

CORNISH METALS INC.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Reader's Note

These consolidated condensed interim financial statements of Cornish Metals Inc. (“**Cornish Metals**”) for the six months ended July 31, 2023 have been prepared by and are the responsibility of Cornish Metals’ management.

Cornish Metals’ independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

CORNISH METALS INC.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	July 31, 2023	January 31, 2023
ASSETS		
Current		
Cash	\$ 39,897,599	\$ 55,495,232
Marketable securities (Note 4)	2,764,572	2,718,936
Receivables	955,271	656,407
Prepaid expenses	<u>286,601</u>	<u>371,977</u>
	43,904,043	59,242,552
Deposits	85,047	54,165
Property, plant and equipment (Note 5)	18,805,363	9,721,352
Exploration and evaluation assets (Note 6)	<u>41,514,247</u>	<u>33,088,129</u>
	<u>\$ 104,308,700</u>	<u>\$ 102,106,198</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,048,640	\$ 2,494,642
Lease liability (Note 7)	<u>-</u>	<u>642</u>
	3,048,640	2,495,284
NSR liability (Note 8)	<u>9,031,233</u>	<u>9,149,804</u>
	12,079,873	11,645,088
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	128,394,652	128,377,152
Share subscriptions received in advance (Note 9)	-	17,500
Capital contribution	2,007,665	2,007,665
Share-based payment reserve (Note 9)	410,307	384,758
Foreign currency translation reserve	1,980,605	(648,962)
Deficit	<u>(40,564,402)</u>	<u>(39,677,003)</u>
	<u>92,228,827</u>	<u>90,461,110</u>
	<u>\$ 104,308,700</u>	<u>\$ 102,106,198</u>

Nature and Continuance of Operations and Going Concern Assumption (Note 1)

Commitments (Note 11)

Approved and authorized on behalf of the Board on September 28, 2023:

“Patrick Anderson”

Director

“Richard Williams”

Director

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

CORNISH METALS INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<u>Three months ended</u>		<u>Six months ended</u>	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
EXPENSES				
Travel and marketing	\$ 156,470	\$ 158,198	\$ 246,060	\$ 269,075
Depreciation	-	-	-	443
Insurance	174,626	33,207	347,056	66,716
Office, miscellaneous and rent	56,428	26,539	108,040	55,516
Professional fees (Note 12)	335,578	186,019	536,314	359,845
Generative exploration expense	2,626	55,748	5,233	56,081
Regulatory and filing fees	22,148	77,475	55,422	98,718
Share-based compensation (Notes 9 and 12)	25,549	-	25,549	-
Salaries, directors' fees and benefits (Note 12)	344,006	720,416	717,877	982,549
Total operating expenses	(1,117,431)	(1,257,602)	(2,041,551)	(1,888,943)
Interest income	418,910	14,480	807,294	15,223
Foreign exchange gain (loss)	10,987	(1,884,131)	381,878	(2,237,188)
Gain on the disposal of royalty (Note 6)	-	318,147	-	318,147
Unrealized gain (loss) on marketable securities (Note 4)	6,938	542,204	(35,020)	542,204
Loss for the period	(680,596)	(2,266,902)	(887,399)	(3,250,557)
Foreign currency translation	(334,156)	(949,874)	2,629,567	(2,098,402)
Total comprehensive income (loss) for the period	\$ (1,014,752)	\$ (3,216,776)	\$ 1,742,168	\$ (5,348,959)
Basic and diluted income (loss) per share	\$ (0.00)	\$ (0.01)	\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding:	535,270,712	468,353,382	535,267,950	378,614,227

