

**Notice to Reader**

These unaudited condensed interim financial statements are being refiled by the issuer for the three and nine months ended May 31, 2021 and 2020, (i) as the Company has determined that it still had significant influence over its investment in SPC Nickel Corp, (ii) to fix typographical error in table presented in Note 11 of the unaudited condensed interim financial statements, and (iii) to update the exercise warrant price as a result of the distribution to shareholders.

Details of the changes to reflect that the Company still had significant influence are fully described in Note 16 to the Company's refiled unaudited condensed interim financial statements for the three and nine months ended May 31, 2021 and 2020 as filed on SEDAR on December 23, 2021.

In connection with the refiled of unaudited condensed interim financial statements for the three and nine months ended May 31, 2021 and 2020, the Company is also filing (i) amended and restated management discussion and analysis ("MD&A) in compliance with the requirements of National Instrument 51-102 Continuous Disclosure Obligations, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109F2 Certification of Interim Filings.



# Transition Metals

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## Transition Metals Corp.

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Financial statements for the three and nine months ended May 31, 2021 and May 31, 2020  
(expressed in Canadian dollars)

(Restated)

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Transition Metals Corp

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

	Notes	May 31 2021 \$ (Restated) (Note 16)	August 31 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		2,858,970	1,544,170
Restricted cash equivalents	4	49,730	49,704
Amounts receivable	6, 7, 10	131,401	63,544
Investment in marketable securities	5	4,701,072	2,162,290
Prepaid expenses		50,205	16,879
<b>Total current assets</b>		<b>7,791,378</b>	<b>3,836,587</b>
<b>Non-current assets</b>			
Equity investment in SPC	6	1,372,288	2,388,889
Equity investment in CGM	7	778,073	1,200,000
Mineral exploration property acquisition costs	11	221,005	221,005
Equipment	8	29,635	10,580
<b>Total assets</b>		<b>10,192,379</b>	<b>7,657,061</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	318,536	346,693
<b>Equity</b>			
Share capital	9(a)(b)	11,206,909	11,009,709
Warrants	9(d)	473,651	473,651
Share-based payment reserve	9(c)	448,800	277,050
Deficit		(2,255,517)	(4,450,042)
<b>Total shareholders' equity</b>		<b>9,873,843</b>	<b>7,310,368</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,192,379</b>	<b>7,657,061</b>
Going concern (Note 2)			
Commitments and contingencies (Notes 11 and 15)			

Please see accompanying notes to the financial statements

*The financial statements were approved by the Board of Directors on  
December 17, 2021 and signed on its behalf by:*

*"Scott McLean", Director*

*"Jason Marks", Director*

**Transition Metals Corp.**  
**Condensed Interim Statements of loss and Comprehensive loss**  
**(Unaudited and Expressed in Canadian dollars)**

	Notes	Three Months Ended May 31,		Nine Months Ended May 31,	
		2021 \$ (Restated) (Note 16)	2020 \$	2021 \$ (Restated) (Note 16)	2020 \$
<b>Revenues</b>					
Management fee	10	184	1,519	15,829	41,120
Total revenues		184	1,519	15,829	41,120
<b>Expenses</b>					
Exploration and evaluation expenditures	11	104,820	(30,184)	(1,297,165)	152,894
Consultant fees		80,750	67,525	219,680	151,518
Depreciation		4,683	890	7,553	2,668
Investor relations		21,495	11,421	47,475	38,315
Professional fees		41,391	26,509	130,172	120,045
Stock based compensation	9	-	-	279,000	-
Office and general		56,821	62,298	151,475	183,012
Rent		10,339	12,037	45,927	37,955
Total expense		320,299	150,496	(415,883)	686,407
<b>Other Items</b>					
Share of loss of equity investment		(354,504)	(34,514)	(805,621)	(282,727)
Gain on dividend in kind		1,303,819	-	1,303,819	-
Loss on dividend payment		(1,303,819)	-	(1,303,819)	-
Unrealized gain (loss) on marketable securities		(859,609)	(40,000)	2,431,509	58,310
Realized gain on marketable securities		1,747,957	822	1,967,474	3,858
Gain on dilution		277,745	-	277,745	-
Interest income		145	4,998	622	6,396
Other income		-	-	58,055	-
Total other items		811,734	(68,694)	3,929,784	(214,163)
<b>Net Income (loss) and comprehensive income (loss) for the period</b>		<b>491,619</b>	<b>(217,671)</b>	<b>4,361,496</b>	<b>(859,450)</b>
<b>Basic and diluted net income (loss) per share</b>					
<b>Net Income (loss) per share</b>		<b>0.01</b>	<b>(0.00)</b>	<b>0.08</b>	<b>(0.02)</b>
<b>Weighted average number of shares outstanding:</b>					
Basic and diluted		55,981,389	46,542,223	55,922,415	45,362,778

