest rate of 0.05%. The options vested immediately. Management and directors were granted 1,900,000 incentive stock options.

During the year ended August 31, 2021, certain consultants, and directors exercised 800,000 stock options with a Black-Scholes value of \$70,000 and an exercise price between \$0.10 and \$0.20.

During the year ended August 30, 2021, 300,000 stock options with a Black-Scholes value of \$44,250 expired with exercise prices between \$0.15 and \$0.20.

A summary of stock option activity during the years ended August 31, 2021 and 2020 is as follows:

	Number of Outstanding Options	Weighted Average Exercise Price (\$)
Outstanding - August 31, 2019 and 2020	2,880,000	0.13
Issued	2,325,000	0.155
Expired	(300,000)	0.18
Exercised	(800,000)	0.12
Outstanding - August 31, 2021	4,105,000	0.14



# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 8. Share Capital (continued)

#### e) Warrants

At August 31, 2021, the following warrants to purchase common shares were outstanding and available to be exercised:

Issue Date	Number of Warrants	Adjusted Exercise Price (*)	Expiration	Remaining Years
December 20, 2019	1,932,667	\$ 0.23	December 20, 2021	0.30
June 3, 2020	8,418,357	\$ 0.20	June 3, 2022	0.76
	10,351,024			

(\*) The exercise prices of all of the warrants that were outstanding on March 17, 2021 were adjusted in accordance with the terms of such warrants as a result of the special distribution of the shares of SPC. The adjusted exercise price for the warrants, is set out above (in the column "Adjusted Exercise Price").

A summary of warrant activity during the years ended August 31, 2021 and 2020 is as follows:

	Number of Outstanding Warrants	Weighted Average Exercise Price (\$)
Outstanding - August 31, 2019	7,946,388	0.20
Issued (note 8(c))	10,351,024	0.21
Expired	(7,946,388)	0.20
Outstanding - August 31, 2020 and 2021	10,351,024	0.21

#### f) Basic and Diluted Income per Share

Basic income per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the year, basic and diluted loss per share are the same, as the inclusion of stock options and share purchase warrants is anti-dilutive. The 480,000 options with a grant date of May 3, 2017 and all warrants were excluded from the diluted income per share calculation due to being anti-dilutive.

For the Year Ended August 31,	2021	2020
Weighted average shares outstanding - basic	56,438,512	45,719,370
Dilutive effect of stock options	715,535	-
Dilutive effect of warrants	-	-
Weighted average shares outstanding - diluted	57,154,047	45,719,370
Income and comprehensive income per share		
- basic	\$ 0.06	\$ 0.01
- diluted	\$ 0.06	\$ 0.01

# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 9. Related Party Balances and Transactions

a) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company for the years ended August 31, 2021 and 2020 was as follows:

<b>For the Year Ended August 31,</b>	<b>2021</b>	<b>2020</b>
Short term benefits (i)	\$ 426,370	\$ 302,269
Share based payments	228,000	-
	<b>\$ 654,370</b>	<b>\$ 302,269</b>

(i) Short term benefits are included in consultant fees and exploration and evaluation expenditures. Included in accounts payable and accrued liabilities as at August 31, 2021, is \$109,762 (2020 - \$45,220) owing to officers and management of TMC. The amounts are unsecured, non-interest bearing, and are due on demand.

b) See also Notes 5, 6 and 8.

### 10. Exploration Properties

As at August 31, 2021, the capitalized balance of mineral exploration property acquisition costs totaling \$57,000 (2020 – \$221,005) are as follows: Gowganda Gold \$nil (2020 - \$140,505), Pipestone - \$nil (2020 - \$23,500), Homathko - \$52,000 (2020 – \$52,000), Doherty Lake - \$5,000 (2020 – \$5,000).