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

CORNISH METALS INC.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	<u>For the six months ended</u>	
	July 31, 2023	July 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (887,399)	\$ (3,250,557)
Items not involving cash:		
Depreciation	-	443
Share-based compensation	25,549	-
Gain on the disposal of royalty	-	(318,147)
Unrealized loss (gain) on marketable securities	35,020	(542,204)
Foreign exchange loss (gain)	(381,878)	2,237,188
Changes in non-cash working capital items:		
Increase in receivables	(298,864)	(35,101)
Decrease (increase) in prepaid expenses	66,214	(2,185)
Increase in accounts payable and accrued liabilities	<u>128,359</u>	<u>74,099</u>
Net cash used in operating activities	<u>(1,312,999)</u>	<u>(1,836,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,032,282)	(388,283)
Acquisition of exploration and evaluation assets	(7,561,503)	(2,155,493)
Increase in deposits	<u>(28,750)</u>	<u>(8,850)</u>
Net cash used in investing activities	<u>(15,622,535)</u>	<u>(2,552,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Offering (Note 9)	-	65,135,746
Proceeds from option and warrant exercises	-	7,000
Share issue costs	-	(3,947,087)
Proceeds from the disposal of royalty	-	63,147
Lease payments	<u>(723)</u>	<u>(2,112)</u>
Net cash provided by (used in) financing activities	<u>(723)</u>	<u>61,256,694</u>
Impact of foreign exchange on cash	<u>1,338,624</u>	<u>(2,161,139)</u>
Change in cash during the period	(15,597,633)	54,706,465
Cash, beginning of the period	<u>55,495,232</u>	<u>6,922,704</u>
Cash, end of the period	<u>\$ 39,897,599</u>	<u>\$ 61,629,169</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

CORNISH METALS INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

SIX MONTHS ENDED JULY 31

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Capital stock		Share subscriptions received in advance	Capital contribution	Share-based payment reserve	Foreign currency translation reserve	Deficit	Shareholders' equity – total
	Number of shares	Amount						
Balance at January 31, 2022	285,850,157	\$ 56,846,350	\$ -	\$ 2,007,665	\$ 630,265	\$ (174,123)	\$ (38,599,036)	\$ 20,711,121
Share issuance pursuant to the Offering (Note 9)	225,000,000	65,135,746	-	-	-	-	-	65,135,746
Share issue costs	-	(3,964,332)	-	-	-	-	-	(3,964,332)
Warrant exercises	100,000	7,000	-	-	-	-	-	7,000
Shares issued pursuant to property option agreement (Note 6)	20,298,333	9,844,692	-	-	-	-	-	9,844,692
Foreign currency translation	-	-	-	-	-	(2,098,402)	-	(2,098,402)
Loss for the period	-	-	-	-	-	-	(3,250,557)	(3,250,557)
Balance at July 31, 2022	531,248,490	\$127,869,456	\$ -	\$ 2,007,665	\$ 630,265	\$(2,272,525)	\$ (41,849,593)	\$ 86,385,268
Balance at January 31, 2023	535,020,712	\$128,377,152	\$ 17,500	\$ 2,007,665	\$ 384,758	\$ (648,962)	\$ (39,677,003)	\$ 90,461,110
Warrant exercises	250,000	17,500	(17,500)	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	2,629,567	-	2,629,567
Share-based compensation	-	-	-	-	25,549	-	-	25,549
Loss for the period	-	-	-	-	-	-	(887,399)	(887,399)
Balance at July 31, 2023	535,270,712	\$128,394,652	\$ -	\$ 2,007,665	\$ 410,307	\$1,980,605	\$ (40,564,402)	\$ 92,228,827

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Cornish Metals Inc. (the “**Company**” or “**Cornish Metals**”) exists under the laws of the *Canada Business Corporations Act* (“**CBCA**”).

The Company trades on the TSX Venture Exchange (“**TSX-V**”) and the AIM market of the London Stock Exchange Plc (“**AIM**”) (TSX-V/AIM – CUSN). The Company’s registered office is located at Suite 960 – 789 West Pender Street, Vancouver, BC, Canada V6C 1H2. The Company has two wholly-owned subsidiaries: Strongbow Alaska, Inc. which is incorporated under the laws of Alaska, USA and Cornish Metals Limited (“**CML**”), which is incorporated under the laws of the United Kingdom.

The Company’s principal business activity is the acquisition, exploration and future development of exploration and evaluation assets. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete the development of its exploration and evaluation assets and upon future profitable production.