Please see accompanying notes to the condensed interim financial statements

**Transition Metals Corp.**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Note	Common shares #	Share capital \$	Options reserve \$	Warrants reserve \$	Deficit \$ (Restated) (Note 16)	Total \$ (Restated) (Note 16)
<b>Balance, August 31, 2019</b>		43,614,756	9,909,668	277,050	304,521	(5,213,235)	5,278,004
Shares issued for property acquisitions	9(b)	117,647	29,000	-	-	-	29,000
Issuance of shares net of costs	9(b)	2,927,167	446,988	-	-	-	446,988
Warrants issued	9(b)	-	(115,960)	-	115,960	-	-
Warrants expired	9(d)	-	-	-	(304,521)	304,521	-
Net loss for the period		-	-	-	-	(859,450)	(859,450)
<b>Balance, May 31, 2020</b>		<b>46,659,570</b>	<b>10,269,696</b>	<b>277,050</b>	<b>115,960</b>	<b>(5,768,164)</b>	<b>4,894,542</b>
<b>Balance, August 31, 2020</b>		55,681,389	11,009,709	277,050	473,651	(4,450,042)	7,310,368
Shares issued for property acquisitions	9(b)	625,000	44,450	-	-	-	44,450
Stock based compensation	9(c)	-	-	279,000	-	-	279,000
Exercise of stock options	9(c)	800,000	152,750	(59,750)	-	-	93,000
Expiry of stock options	9(c)	-	-	(47,500)	-	47,500	-
Dividend-in-kind	15	-	-	-	-	(2,214,471)	(2,214,471)
Net income for the period		-	-	-	-	4,361,496	4,361,496
<b>Balance, May 31, 2021</b>		<b>57,106,389</b>	<b>11,206,909</b>	<b>448,800</b>	<b>473,651</b>	<b>(2,255,517)</b>	<b>9,873,843</b>

**Transition Metals Corp.**  
**Statements of Cash Flows**  
**(Expressed in Canadian dollars)**  
For the Nine Months Ended May 31

	Notes	2021 \$ (Restated) (Note 16)	2020 \$
<b>Operating Activities</b>			
Net Income (loss) for the period		4,361,496	(859,450)
Add items not affecting cash			
Shares issued for property acquisitions	9(b)	44,450	29,000
Property payment received in shares		(300,000)	(100,000)
Shares received on sale of royalties		(525,000)	-
Depreciation	8	7,553	2,668
Stock based compensation	9(c)	279,000	-
Loss on dividend payment		1,303,819	-
Unrealized gain on marketable securities		(2,431,509)	(58,310)
Gain on sale of marketable securities and investment in SPC		(3,271,293)	(3,858)
Gain on sale of equipment		(7,500)	-
Gain on dilution		(277,745)	-
Share of loss of equity investment	6,7	805,621	282,727
Net change in non-cash working capital		(121,841)	81,139
<b>Cash flows from operating activities</b>		<u>(132,949)</u>	<u>(626,084)</u>
<b>Investing Activities</b>			
Proceeds on sale of equipment		7,500	-
Purchase of equipment		(34,107)	-
Purchase of marketable securities		(20,000)	-
Proceeds on sale of marketable securities	5	1,401,382	112,751
Restricted cash equivalents		(26)	(130)
<b>Cash flows from investing activities</b>		<u>1,354,749</u>	<u>112,621</u>
<b>Financing Activities</b>			
Issuance of common shares	9(b)	93,000	468,910
Cost of issuance	9(b)	-	(21,922)
<b>Cash flows from financing activities</b>		<u>93,000</u>	<u>446,988</u>
Increase (decrease) in cash		1,314,800	(66,475)
<b>Cash, beginning of period</b>		<u>1,544,170</u>	<u>594,104</u>
<b>Cash, end of period</b>		<u><u>2,858,970</u></u>	<u><u>527,629</u></u>