Summary of exploration and evaluation expenditures (recoveries) for the years ended August 31, 2021 and 2020:

<b>Property</b>	<b>2021</b>	<b>2020</b>
New project generation expenditures	\$ 140,113	\$ 213,708
Gowganda Gold (a-b)	(121,595)	(98,957)
Janice Lake (d)	(1,060,000)	(308,488)
Wollaston (e)	15,185	170,723
Sunday Lake (f)	2,006	6,062
Saturday Night (g)	(61,304)	3,066
Eva Kitto (g)	1,786	5,676
Highland Gold (h)	4,500	91,070
Maude Lake (i)	(57,882)	1,313
Cryderman (j)	134,498	67,057
Duntara (k)	10,536	16,495
Foster (l)	(8,992)	56,115
Aylmer (m)	169,170	28,357
Dundonald (n)	(124,187)	891
Other (o)	78,762	34,192
<b>Totals</b>	<b>\$ (877,404)</b>	<b>\$ 287,280</b>

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

During the year ended August 31, 2021, gross proceeds of \$2,447,875 (2020 - \$462,273) were received from sale of royalties, option payments and government grants.

During the year, the Company sold a portion of its portfolio of mineral property royalties for net cash proceeds of \$1,028,625 and 525,000 shares of Nova Royalties Corp.

The sale of royalties to Nova included:

- i) One half of the Company's 2.5% net smelter return royalty ("NSR") on the Dundonald project (sold to Class 1 Nickel and Technology Limited in 2018);
- ii) One half of the Company's 2.0% NSR on the West Matachewan and Elephant Head projects (sold to Canadian Gold Miner Corp in 2016); and
- iii) One half of Transition's 2.0% NSR interest in the Janice Lake project (optioned to Forum Energy Metals Corp in 2018).

In addition, the Company assigned a 1.0% NSR on five of its 100% owned exploration stage projects being Maude Lake, Homathko, Saturday Night, Bancroft, and Wollaston Copper.

#### **Abitibi Gold – Ontario (a-b)**

##### **a) Gowganda Gold**

The Company holds an interest in certain mining claims in Nicol, Haultain, and Van Hise townships in the Larder Lake Mining District near the town of Gowganda, Ontario.

Pursuant to a First Nations Memorandum of Understanding ("MOU") there is a 2% commitment to the First Nations on all exploration and evaluation expenditures and up to a \$15,000 commitment per year to fund an Environmental/Elders Committee.

On March 12, 2019, the Company executed an option and joint venture agreement with Battery Minerals Resources Limited ("Battery") whereby Battery can earn up to an 80% interest in the Gowganda Gold project. To earn a 60% interest, Battery must provide option payments totaling \$600,000 over 3 years (\$200,000 received) Battery must complete \$3,400,000 of exploration expenditures over 3 years including a commitment of \$400,000 during the first year. Upon vesting a 60% interest, Battery may increase its interest to 80% by delivering a feasibility study within three years subject to certain time extension provisions. After earning its 60% or 80% interest in the property, a joint venture would be formed, with each party funding its proportionate share of future work programs or suffering dilution of interest. On March 1, 2021 the agreement was amended whereby the 2nd years expenditure requirement was waived and total expenditures to earn 60% were reduced to \$2,400,000 in exchange for a cash payment of \$150,000 (received) and the transfer of all gold claims owned by Transition under the Option agreement and those held solely by Battery to the Company. In addition the requirement for Battery to expend 25% of Exploration expenditures under the option was removed.

##### **b) Pipestone – Optioned to Gowest Gold Ltd.**

This group of properties located in the Wark, Prosser, Little and Evelyn townships in Ontario, is wholly owned by the Company. On April 27, 2011 and as amended February 3, 2014, the Company entered into an option and joint venture agreement with Gowest Gold Ltd. ("Gowest") that provides Gowest with the option to acquire a 60% interest or 75% interest in the Pipestone Property. To earn a 60% in the Pipestone Property, Gowest would be required to make cash payments of \$100,000 (\$100,000 received), issue 500,000 common shares of Gowest to the Company (500,000 issued) and incur exploration expenditures of \$1,000,000 by the fourth-year anniversary of the agreement. Furthermore, Gowest retains the one-time option upon vesting its 60% interest to increase its ownership to 75% by issuing an additional 150,000 Gowest common shares to the Company and incurring an additional \$2,000,000 in exploration expenditures within two years.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### b) Pipestone – Optioned to Gowest Gold Ltd. (continued)

On April 25, 2016, Gowest vested its initial 60% interest in the property and notified the Company that it would not be increasing its interest to 75%. In 2017, the Company declined its right to maintain its 40% participating right in the project and may have its interest diluted accordingly.