These consolidated condensed interim financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company and further exploration and development of its exploration and evaluation assets is dependent on the Company’s ability to obtain additional financing and generate profitable operations in the future. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was inappropriate. These adjustments could be material.

As at July 31, 2023, the Company had current assets of \$43,904,043 to settle current liabilities of \$3,048,640. Although the Company has positive working capital of \$40,855,403 as at July 31, 2023, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing when required may result in the loss of some, or all, of the Company’s exploration and evaluation assets (Note 6).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“**IAS 34**”) using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended January 31, 2023. These consolidated condensed interim financial statements do not include all disclosures required by International Financial Reporting Standards (“**IFRS**”) for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended January 31, 2023 prepared in accordance with IFRS as issued by the International Accounting Standards Board (“**IASB**”).

The policies applied in these consolidated condensed interim financial statements are based on IFRS issued and outstanding as of September 28, 2023, the date the Board of Directors approved the statements.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Prepared by Management)

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2. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

b) Basis of presentation

These consolidated condensed interim financial statements are expressed in Canadian dollars, the Company’s presentation currency. These consolidated condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Change in functional currency

On February 1, 2023, the functional currency of the Company was changed to the British pound on a prospective basis. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”), namely:

- The currency of funds raised from recent fundraising activities was substantially denominated in British pounds, with those funds continuing to be held in British pound denominated bank deposits or liquidity funds;
- the provision of funds by the Company to its UK subsidiaries for their ongoing development activities is denominated in British pounds; and
- most of the Company’s recurring expenditure on corporate activities is denominated in British pounds.

The functional currency of the Company’s UK subsidiaries was changed to the British pound on February 1, 2019.

The accounting policy for the translation of entities whose functional currency is not the Canadian dollar is set out in Note 3 (c) of the annual audited consolidated financial statements for the year ended January 31, 2023.

d) Adoption of new IFRS pronouncements

On February 1, 2023, the Company adopted the following IFRS pronouncements:

Standard	Impact on initial application
IAS 1 (Amendments) <i>Presentation of financial statements</i>	Disclosure of accounting policies in financial statements
IAS 8 (Amendments) <i>Accounting policies, changes in accounting estimates and errors</i>	Disclosure of accounting estimates in financial statements
IAS 12 (Amendments) <i>Income taxes</i>	Deferred tax relating to assets and liabilities arising from a single transaction

The impact of the amended standards is not expected to have a significant effect on the Company’s accounting policies or the consolidated financial statements.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, lease liabilities and NSR liability. The carrying value of cash, receivables, accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity and have been classified at amortized cost. Marketable securities which are publicly traded, have been classified at FVTPL and are recorded at fair value based on the quoted market prices in active markets at the period end, which is consistent with level 1 of the fair value hierarchy; marketable securities that are not publicly traded are recorded at fair value using estimates consistent with level 3 of the fair value hierarchy (inputs are not based on observable market data). Lease liabilities and the NSR liability are initially recorded at fair value and subsequently carried at amortized cost.

The Company is exposed to a variety of financial risks by virtue of its activities, including liquidity risk, credit risk, foreign currency risk, interest rate risk, equity market risk and commodity price risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance and position. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings and asset sales, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration, future development and corporate activities and anticipating investing and financing activities. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V and AIM. As at July 31, 2023, the Company had current assets of \$43,904,043 to settle current liabilities of \$3,048,640.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash. The Company's receivables consist primarily of sales tax receivables due from the Canadian and UK governments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions and 'AAA' rated liquidity funds.

Foreign currency risk

The Company has its most significant exposure to foreign currency risk through expenditures incurred on its exploration and evaluation assets and property, plant and equipment in the United Kingdom. Most of the Company's expenditure incurred on these assets is denominated in British pounds. Where possible, the currency of any fundraising that is undertaken for the advancement of the Company's mineral properties in the UK is denominated in British pounds to mitigate foreign currency risk.

The fluctuation of the Canadian dollar in relation to the British pound also has an impact on the value of the Company's assets as reported in its consolidated condensed interim statement of financial position.