Please see accompanying notes to the financial statements

## **1. Nature of Operations**

Transition Metals Corp. (“TMC” or the “Company”) is engaged in the acquisition and exploration of mineral exploration properties in Canada. The Company’s registered office is 100 King Street West, 1 First Canadian Place, Suite 6200, Toronto, Ontario, M5X 1B8.

## **2. 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.

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.

The Company raises capital and equity for working capital and exploration and development of its properties. Because of continuing operating losses, 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.

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.



### **3. Summary of Significant Accounting Policies**

#### *Statement of Compliance*

These financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). The accounting policies are based on the IFRS standards and International Reporting Interpretations Committee (“IFRIC”) interpretations and are in compliance with IAS 34 Interim Financial Reporting

#### *Basis of Measurement and Presentation*

These financial statements have been prepared on a historical cost basis, except for certain financial assets which are carried at fair value. 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.

#### *Principles of Consolidation*

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.

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 consolidated 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 consolidated 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 recognised 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 recognised 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 recognised in other comprehensive income are reclassified to profit or loss.

### **3. Summary of Significant Accounting Policies - Continued**

#### *Principles of Consolidation - Continued*

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 co-ordinated 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.

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 or loss.

#### *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 (loss) and comprehensive income (loss) 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.

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

### **3. Summary of Significant Accounting Policies – Continued**

#### *Investments in Associates - Continued*

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 recognises the amount in the statements of income (loss).

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised 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 investments in associates are recognised in the statements of income (loss).

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.

#### *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 May 31, 2021 and August 31, 2020, the Company did not have any JV's or JO's.

### **3. Summary of Significant Accounting Policies – Continued**

#### *Equipment*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost 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.

#### *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 (loss) income.

### **3. Summary of Significant Accounting Policies - Continued**

#### *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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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 recognized in comprehensive income (loss) over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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 (loss) and comprehensive income (loss). When the value of goods or 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

### **3. Summary of Significant Accounting Policies - Continued**

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

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 (loss).

#### *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 May 31, 2021 and August 31, 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

### **3. Summary of Significant Accounting Policies - Continued**

#### *Decommissioning Liabilities - Continued*

present values and charged against profits as extraction progresses. The Company had no material decommissioning liabilities as at May 31, 2021 and August 31, 2020.

#### *Income (Loss) per Share*

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) 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 (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease income (loss) per share or increase income per share. 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. The diluted income per share is the same as basic loss per share for the periods ended May 31, 2021 and 2020 as the effects of including all outstanding options and warrants would be anti-dilutive.

#### *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*

##### *Lessee*

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.

### **3. Summary of Significant Accounting Policies - Continued**

#### *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.

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.

##### 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 (loss) and comprehensive income (loss).

##### 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 (loss). 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 (loss). 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 (loss) when the right to receive payments is established.



### **3. Summary of Significant Accounting Policies - Continued**

#### *Financial Instruments - 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 (loss).

##### 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 (loss).

#### *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

### **3. Summary of Significant Accounting Policies - Continued**

#### *Critical Accounting Estimates and Judgments - Continued*

of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss 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.

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 has classified Canadian Gold Miner ("CGM") as an associate based on management's judgment that the Company has significant influence through board representation and 21% of the voting rights as of May 31, 2021 (August 31, 2020 - 37%).