#### c) Nunavut Resources Corporation Strategic Alliance

On March 5, 2012, the Company and Nunavut Resources Corp ("NRC") executed a strategic alliance agreement ("Alliance") to jointly generate and explore mineral properties in the Kitikmeot Region of Nunavut.

On August 12, 2019, the NRC Alliance was terminated and all projects generated under the Alliance were assigned to West Kitikmeot Gold, ("WKG") a private subsidiary of Nunavut Resources Corporation. The Company converted its interest in the projects for 1,000,000 shares (to be received) of WKG that represents 10% of the seed shares of WKG which have been valued at \$Nil. As the shares have not yet been received and due to the uncertainty of their receipt, they have been valued at \$Nil.

### Saskatchewan Copper

#### d) Janice Lake, Saskatchewan

On February 5, 2018, the Company entered into an option agreement with Forum Energy Metals Corp. ("Forum") that provided Forum with the option to acquire a 100% interest in the Janice Lake Property which at the time was held by the Company. To earn 100%, Forum was required to make cash payments of \$250,000 over four years (\$75,000 received), issue 8,000,000 common shares of Forum to the Company (8,000,000 issued) and incur exploration expenditures of \$250,000 within six months. The agreement also provided for a payment to the Company of \$1,000,000 on completion of a Feasibility Study and a \$5,000,000 payment within twelve months of commercial production. Upon exercise of the option the property is subject to a 2% NSR to the Company of which Forum can purchase 0.75% of the NSR for \$1,500,000.

On October 2, 2020, the Company amended the agreement allowing Forum to vest its 100% interest in the property.

On October 5, 2020, The Company furthermore sold 50% of its royalty (1.0% NSR) to Nova Royalty Corp.

#### e) Wollaston, Saskatchewan

In May 2020 the Company staked certain claims in the Wollaston Basin Copper Belt northern Saskatchewan.

In October of 2020, the Company assigned a 1% NSR on the Wollaston Copper project to Nova Royalties Corp.  
**Thunder Bay - Ni-Cu-PGM's**

#### f) Sunday Lake

On February 1, 2014, the Company entered into an agreement with Impala Platinum Holdings Inc. ("Implats"), which assigned 100% of rights and interests in properties generated under a strategic alliance to the Company, with the exception of the Sunday Lake Property subject to a 1.0% to 1.5% NSR royalty held by Implats. Currently the Sunday lake property is held 25% (free carried interest to completion of a feasibility study) by the Company, 64.99% by Impala Canada, and 10.01% by Implats.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### Thunder Bay - Ni-Cu-PGM's (continued)

##### f) Sunday Lake (continued)

The property is subject to a number of underlying agreements noted below:

Parcels 19889, 19890 and eight claims are subject to an option agreement between the Company and Rio Tinto Explorations Canada Inc. ("RTEC") dated May 10, 2013. Under the terms of the option agreement, the Company can acquire a 100% interest in the properties by making payments to RTEC totaling \$350,000 (\$225,000 paid) by the third anniversary of the agreement, subject to a payment of \$3,500,000 upon commercial production with an additional payment of \$1,500,000 on or before the first anniversary of commercial production. The Company's interest in the optioned properties is also subject to a 1.5% NSR held by RTEC, of which 0.5% can be purchased for \$1,000,000. On June 14, 2016, the final payment to RTEC was made thus vesting the joint venture's 100% interest in the property grouping subject to the pre-production royalty payments and associated NSR noted above.

Parcel 19889, is subject to an underlying agreement between RTEC and a vendor that allows the Company to conduct mineral exploration on the property by making annual rental payments of \$1,132 with an option to purchase the surface and mineral rights by paying the vendors 1.5 times the fair market value of the premises subject to a 1% NSR, of which the Company can purchase 0.5% for \$250,000. This agreement has been extended to January 1, 2019. Under the terms of extension, the Company made a \$20,000 payment on signing. This agreement was further extended to January 1, 2021. Under the terms of the extension, the Company made a \$50,000 payment on signing. The agreement is all paid in full until January 1, 2021. Effective January 1, 2021 this agreement was further extended until January 1, 2024. Under the terms of the agreement the Company must make annual rent payments of \$25,000.