The Company does not presently invest in foreign denominated currency contracts to mitigate foreign currency risk, but will closely monitor this risk depending on the amount and currency of any future fundraising that is undertaken for the advancement of the Company's mineral properties located in the UK.

CORNISH METALS INC.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued*Interest rate risk*

The Company is exposed to interest rate risk to the extent that the future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is limited to the investment returns received on cash placed in deposits or liquidity funds held with Canadian and British financial institutions. Funds not required for immediate working capital needs are placed in deposits or liquidity funds to maximize investment returns whilst balancing near-term liquidity requirements. The Company has no financial liabilities subject to variable interest rates.

Equity market risk

The Company is exposed to equity price risk arising from its marketable securities, which are classified as FVTPL. The Company sells its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices, particularly tin. The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of commodities. The Company monitors commodity prices in forecasting its cash flow requirements for the funding of its ongoing exploration and corporate activities and estimated development costs in bringing assets into production. Since the Company remains in the exploration stage, it does not presently invest in commodity hedges to mitigate this risk.

4. MARKETABLE SECURITIES

The Company holds common shares in one TSX-V listed company and in two private mineral exploration companies (January 31, 2023 – one TSX-V listed company and two private mineral exploration companies).

	July 31, 2023		January 31, 2023	
	Cost	Fair market value	Cost	Fair market value
Public company shares	\$ 255,000	\$ 325,000	\$ 255,000	\$ 350,000
Private company shares	610,871	2,439,572	610,871	2,368,936
	\$ 865,871	\$ 2,764,572	\$ 865,871	\$ 2,718,936

During the six months ended July 31, 2023, the Company recorded an unrealized loss of \$35,020 (July 31, 2022 – unrealized gain of \$542,204) associated with the change in fair value of marketable securities.

During the year ended January 31, 2023, the Company received 1,000,000 common shares in Electric Royalties Limited, a TSX-V listed company, pursuant to the disposal of a royalty on a mineral property (Note 6).

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment	Software	Furniture & fixtures	Land & buildings	Motor vehicles	Right-of-use assets	Water treatment plant* (in progress)	Equipment**	Total
As at January 31, 2023	\$ 161,331	\$160,265	\$ 55,007	\$1,755,460	\$ 77,925	\$ 12,332	\$ 6,951,185	\$ 927,782	\$10,101,287
Additions	21,692	-	2,141	-	-	-	6,742,974	2,056,825	8,823,632
Foreign currency translation	4,965	4,229	1,697	52,225	2,358	367	290,208	53,069	409,118
As at July 31, 2023	\$ 187,988	\$164,494	\$ 58,845	\$1,807,685	\$ 80,283	\$ 12,699	\$13,984,367	\$ 3,037,676	\$19,334,037
Accumulated depreciation									
As at January 31, 2023	\$ (72,570)	\$ (93,520)	\$ (16,845)	\$ -	\$ (22,136)	\$ (11,303)	\$ -	\$ (163,561)	\$ (379,935)
Capitalized depreciation	(24,334)	(58,191)	(2,644)	-	(8,730)	(1,045)	-	(41,340)	(136,284)
Foreign currency translation	(2,358)	(2,966)	(569)	-	(807)	(351)	-	(5,404)	(12,455)
As at July 31, 2023	\$ (99,262)	\$ (154,677)	\$ (20,058)	\$ -	\$ (31,673)	\$ (12,699)	\$ -	\$ (210,305)	\$ (528,674)
Net book value									
As at January 31, 2023	\$ 88,761	\$ 66,745	\$ 38,162	\$1,755,460	\$ 55,789	\$ 1,029	\$ 6,951,185	\$ 764,221	\$ 9,721,352
As at July 31, 2023	\$ 88,726	\$ 9,817	\$ 38,787	\$1,807,685	\$ 48,610	\$ -	\$ 13,984,367	\$ 2,827,371	\$ 18,805,363

* The water treatment plant (in progress) is currently not depreciated. Depreciation will commence once the asset is complete and available for use.