The Company has classified SPC Nickel Corp. ("SPC") as an associate based on management's judgment that the Company has significant influence through representation on the SPC Board of Directors in excess of 20% (see Note 16).

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.

### **3. Summary of Significant Accounting Policies - Continued**

#### *Critical Accounting Estimates and Judgments – Continued*

##### Determination of Significant Influence and Impairment of Investment in Associate 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 behaviors 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 9. The expected volatility assumptions for TMC option and warrant grants are based on the historical volatility of TMC shares.

##### Contingencies

Refer to Note 11 and 15.

##### 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.

##### New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after September 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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 amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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 are effective for annual reporting periods beginning on or after January 1, 2020.

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.

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**4. Restricted Cash Equivalents**

As at May 31, 2021, the Company held GICs in the aggregate amount of \$49,730 (August 31, 2020 - \$49,704) as security for its corporate credit cards.

**5. Investment in Marketable Securities**

The Company holds 6,500,000 common shares (August 31, 2020 - 7,000,000) of Forum Energy Metals Corp. ("Forum") pursuant to an option agreement (Note 11(d)). The Forum shares have been valued at \$0.405 per share as at May 31, 2021 (August 31, 2020 – \$0.145) based on their quoted market price. The Company holds 1,179,600 common shares (August 31, 2020 – 1,529,720) of Class 1 Nickel & Tech Ltd. ("Class 1") pursuant to an option agreement (Note 11(o)). The Class 1 shares have been valued at \$0.57 per share as at May 31, 2021 (August 31, 2020 – \$0.75) based on their quoted market price. The Company holds 390,000 common shares (August 31, 2020 - Nil) of Nova Royalty Corp. ("Nova") pursuant to a sale of mineral property royalties (Note 11). The Nova shares have been valued at \$3.58 per share as at May 31, 2021 (August 31, 2020 – N/A) based on their quoted market price.

The Company realized a gain on sale of marketable securities of during the first nine months of the current fiscal year of \$1,967,474 (2020 – 3,858).

**6. Investment in SPC Nickel Corp (Formerly Sudbury Platinum Corp.)**

TMC had previously entered into a multi-year operating agreement with SPC to provide exploration services related to the Aer Kidd property, the terms of the agreement allowed for the Company to earn a 10% management fee on all exploration costs incurred by SPC. The agreement was terminated by the parties during the current fiscal period. Included in management fees is \$13,370 (2020 - \$34,124) charged to SPC during the nine month period ended May 31, 2021. Included in amounts receivable as at May 31, 2021, is \$2,912 (August 31, 2020- \$2,218) due from SPC.

As at May 31, 2021, the Company's ownership has diluted to below 10%. However, the Company assessed that it still holds significant influence over SPC through representation on the SPC Board of Directors in excess of 20% (see Note 16).

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

<b>Balance, August 31, 2019</b>	\$1,959,473
Gain on dilution	148,354
Reversal of previously recognized impairment	553,727
Share of the loss for the year	<u>(272,665)</u>
<b>Balance August 31, 2020</b>	2,388,889
Carrying value of shares distributed as dividend-in-kind	(910,652)
Gain on dilution	277,745
Share of the loss for the period	<u>(383,694)</u>
<b>Balance, May 31, 2021</b>	<u>\$1,372,289</u>

**7. Investment in Canadian Gold Miner Corp.**

As at May 31, 2021, the Company's ownership has diluted to 21% (August 31, 2020 – 37%). The Company has assessed that it holds significant influence over CGM and has recoded CGM as an associate using equity accounting.

Included in management fees is \$1,468 (2020 – \$6,997) charged to CGM during the period. Included in amounts receivable as at May 31, 2021 is \$4,560 (2020 - \$12,729) due from CGM.