Parcel 6056 and one claim are subject to an assignment agreement between the Company and RTEC dated March 25, 2013 and underlying agreements between RTEC, Peter DeRozea and the Sunday Lake Syndicate. Under the terms of this agreement, the Company can earn a 100% interest by making cash payments totaling \$250,000 by March 31, 2014, subject to a 3% NSR held by the vendors. Upon vesting, pre-production royalty payments of \$40,000 per year to a total of \$200,000 are due, the total of which will be deducted from future production based NSR payments. The Company maintains the right to purchase 2% of the NSR from DeRozea and the Sunday Lake Syndicate for \$2,000,000. During the year ended August 31, 2016, a \$140,000 payment to the Sunday Lake Syndicate was made thus vesting the Joint Venture's 100% interest in the property grouping subject to the pre-production royalty payments and associated NSR noted above. From April 22, 2017 to April 22, 2021, yearly pre-production royalty payments of \$40,000 were made to the vendors totaling \$200,000. No further payments to the vendors are required.

On January 23, 2014, the Company entered into an option to purchase agreement with a private land owner near Sunday Lake. Under the terms of the agreement, the Company must make bi-annual lease payments of \$3,725 until July 2018. The Company retains the right during the option period to purchase a 100% interest in the surface and mineral rights of the property for 1.5 times the fair market value of the unimproved property, subject to a 1% NSR, of which the Company can purchase back 0.5% for \$500,000. This agreement has been extended for a further three years until January 24, 2022. Under the terms of the agreement, the Company must make bi-annual lease payments of \$3,725 until July 2021.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### Thunder Bay - Ni-Cu-PGM's (continued)

##### f) Sunday Lake (continued)

In June of 2017, the Company entered into an option agreement with joint venture partner Implats and North American Palladium Ltd. ("NAP") whereby NAP had the right to acquire Implats' 75% ownership in the Sunday Lake Project by completing work commitments totaling \$4,500,000 and making cash payments of \$3,500,000 over a five year period according to the following schedule: Stage 1: NAP may acquire a 51% controlling interest in the property by completing \$1,500,000 of exploration expenditures and making cash payments of \$75,000 to TMC and \$675,000 to Implats within a two year period (completed); Stage 2: NAP may increase its interest from 51% to 65% by completing an additional \$2,500,000 of exploration expenditures and making further cash payments of \$125,000 to TMC and \$1,125,000 to Implats within a two year period (completed); and Stage 3: NAP may further increase its interest from 65% to 75% by completing an additional \$500,000 of exploration expenditures and making final cash payments of \$150,000 to TMC and \$1,350,000 to Implats within a one year period. TMC retains a 25% free carried interest until the completion of Feasibility Study.

Subsequent to the NAP option agreement execution, Implats purchased NAP and assigned the NAP interest to a wholly owned subsidiary called Impala Canada. Subsequent to the reporting period, Impala Canada has notified the Company that it does not intend to complete Stage 3.

##### g) Thunder Bay – Saturday Night, Eva Kitto, Hele, Owl Lake, Fraser Lake, Revell, Nabish Lake, Wagner

At August 31, 2021 and 2020, the Company maintained a 100% interest in property groupings in the Thunder Bay Mining District for which it is seeking partners. These properties include Saturday Night, Eva Kitto, Hele, Owl Lake, Fraser Lake, Revell, Nabish Lake, and Wagner.

In October of 2020, the Company assigned a 1% NSR on the Saturday Night project to Nova Royalties Corp.

##### h) Highland Gold, Nova Scotia

On August 20, 2018, the Company entered into an option agreement to acquire a 100% interest in the Highland Gold property located in Nova Scotia. The Company has since completed additional staking. On April 1, 2020 the Company was informed that no further approvals for work on the property would be granted until such time as the Government of Nova Scotia concluded consultations with First Nations. On July 29, 2020 the option agreement was amended such that all future requirements under the option agreement were suspended until all permits to continue exploration have been received by the Company. The Company will make cash payment of \$7,500 (to be credited towards the cash portion of the option agreement consideration) on or before April 1 each year during the suspension.