** Included in equipment are \$2,372,863 of assets which are in progress and are currently not depreciated. Depreciation will commence once these assets are complete and available for use.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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6. EXPLORATION AND EVALUATION ASSETS

	January 31, 2023	Expended during the period	July 31, 2023
Cornwall Mineral Properties, UK			
Exploration costs	\$ 10,617,546	\$ 5,136,954	\$ 15,754,500
Tenure and utility costs	1,859,025	415,646	2,274,671
Office and remuneration costs	6,081,662	1,662,433	7,744,095
Capitalized depreciation	581,974	136,284	718,258
Asset acquisition	15,122,062	-	15,122,062
Recovery of costs	(581,729)	-	(581,729)
Foreign currency translation	(592,411)	1,074,801	482,390
	<u>\$ 33,088,129</u>	<u>\$ 8,426,118</u>	<u>\$ 41,514,247</u>

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing.

a) Cornwall Mineral Properties, UK

On March 16, 2016, the Company entered into a Share Purchase Agreement (“SPA”) with Galena Special Situations Fund and Tin Shield Production Ltd. (collectively, the “Sellers”). Under the terms of this SPA, on July 11, 2016, the Company acquired, from administration, a 100% interest in the South Crofty Tin Project and associated mineral rights in Cornwall, UK (collectively the “Cornwall Mineral Properties”). The Company, through its wholly-owned subsidiary, CML, owns a 100% interest in South Crofty Limited and Cornish Minerals Limited (Bermuda) (“CMLB”) (collectively the “Companies”). The Companies hold the rights to the South Crofty underground mine permission area, plus additional mineral rights located in various parts of Cornwall, UK.

In addition to the cash and common share consideration paid on July 11, 2016, under the terms of the SPA the Company agreed to additional payments and share issuances in the form of deferred consideration. On June 30, 2021, the Company and the Sellers entered into a side letter (the “Side Letter”) to the SPA to restructure the deferred consideration which remained outstanding at that date.

Pursuant to the Side Letter, the new fixed payments comprising the balance of the deferred consideration payable to the Sellers were as follows:

- Cornish Metals to issue 7,000,000 common shares to the Sellers (“Closing Shares”) immediately upon receipt of shareholder and applicable regulatory approval of the Side Letter (issued October 29, 2021 in satisfaction of this commitment);
- In addition to the Closing Shares, a total of US\$9,750,000 were to be paid in common shares (the “Milestone Shares”) as certain milestones are reached. The Milestone Shares are as follows:

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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6. EXPLORATION AND EVALUATION ASSETS – *Continued*

a) Cornwall Mineral Properties, UK – *Continued*

- Cornish Metals to make a US\$4,750,000 payment in common shares upon closing of the financing for the dewatering of the mine at the South Crofty Tin Project. Following completion of the Offering on May 24, 2022 (Note 9), the Company issued 20,298,333 common shares to the Sellers on May 31, 2022 satisfying the deferred consideration payment equivalent to an amount of US\$4,750,000; and
- Cornish Metals to make a US\$5,000,000 payment in common shares upon making a decision to proceed with the development and / or construction of a mine either at the South Crofty Tin Project or at the United Downs property.

The future issuance of the Milestone Shares by the Company is subject to TSX-V approval prior to such issuance with the TSX-V determining the acceptability of the pricing of the Milestone Shares at the time of such approval.

b) Cornish Lithium exploration option agreement

In January 2017, CML and Cornish Lithium Limited (“CLL”), a private UK company, entered into an exploration option agreement whereby CLL has the right to explore for, and potentially develop, lithium in hot springs brines and associated geothermal energy from the Company’s mineral rights in Cornwall, UK. The Company will have a 25% free carried interest in the first project to have a bankable feasibility study completed on it, after which the Company will be required to contribute its share of development costs or be diluted. The Company will have a 10% free carried interest on subsequent development projects as well as a 2% gross revenue royalty payable from the production of metals from brines or from any geothermal energy produced and sold by CLL.