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**7. Investment In Canadian Gold Miner Corp. - Continued**

The Company recorded an impairment of its investment in CGM after considering a recent financing completed by CGM during 2020. As at May 31, 2021, the Company's ownership of CGM is approximately 21% (August 31, 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	<u>(158,724)</u>
<b>Balance August 31, 2020</b>	1,200,000
Write down	-
Share of the loss for the period	<u>(421,927)</u>
<b>Balance, May 31, 2021</b>	<u>\$778,073</u>

**8. Equipment**

	Furniture	Vehicles	Computer Equipment and Software	Exploration Equipment	Total
<i>Cost</i>	\$	\$	\$	\$	\$
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
Net additions	-	20,107	5,000	1,500	26,607
Cost at May 31, 2021	<u>32,906</u>	<u>127,621</u>	<u>274,453</u>	<u>54,770</u>	<u>489,750</u>
 <i>Accumulated depreciation</i>					
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	218	5,417	1,325	592	7,552
Balance at May 31, 2021	<u>29,246</u>	<u>108,765</u>	<u>270,778</u>	<u>51,326</u>	<u>460,115</u>
 Net book value August 31, 2021	3,878	4,166	-	2,536	10,580
Net book value May 31, 2021	<u>3,660</u>	<u>18,856</u>	<u>3,675</u>	<u>3,444</u>	<u>29,635</u>

**9. 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) Transactions**

Period ended May 31, 2021

The Company issued 625,000 shares based on the quoted market price for a total value of \$44,450 in satisfaction of an exploration property option payments (see Note 11). In addition, the Company issued a further 800,000 shares pursuant to the exercise of stock options at an average exercise price of \$0.12.

## **9. Share Capital - Continued**

### **b) Transactions – Continued**

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 11(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 11(j).

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.

### **c) 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-transferrable 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.

On January 9, 2019, the Company granted 1,950,000 incentive stock options to directors, management and employees of the Company, exercisable at \$0.10 per share for a period of 5 years. The grant date fair value of \$0.07 per option was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 5 years, expected volatility of 121%, expected dividend yield of 0%, and a risk free interest rate of 1.91%. The options vested immediately. Management and directors were granted 1,740,000 incentive stock options.

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.

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**9. Share Capital - Continued**

**c) Stock options – Continued**

During the nine month period ended May 31, 2021, a total of 450,000 options to purchase common shares at \$0.10 per share, 100,000 options to purchase common shares at \$0.155 per share and 150,000 options to purchase common shares at \$0.15 per share (total 800,000 stock options) were exercised for proceeds of \$93,000.

At May 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	0.92	\$0.16
January 9, 2019	1,400,000	\$0.10	January 9, 2024	2.61	\$0.07
December 18, 2020	2,225,000	\$0.155	December 18, 2025	4.55	\$0.12
	4,105,000	\$0.15		3.47	

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

	Number of Outstanding Options	Weighted Average Exercise Price
Outstanding – August 31, 2019, 2020	2,880,000	\$0.128
Issued	2,325,000	\$0.155
Cancelled	(300,000)	\$0.179
Exercised	(800,000)	\$0.116
<b>Outstanding - May 31, 2021</b>	<b>4,105,000</b>	<b>\$0.142</b>

**d) Warrants**

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

Issue Date	Number	Adjusted Exercise Price*	Expiration	Remaining Years
December 20, 2019	1,932,667	\$0.23	December 20, 2021	1.05
June 3, 2020	8,418,357	\$0.20	June 3, 2022	1.51
	10,351,024			

\*The exercise prices for warrants outstanding as at March 17, 2021 were adjusted, in accordance with the respective terms of such warrants, as a result of the special distribution of the shares of SPC.

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**9. Share Capital – Continued**

**d) Warrants - Continued**

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

	Number of Outstanding Warrants	Weighted Average Exercise Price
Outstanding – August 31, 2019	7,946,388	\$0.20
Expired	(7,896,388)	\$0.20
Issued (Note 9(b))	10,351,024	\$0.21
Outstanding – August 31, 2020 and May 31, 2021	10,351,024	\$0.21

**e) Basic and Diluted (Loss) Income per Share**

The total number of shares issuable from options and warrants are excluded from the computation of diluted income (loss) per share for the period ended May 31, 2021 because their effect would be anti-dilutive was 14,456,024 (August 31, 2020 – 13,231,024).