To earn a 100% interest, the Company is required to make cash payments of \$170,000 over four years (\$65,000 paid), issue \$175,000 worth of common shares of the Company (241,325 common shares issued based on VWAP pricing estimated to be worth \$65,000 at the time of issuance) over four years and incur exploration expenditures of \$1,500,000 over five years.

The agreement also provides for a milestone payment by the Company of \$500,000 in cash or shares within 90 days after a commercial production decision. If by the 8th anniversary of the agreement no production decision has been made, a milestone prepayment of \$25,000 per year to the optionee capped at \$500,000. Upon exercise of the option the property is subject to a 1.0% NSR of which the Company can purchase 1.0% of the NSR for \$1,250,000. The optionee has been granted a 1.0% NSR on the adjacent company staked Claims. The Company retains the right to purchase from the optionee the Company granted 1.0% NSR on the adjacent properties for \$500,000.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### i) Maude Lake

On December 3, 2018, the Company entered into an option agreement to acquire a 100% interest in the Maude Lake property located in Ontario. Pursuant to the terms of the option agreement, TMC retains the right and option to earn a 100% interest in the property by issuing \$25,000 in cash (paid) and \$25,000 in shares (issued) to the vendor over a 6-month period (see note 8(c)). On October 15, 2019, the Company vested its 100% interest in the property with the vendor retaining a 2% Net Smelter Return royalty ('NSR'). TMC reserves the right to buy back 1.5% of this NSR at any time for \$2,000,000.

In October of 2020, the Company assigned a 1% NSR on the project to Nova Royalties Corp.

#### j) Cryderman

On April 18, 2019, the Company entered into an option agreement to acquire a 100% interest in the Cryderman Lake property in Ontario. Pursuant to the terms of the option agreement, TMC retains the right and option to earn a 100% interest in the property by issuing \$60,000 in cash (paid) on signing and an additional \$110,000 in cash over a 3 year period and incurring work commitments of \$300,000 over a 3 year period. On May 11, 2021, the Company announced that it had vested its interest, with the Vendor retaining a 2% NSR. TMC reserves the right to buy back 1.0% of this NSR at any time for \$1,000,000.

On May 11, 2021 the Company announced that it had negotiated an accelerated earn-in with the Vendor to fully vest a 100% interest in the property in exchange for a lump sum payment of \$25,000 in cash (paid) and the issuance of 250,000 shares (issued). In addition, the parties amended the terms of the NSR agreement such that the maximum NSR encumbrance is reduced from 2.0% to 1.5% with Transition retaining the right to buy down 0.5% for \$1.0 million at any time.

#### k) Duntara

The Company staked a new copper property known as the Duntara Copper in Eastern Newfoundland. The Company retains a 100% interest in this property

#### l) Foster

On November 14, 2019, the Company announced that it had acquired a 100% interest in the Foster property located near the town of Espanola approximately 70 kilometers southwest of Sudbury, Ontario. The property was acquired by staking and two separate purchase and sale agreements. The CJP purchase, of a 100% interest in certain mining claims was secured by issuing \$20,000 in cash and \$20,000 in shares (issued) to the vendor. The vendor retains a 1% NSR on the property with the Company retaining the right to buy back 0.5% NSR for \$500,000. In addition the Company purchased an additional 100% interest in 3 mining claims for \$5,000 in the Foster Township.

On July 24, 2020, the Company executed an option and joint venture agreement with 1930153 Ontario Ltd. ("Ontario Ltd.") whereby Ontario Ltd can earn a up to an 100% interest in the Foster Gold project. To earn a 50% interest, Ontario Ltd. must provide option payments totaling \$120,000 over 4 years (\$15,000 received) Ontario Ltd must complete \$500,000 of exploration expenditures over 4 years. Ontario Ltd may increase its interest to 80%, the buy-up option, by making additional cash payments of \$500,000 and incurring an additional \$1,500,000 of exploration expenditures prior to the second anniversary of the buy-up option.