Under the terms of the agreement, CLL agreed to issue common shares with a value US\$50,000 concurrently with its first financing and, to keep the agreement in good standing, to issue common shares with a value of US\$50,000 on the first, second, third and fourth anniversary of the agreement. From the fifth anniversary date of the agreement, CLL will make annual payments of US\$100,000, in cash or common shares of CLL, at its election. From the tenth anniversary date of the agreement, CLL will make annual payments of US\$500,000 in cash or common shares of CLL, at its election, of which 50% of the payment will be considered an advance royalty payment.

c) Sleitat Tin Property, Alaska, U.S.A.

On May 27, 2022, the disposal of a 1% Net Smelter Royalty (“NSR”) on the Sleitat tin-silver project located in Alaska, USA to Electric Royalties Limited was completed. The consideration was \$100,000 and 1,000,000 common shares in Electric Royalties Limited (Note 4), which in aggregate amounted to \$355,000 at the date of completion. Legal expenses associated with the transaction amounted to \$36,853. These have been netted against the consideration received resulting in a gain of \$318,147 being recognized in profit or loss.

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7. LEASE LIABILITY

	Six months ended July 31, 2023	Year ended January 31, 2023
Opening balance	\$ 642	\$ 4,871
Lease payments	(723)	(4,459)
Amortization of discount – capitalized to exploration & evaluation assets	70	415
Foreign currency translation	11	(185)
Ending balance	\$ -	\$ 642

The following table is a summary of the carrying amounts of the Company's lease liabilities that are recognized in the consolidated condensed interim statement of financial position as of:

	July 31, 2023	January 31, 2023
Current portion of lease obligation	\$ -	\$ 642
Long-term portion of lease obligation	-	-
Ending balance	\$ -	\$ 642

During the year ended January 31, 2022, the Company recognized a right-of-use asset and a lease liability relating to a motor vehicle used in Cornwall, UK. The lease liability was initially measured at the present value of the lease payments, discounted using the Company's estimated incremental borrowing rate of 5%, rather than the interest rate implicit in the lease, as that rate could not be readily determined. The final payment under this lease was made in March 2023.

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8. NET SMELTER ROYALTY LIABILITY

	Six months ended		Year ended
	July 31, 2023		January 31, 2023
Opening balance	\$	9,149,804	\$ 8,717,330
Foreign currency translation		(118,571)	432,474
Ending balance	\$	9,031,233	\$ 9,149,804

On January 26, 2018, the Company completed a secured convertible note financing (the “**Note**”) with Osisko Gold Royalties Ltd. (“**Osisko**”), a significant shareholder of the Company at that date, for gross proceeds of \$7,170,000. The Note was convertible into a 1.5% NSR on all metals and minerals produced from the South Crofty Tin Project at Osisko’s option (the “**Royalty Option**”).

On February 19, 2021, Osisko exercised the Royalty Option and converted its Note into two royalties as follows:

- a perpetual 1.5% NSR on the South Crofty Tin Project; and
- a perpetual 0.5% NSR on any other mineral rights held by the Company in Cornwall, UK that do not form part of the South Crofty Tin Project (together, the “**Royalty Agreements**”).

Both royalties become payable from the commencement of production which is defined in the Royalty Agreements. The royalties are payable on all products which include any and all metals, minerals and products or by-products thereof.

The Royalty Agreements are secured over the Company’s subsidiary, CMLB, which holds the Company’s mineral rights in Cornwall, UK, and a share charge over CML’s holding in CMLB. Liquidated damages also become payable to Osisko in the event of default.

The NSR liability was initially recorded at fair value at the date of conversion of the Note, net of transaction costs, with an initial carrying value of \$8,648,380.

9. CAPITAL AND RESERVES**Authorized share capital**

At July 31, 2023, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

Share issuances from fundraising activities*Six months ended July 31, 2023*

There were no share issuances from fundraising activities during the six months ended July 31, 2023.