**10. Related Party 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 periods ended May 31, 2021 and 2020 was as follows:

	2021 \$	2020 \$
Short term benefits	319,605	222,566
Share based payments	228,000	-
	<u>547,605</u>	<u>222,566</u>

Short term benefits are included in: consultant fees and exploration and evaluation expenditures. Included in accounts payable and accrued liabilities as at May 31, 2021, is \$107,149 (August 31, 2020 - \$45,220) owing to officers and management of TMC. The amounts are unsecured, non-interest bearing, and are due on demand.

Included in amounts receivable as at May 31, 2021 is \$7,472 (August 31, 2020 - \$17,959) due from SPC and CGM in total. These amounts are unsecured, non-interest bearing and due on demand.

b) See also Notes 6, 7 and 9

**11. Exploration Properties**

As at May 31, 2021, the capitalized balance of mineral exploration property acquisition costs totalling \$221,005 (August 31, 2020 – \$221,005) related to the acquisition of TMC by HTX, are allocated to the former TMC properties as follows: Gowganda Gold \$140,505 (August 31, 2020 - \$140,505), Pipestone - \$23,500 (August 31, 2020 - \$23,500), Homathko - \$52,000 (August 31, 2020 – \$52,000), Doherty Lake - \$5,000. (August 31, 2020 – \$5,000).



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**11. Exploration Properties - Continued**

Summary of exploration and evaluation expenditures for the periods ended May 31, 2021 and 2020:

Property	2021 \$	2020 \$
New project generation expenditures	109,785	121,128
Gowganda Gold a	(298,260)	(98,957)
Janice Lake d	(1,201,964)	(148,488)
Wolleston e	(68,454)	-
Sunday Lake f	1,992	3,333
Saturday Night g	(64,713)	-
Eva Kitto g	1,677	5,628
Highland Gold h	(3,000)	81,573
Maude Lake i	(63,375)	905
Cryderman j	73,631	64,242
Duntara k	9,521	16,175
Foster l	941	60,266
Aylmer m	93,009	25,303
Dundonald n	(111,017)	-
Other o	223,062	21,431
<b>Totals</b>	<b>(1,297,165)</b>	<b>152,894</b>

During the nine month period 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. ("Nova") valued at \$525,000 (see note 5).

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.

## **11. Exploration Properties - Continued**

### **a) Gowganda Gold - Continued**

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 24, 2021 the Company announced that it had amended its Option and Joint Venture Agreement with Battery Minerals Resources Corp (BMR – TSX.V) ("Battery") to allow Battery to earn interest in the Company's Gowganda Gold project. The amendment allows for BMR to focus its earn-in efforts on portions of the property considered to be more favourable for hosting silver and cobalt mineralization while facilitating the return of portions of the property considered more favourable for hosting gold to Transition. Under the amended agreement, the Company waived the expenditure requirement for the second-year option and removed the requirement for Battery to fund gold exploration on the property moving forward. The consideration received by Transition included a \$300,000 cash payment (paid), the return of its Gowganda Gold property totaling 968 hectares with two years of good standing. In addition, Battery assigned additional contiguous claims totaling 4,011 hectares with one-year good standing. The assigned Battery claims include a 1% net smelter return royalty held by Battery.

### **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. 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.

### **Saskatchewan Copper**

#### **c) Janice Lake, Saskatchewan**

The Company currently holds a 100% interest in the Janice Lake property in Saskatchewan. On February 5, 2018, the Company entered into an option agreement with Forum Energy Metals Corp. ("Forum") that provides Forum with the option to acquire a 100% interest in the Janice Lake Property. To earn 100%, Forum is 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 (7,000,000 issued) and incur exploration expenditures of \$250,000 within six months. The agreement also provides 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, 2010, the Company amended the agreement allowing Forum to vest its 100% interest in the property. The Company furthermore sold 50% of its royalty (1% NSR) to Nova Royalty Corp

## **11. Exploration Properties – Continued**

### **Thunder Bay - Ni-Cu-PGM's**

#### **d) Wollaston , Saskatchewan**

In May 2020 the Company staked certain claims in the Wollaston Basin Copper Belt northern Saskatchewan. During the quarter, the Company sold a 1% NSR royalty on the Property to Nova Royalty Corp.