Ontario Ltd may then further increase its interest to 100%, the second buy-up option, by making additional cash payments of \$4,500,000 prior to the second anniversary of the second buy-up option. Upon exercise of the second buy-up option the company will be granted a NSR Royalty of 2.0%.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### m) Aylmer

On May 11, 2020, the Company announced that it had entered into an agreement to earn a 100% interest in the Aylmer IOCG property by making aggregate cash payments of \$102,000; (\$22,000 paid) issuing an aggregate total of 625,000 (102,500 issued) common shares; and incurring exploration work expenditures totaling \$900,000 by May 4, 2024. If the Company exercises its option the vendors will retain a 2.0% Net Smelter Return Royalty (NSR) from any Commercial Production from the property for which Transition may purchase 1.0% of the NSR for \$1,000,000 at any time.

#### n) Dundonald Ontario

The Dundonald property near Timmins consists of certain freehold patents, mining leases and claims. On August 27, 2018, the Company announced that it had signed a binding letter of intent with VaniCom Limited ("VaniCom") of Perth, Western Australia for the sale of a 100% interest in the Dundonald Nickel Project located near Iroquois Falls, Ontario. The purchase terms include a payment of \$50,000 by VaniCom to the Company on signing the binding letter of intent with a further payment of \$100,000 to the Company in cash on closing of the definitive purchase agreement. In addition, VaniCom will issue the Company shares with a value of \$350,000. TMC will receive a 2.5% NSR on any future production from the property. The letter of intent also includes a requirement that VaniCom incur expenditures of at least \$750,000 on exploration and development on the property over a 36-month period.

On August 2, 2019, VaniCom converted its shares to Legendary Ore Mining Corporation ("Legendary") on the basis of 1 Legendary share for each 1.14 VaniCom shares held). Subsequently, Legendary completed a reverse take-over of Lakefield Marketing Corp. which was renamed Class 1 Nickel and Technologies Inc. ("Class 1") on a basis of 1 Legendary shares for 1 Class 1 share.

On October 5, 2020, The Company furthermore sold 50% of its 2% royalty (1.0% NSR) to Nova Royalty Corp.

During the year ended August 31, 2020, the Company received 1,529,720 Class 1 shares.

During the year ended August 31, 2021, Class 1 Nickel notified the Company that it had completed \$750,000 of expenditures on the Property.

#### o) Other

As at August 31, 2021, the Company maintained additional ownership interests located in Ontario, New Brunswick, Saskatchewan and British Columbia as follows:

##### Homathko, British Columbia

The Homathko property consists of 100% owned staked claims in British Columbia. In December, 2020, the Company optioned the Property to Homerun Resources (formerly Envirotek Technologies). Homerun Resources can earn 100% interest in the Property by providing \$10,000 on signing (received), 700,000 shares within six months and a further \$140,000 worth of shares within 3 years. The Company retains a 1% NSR of which 0.5% can be purchased by Homerun Resources for \$1,000,000.

In October of 2020, the Company assigned a 1% NSR on the project to Nova Royalties Corp.

##### Athabasca Uranium, Saskatchewan

The Athabasca Uranium property consists of 100% owned staked claims in Saskatchewan.



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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Exploration Properties (continued)

#### o) Other (continued)

##### **Porterville and Lewisporte, Newfoundland**

The Porterville and Lewisporte properties consist of staked claims in Newfoundland.

The Lewisporte property consists of staked claims located to the east of the Porterville property extending from the Bay of Exploits south to Burnt Bay.

##### **Thompson, British Columbia**

The Thompson property consists of staked and optioned claims located in the Vernon Mining Division, southeastern British Columbia. The optioned claims are subject to an agreement whereby TMC can earn a 100% interest in exchange for optional payments of \$100,000 (\$10,000 paid) and the issuance of 250,000 common shares of the Company over 4 years subject to a 1.5% NSR retained by the Optionors. Under this agreement TMC retains the option to purchase 0.5% NSR back from the vendors at any time for \$1,000,000.