Six months ended July 31, 2022

On May 24, 2022, a financing of £40.5 million (\$65.1 million based on the closing exchange rate as at May 24, 2022) (the “**Offering**”) completed, which included a £25.0 million (approximately \$40.1 million based on the closing exchange rate as at May 24, 2022) strategic investment by Vision Blue Resources Limited (“**VBR**”). The balance of the Offering was completed through a private placement with certain Canadian and UK investors and eligible private investors.

The Offering was structured through a unit offering comprising one common share at £0.18 (\$0.30 for Canadian investors) and a warrant to purchase one common share priced at £0.27 (\$0.45 for Canadian investors) for a period of 36 months from the closing date of the Offering. A total of 225,000,000 units were issued, comprising around 44.0% of the issued share capital, as enlarged by the Offering, excluding the effect of the issuance of the Milestone Shares as described in Note 6. Total share issue costs amounted to \$3,966,075 resulting in net proceeds of \$61,169,671.

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9. CAPITAL AND RESERVES - Continued**Stock options and warrants**

As at July 31, 2023, the following stock options and warrants were outstanding and exercisable:

	Outstanding	Exercise Price	Exercisable	Expiry date
Options	5,150,000	\$ 0.10	5,150,000	August 19, 2025
	11,000,000	0.30	-	July 17, 2028
Warrants	225,000,000	0.46 ¹	225,000,000	May 24, 2025

¹ Pursuant to the terms of the Offering, the exercise price of these warrants is £0.27 for non-Canadian investors or \$0.46 for Canadian investors.

Stock options

The Company has a ‘10% rolling’ stock option plan (the “**Plan**”). The maximum aggregate number of common shares issuable pursuant to options awarded under the stock option plan and outstanding from time to time may not exceed 10% of the issued and outstanding common shares from time to time.

Under the terms of the Plan, options will be exercisable over periods of up to five years as determined by the Board of Directors and must have an exercise price not less than the closing market price of the Company's shares prevailing on the day that the option is granted. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of the Company and its subsidiaries, or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant.

Stock option transactions for the six months ended July 31, 2023 are summarized as follows:

	Number of options	Weighted average exercise price
Balance, January 31, 2023	5,150,000	\$ 0.10
Granted	11,000,000	0.30
Balance, July 31, 2023	16,150,000	0.24
Number of options exercisable as at July 31, 2023	5,150,000	\$ 0.10

Warrants

Warrant transactions for the six months ended July 31, 2023 are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, January 31, 2023	225,250,000	\$ 0.44
Exercised	(250,000)	0.07
Balance, July 31, 2023	225,000,000	\$ 0.46

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9. CAPITAL AND RESERVES - Continued**Stock options and warrants - Continued***Warrants - Continued*

The shares related to the warrant exercises were issued on February 3, 2023, although the Company received the exercise proceeds before January 31, 2023. These proceeds were classified as share subscriptions received in advance as at January 31, 2023.

Share-based compensation

During the six months ended July 31, 2023, the Company granted 11,000,000 (2022 – Nil) stock options to officers and employees with an estimated fair value of \$1,124,884 (2022 – \$Nil). These options have a five year term, whereby the options vest over a three year period, with one third of the options vesting at the end of each year. These options will expire on July 17, 2028.

The Company used the following assumptions to estimate a fair-value for the stock options granted during the six months ended July 31, 2023:

	Six months ended July 31, 2023
Risk-free interest rate	4.07-4.33%
Expected dividend yield	0%
Expected stock price volatility	87.3%
Expected option life in years	3.5 years
Forfeiture rate	0%

During the six months ended July 31, 2023, the Company recorded \$25,549 (2022 - \$Nil) in share-based compensation expense.

Capital contribution

The capital contribution reserve represents gains arising from two transactions with Osisko in prior years whilst Osisko was a significant shareholder of the Company.

10. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in capital and reserves as set out in the consolidated statement of financial position. The Company manages its capital structure based on the nature and availability of funding, and the timing of expected or committed expenditures. The Company's capital management policy is to maintain sufficient capital to support the acquisition, exploration and future development of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and asset sales, or a combination thereof, to finance its activities. The Company forecasts its future capital requirements by planning the exploration and future development activities to be undertaken on its exploration and evaluation assets, and assessing the level of corporate activities that are necessary to support the growth and development of the Company.