#### **e) 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 and 75% by Implats.

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. The agreement was subsequently further extended to January 1, 2021 by the Operator of the Joint Venture.

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 totalling \$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.

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.

## **12. Exploration Properties – Continued**

### **e) 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 has 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; 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; 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. NAP completed the Stage 1 requirements and vested a 51% interest in the property. NAP was subsequently sold to Impala Canada Limited and the current ownership of the Property is 25% TMC, 24% Impala Holdings Limited and 51% Impala Canada Corp (a wholly owned subsidiary of Impala Holdings Limited).

### **f) Thunder Bay – Saturday Night, Eva Kitto, Hele, Owl Lake, Fraser Lake, Empire Lake, and Revell**

At August 31, 2020 and 2019, 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, Empire Lake, and Revell.

### **g) 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 some 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.

In addition, effective August 1, 2018, the Company optioned certain other mineral claims. To earn a 100% interest, the Company is required to make cash payments of \$170,000 over four years (\$35,000 paid), issue \$175,000 worth of common shares of the Company (\$65,000 worth of shares issued) 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 8<sup>th</sup> 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% NSR of which the Company can purchase 1.00% of the NSR for \$1,250,000. The optionee will be 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.

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 the agreement anniversary each year during the suspension.

## **11. Exploration Properties – Continued**

### **h) 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 9(b)). If the Company vests its interest, the vendor would retain a 2% Net Smelter Return royalty ("NSR") with TMC retaining the right to buy back 1.5% NSR for \$2,000,000. The Company has vested its interest and currently holds a 100% interest in the property. During the quarter, TMC sold a 1% NSR royalty to Nova Royalty Corp.

### **i) 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. If the Company vests its interest, the Vendor would retain a 2% NSR with TMC retaining the right to buy back 1.0% NSR for \$1,000,000.

### **j) 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

### **k) Fostung**

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 kilometres southwest of Sudbury, Ontario. The property was acquired by staking and 2 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% Net Smelter Return royalty (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%.

### **l) 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; (\$10,000 paid) issuing an aggregate total of 625,000 (50,000 issued) common shares; and incurring exploration work expenditures totalling \$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.

## **11. Exploration Properties – Continued**

### **m) 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.

During the year ended August 31, 2020, the Company received 1,529,720 Class 1 shares (Note 5). During this quarter, the company sold 50% of its royalty (1.25% NSR) to Nova Royalty Corp.

### **n) Other**

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

The Company has entered into an option agreement to acquire a 100% interest in the Sawmill Au-Cu Property located northeast of the Sudbury Mining Camp within Parkin and Hutton townships. The property consists of certain mining claims, mining leases and patents. The Company retains the option to earn a 100% interest in the property by issuing \$300,000 in cash (\$25,000 on signing) and issuing 1,000,000 shares of the Company (100,000 on signing valued at \$13,500) 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 would retain a 2% Net Smelter Return royalty (NSR) with the Company having the right to buy back 1% of the NSR for \$1.0 million and a further 0.5% NSR for an additional \$1,000,000.

The Company has entered into an option agreement to earn a 100% interest in certain mining claims known as the Jolly Gold Project located north of Thunder Bay by issuing \$175,000 in cash to the vendors (\$25,000 on signing) and by completing an aggregate of \$250,000 in work expenditures over a 4-year period. If the Company vests its interest, the Vendors would retain a 2% Net Smelter Return royalty (NSR) with the Company retaining the right to buy back 1% of the NSR for \$500,000 and the remaining 1% of the NSR for an additional \$1.5 million.