##### **Sawmill, Ontario**

On October 13, 2020 the Company entered into an agreement to option the Sawmill Gold property from a Sudbury area vendor. The property consists of contiguous mining claims, mining leases and patents. Under the terms of the agreement, Transition has the right to earn a 100% interest in the property by issuing \$300,000 in cash (\$25,000 paid) and 1,000,000 shares (100,000 issued) to the Vendor and completing an aggregate of \$1,000,000 in work over a 4-year period. If the Company vests its interest, the Vendor will retain a 2% NSR with Transition retaining the right to buy back 1% NSR for \$1.0 million and a further 0.5% NSR for an additional \$1,000,000.

##### **Mongowin, Ontario**

On June 14, 2021 the Company announced that it had entered into a binding Letter of Intent (LOI) with McFarlane Lake Mining Incorporated ("MFM") whereby MFM can purchase a 100% interest in mining claims and patents in the Mongowin Township. Under the terms of the LOI, MFM paid XTM \$15,000 upon signing for a 5-month period of exclusivity to assign the Property to a public vehicle ("Pubco") and complete due diligence. Upon completion of the period of exclusivity, Transition will receive an additional payment of \$85,000 and \$500,000 worth of common stock in Pubco prior to transferring the Property. In addition, Transition will be granted a 1.5% net smelter return royalty from commercial production from the Property, a \$2,500,000 milestone payment upon commencement of commercial production and non-refundable, advanced royalty payments of \$25,000 per year following the 5th year of the execution of a Definitive Agreement for up to 10 years following the date of the agreement.

##### **Bancroft (NI-CU-PGM's)**

The Bancroft project is a greenfield exploration project that has seen the benefit of approximately \$5.0 million in exploration expenditures. The property consists of approximately 3,833 hectares of mining claims located in the Southern Mining district near Bancroft, Ontario.

In October of 2020, the Company assigned a 1% NSR on the project to Nova Royalties Corp.

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# Transition Metals Corp.

## Notes to Financial Statements

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### 10. Exploration Properties (continued)

#### o) Other (continued)

##### Jolly Gold, Northwest Ontario

On November 24, 2020, the Company announced that it has entered into an option agreement to acquire a 100% interest in certain contiguous mining claims 75 kilometres north of Thunder Bay and has additionally staked new claims of the Beardmore-Geraldton Greenstone Belt. The terms of the option agreement on the 9 claims grant the Company the option to earn a 100% interest in the optioned claims by issuing \$175,000 in cash to the vendors (\$25,000 paid) and by completing an aggregate of \$250,000 in work expenditures over a 4-year period. If the Company vests its interest, the Vendors will retain a 2% NSR with Transition retaining the right to buy back 1% NSR for \$500,000 and the remaining 1% NSR for an additional \$1.5 million.

##### Island Copper - Ontario

On January 25, 2021, the Company announced that it had granted an option on its Island Copper project to Rich Copper Exploration Corp ("Rich Cu"), a private corporation. Under the terms of the Agreement, Rich Cu can vest a 100% interest in the Property by providing Transition with \$150,000 cash over 3 years (\$25,000 received), 500,000 shares on signing (received) and an additional \$475,000 worth of shares over the following 3 years as well as completion of \$750,000 in exploration expenditures. Transition will receive a 2.5% Net Smelter Return royalty on any future production from the Property and within a 5 kilometre area of interest. In addition, Transition is entitled to milestone payments of \$1,000,000 upon Rich Cu or its assigns completing a Feasibility Study and an additional payment of \$5,000,000 within 12 months of commencement of Commercial Production. Rich Cu can purchase 1% of the NSR for \$1,000,000 anytime prior to commercial production.