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

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11. COMMITMENTS

The Company has entered into contracts with utility providers, land owners and mineral lease owners, none of which are regarded as non-routine in nature. Costs under these contracts are either expensed to profit or loss, or capitalized to exploration and evaluation assets depending on their nature.

The Company also has outstanding commitments amounting to \$5.7 million as at July 31, 2023 relating to the construction of the water treatment plant and the associated dewatering of the South Crofty mine. The timing of payments relating to these commitments depends on the progress of the commissioning of the water treatment plant and the associated dewatering, but settlement of these commitments is expected within twelve months of the period end.

Upon commencement of mining, the Company is liable to make payments to owners of mineral properties within the underground mine permission area of the South Crofty Tin Project which the Company leases for the purposes of ore extraction. Payments will take the form of either:

- an advance payment of £84,000 per annum (equivalent to \$142,254 at the period end GBP/CAD rate) during periods when there is no production from the respective owner’s mineral rights (“**Advance Royalty Payments**”), or
- a NSR payable for a minimum of £84,000 on ore extracted from property that falls within the mineral rights held by the owners which varies according to the prevailing tin price.

The Advance Royalty Payments will be deducted from NSR royalty payments as and when the NSR royalties become payable.

12. RELATED PARTY TRANSACTIONS**Compensation payable to key management**

Key management includes the Company’s directors and officers. Compensation awarded to key management was as follows:

	Three months ended		Six months ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Salaries, bonuses and benefits ¹	\$ 262,453	\$ 597,410	\$ 521,490	\$ 798,260
Directors’ fees	62,997	35,556	115,393	68,056
Share-based compensation	14,401	-	14,401	-
Total	\$ 339,851	\$ 632,966	\$ 651,284	\$ 866,316

¹ Allocated \$515,676 (2022 - \$792,510) to salaries and benefits, and \$5,814 (2022 - \$5,750) to professional fees

Participation in financing

The Company entered into the following transactions with related parties during the six months ended July 31, 2022:

- Received \$30,000 from each of Patrick Anderson, Steve Gatley, Don Njegovan and Richard Williams (all directors), £10,000 from John McGloin (director) and Owen Mihalop (Chief Operating Officer), and \$90,000 from D. Grenville Thomas (director) for their participation in the Offering (Note 9); and
- Received £25,000,000 from VBR for its participation in the Offering (Note 9).

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended July 31, 2023, the significant non-cash transactions were:

- a) Included in exploration and evaluation assets are capitalized depreciation of \$136,284, prepaid expenses of \$86,399 and \$1,037,198 which relates to accounts payable and accrued liabilities; and
- b) Included in property, plant and equipment is \$1,593,574 which relates to accounts payable and accrued liabilities.

During the six months ended July 31, 2022, the significant non-cash transactions were:

- a) Included in exploration and evaluation assets are capitalized depreciation of \$32,733, prepaid expenses of \$141,180 and \$583,203 which relates to accounts payable and accrued liabilities;
- b) Included in exploration and evaluation assets are acquisition costs of \$4,281,155 which relates to the satisfaction of the deferred consideration payable for the Cornwall Mineral Properties through the issuance of the Milestone Shares (Note 6); and
- c) Included in share issue costs is \$17,245 which relates to accounts payable and accrued liabilities.

14. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and evaluation of mineral properties in the United Kingdom. Assets located in Canada either relate to the corporate centre or mineral properties which have been impaired. The geographical split of assets is as follows:

	<u>As at July 31, 2023</u>			<u>As at January 31, 2023</u>		
	Canada	United Kingdom	Total	Canada	United Kingdom	Total
Deposits	\$ -	\$ 85,047	\$ 85,047	\$ -	\$ 54,165	\$ 54,165
Property, plant and equipment	-	18,805,363	18,805,363	-	9,721,352	9,721,352
Exploration and evaluation assets	-	41,514,247	41,514,247	-	33,088,129	33,088,129