The Company purchased certain claims located in the Mongowin Township, Sudbury Mining district, Ontario. The Company issued 100,000 shares valued at \$18,000 in satisfaction of the purchase price. The Vendor retained a 1% NSR of which 0.05% can be purchase by the Company at any time for \$600,000.

#### **Homathko, British Columbia**

The Homathko property consists of 100% owned staked claims in British Columbia. The Company sold a 1% NSR royalty on the Property to Nova Royalty Corp.

#### **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.

#### **Dungarvon, New Brunswick**

The Dungarvon Property consists of map staked units located in New Brunswick.

## **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 period ended May 31, 2021 and August 31, 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.

## **13. Financial Instruments and Financial Risk Factors**

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts the Company's current financial assets and liabilities approximate fair market value because of the limited term of these instruments.

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 periods ended May 31, 2021 and August 31, 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 the government of Nova Scotia. The Company believes that the credit risk associated with all of these corporations 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 May 31, 2021, the Company has current assets totalling \$10,168,455 (August 31, 2020 – \$3,836,587) to settle current liabilities of \$318,536 (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.

### *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. Dividend-in-Kind**

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 Transition share held by the Transition 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.

#### **16. Restatement**

These condensed interim financial statements have been restated to reflect a reclassification of the Company investment SPC, from marketable securities held for resale to investment in an associate in accordance with IAS 28 (see notes 3 and 6).

The Company initially classified its investment in SPC as an investment in an associate based on management's assessment that the Company had significant influence through board representation and shareholder-level voting rights (most recently at 23% as at August 31, 2020). However, as a result of the Company's shareholder voting rights falling below 10% during the current interim period, the Company initially concluded that it no longer had significant influence with respect to SPC and, thus, reclassified its investment in SPC to marketable securities held for resale.

The Company subsequently re-evaluated that determination and concluded that it did, in fact, continue to have significant influence over SPC and, thus, it was appropriate to revert to accounting for its investment in SPC as an investment in an associate, due to the fact that Company representatives on the Board of Directors of SPC represent over 20% of the votes on the SPC board of directors.

The restatement in these financial statements reflects the reversion by the Company to accounting for its investment in SPC as an associate pursuant to IAS 28 and, thus, using the equity method.



## **16. Restatement - Continued**

A summary of the impact of the restatement is as follows:

### Consolidated Statement of Financial Position as at May 31, 2021

- Decrease in investments in marketable securities of \$2,377,077
- Decrease in current assets of \$2,377,077
- Increase in equity investment in SPC of \$1,372,288
- Decrease in total assets of \$1,004,789
- Increase in deficit of \$1,004,789
- Decrease in total shareholders' equity of \$1,004,789
- Decrease in total liabilities and shareholders' equity of \$1,004,789

### Consolidated Statement of Operations and Comprehensive income (loss) for the period ended May 31, 2021

- Increase in share of loss of equity investment of \$79,452
- Increase in gain on dividend in kind of \$1,303,819
- Increase in loss on dividend payment of \$1,303,819
- Decrease in unrealized gain on marketable securities of \$1,081,556
- Decrease in realized gain on marketable securities of \$121,526
- Increase in gain on dilution of \$277,745
- Decrease in total other items of \$1,004,789
- Decrease in net income and comprehensive income of \$1,004,789

### Consolidated Statement of Changes in Equity for the period ended May 31, 2021

- Decrease in net income and comprehensive income of \$1,004,789
- Increase in total deficit of \$1,004,789

### Consolidated Statement of Cash Flows for the period ended May 31, 2021

- Decrease in net income of \$1,004,789
- Increase in loss on dividend payment of \$1,303,819
- Decrease in unrealized gain on marketable securities of \$1,081,556
- Increase in realized gain on marketable securities and investment in SPC of \$1,182,293
- Increase in gain on dilution of \$277,745
- Increase in share of loss of equity investment of \$79,452

As a result of restating these condensed interim financial statements, certain notes were updated related to these changes.