### 11. Income Taxes

#### a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (August 31, 2020 - 26.5%) were as follows:

	2021	2020
Income before income taxes	3,362,204	458,672
Expected income tax (recovery) expense based on statutory rate	890,984	122,000
Adjustment to expected income tax benefit:		
Share based compensation	74,000	-
Capital gains	(567,000)	-
Expenses not deductible for tax purposes	1,000	1,000
Other	81,016	-
Change in unrecorded deferred tax asset	(480,000)	(123,000)
Deferred income tax (recovery) provision	-	-

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 11. Income Taxes (continued)

#### b) Deferred Tax

Recognized deferred tax assets (liabilities) were as follows:

	2021	2020
Investments	(1,407,000)	(1,662,000)
Exploration properties	1,407,000	-
Non-capital and capital loss carry-forwards	-	1,662,000
Total	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Non-capital loss carry-forwards	-	393,000
Share issuance costs	94,000	129,000
Exploration properties	3,449,000	4,881,000
	3,543,000	5,403,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at August 31, 2021, the Company has no available non-capital losses for Canadian income tax purposes. Exploration property expenditure pools do not expire under current legislation

#### c) Investment in Associate

The aggregate amount of taxable temporary differences associated with investments in associates' tax liabilities as at August 31, 2021 is \$77,871 (August 31, 2020 - \$1,338,889). No deferred taxes are recognized on the temporary differences related to investment in associates.

### 12. Capital Management

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended August 31, 2021 and 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is dependent on its strategic alliance partners as well as on the capital markets to finance exploration and development activities.

# Transition Metals Corp.

## Notes to Financial Statements

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### 13. Financial Instruments and Financial Risk Factors

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in level one.
- Level Three - includes inputs that are not based on observable market data.

The financial instruments that are not measured at fair value on the statement of financial position include cash, accounts receivables, restricted cash, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

The following table illustrates the classification of the Company's financial instruments, measured at fair value in the statements of financial position as of August 31, 2021 and August 31, 2020 categorized into the levels of the fair value hierarchy.

<b>August 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Aggregate Fair Value</b>
Marketable securities	\$ 2,162,290	\$ -	\$ -	\$ 2,162,290
Restricted cash	-	49,704	-	49,704
<b>Total</b>	<b>\$ 2,162,290</b>	<b>\$ 49,704</b>	<b>\$ -</b>	<b>\$ 2,211,994</b>
<b>August 31, 2021</b>				
Marketable securities	\$ 3,889,800	\$ -	\$ -	\$ 3,889,800
Restricted cash	-	49,817	-	49,817
<b>Total</b>	<b>\$ 3,889,800</b>	<b>\$ 49,817</b>	<b>\$ -</b>	<b>\$ 3,939,617</b>

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no material changes in these risks, objectives, policies and procedures during the years ended August 31, 2021 and 2020.

#### *Credit Risk*

The Company's credit risk is primarily attributable to its amounts receivable. Amounts receivable consist primarily of sales taxes due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from its operations. Management believes that the credit risk concentration with respect to financial instruments included in other assets is low. The Company also received funding from exploration partners including CGM, SPC and the government of Nova Scotia. The Company believes that the credit risk associated with all of these corporations is low. Accounts receivable from one customer represents approximately 56% of the Company's receivables (2020 - \$nil). The Company believes that the credit risk associated with this customer is low.

#### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2021, the Company has current assets totaling \$7,147,434 (August 31, 2020 - \$3,836,587) to settle current liabilities of \$381,092 (August 31, 2020 - \$346,693).

#### *Price Risk*

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

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# Transition Metals Corp.

## Notes to Financial Statements

August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 13. Financial Instruments and Financial Risk Factors (continued)

#### *Other price risk*

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies.

Other price risk typically arises from exposure to equity and commodity securities. If the prices on the respective exchanges for these securities increased or decreased by 10%, all other variables held constant the investment value could have increased or decreased by approximately \$593,377 (August 31, 2020 - \$575,118).

#### *Interest Rate Risk*

The Company does not currently have any outstanding variable interest bearing loans and, therefore, the Company is not exposed to interest rate risk through fluctuation in the prime interest rate.

### 14. Commitments and Contingencies

#### *Environmental Contingencies*

The Company's exploration activities are subject to various federal, state, provincial, and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### *Flow-through Expenditures*

From time-to time, the Company and its associates enter into flow-through financings and indemnify the subscribers of flow-through shares for any tax related amounts that become payable by the subscriber. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. While the Company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities.

### 15. Subsequent event

During October 2021, 700,000 shares of Homerun Resources were issued to the Company in accordance with the Homathko property agreement (see note 10).