

**C3 METALS INC.**  
**(Formerly Carube Copper Corp.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended August 31, 2020 and 2019**  
**(Information as at December 8, 2020 unless otherwise noted)**

---

## **INTRODUCTION**

The following provides management's discussion and analysis of results of operations and financial condition for the years ended August 31, 2020 and 2019. Management's discussion and analysis ("MD&A") was prepared by C3 Metals Inc. management and approved by the Board of Directors on December 8, 2020.

On July 31, 2020, the company changed its name to C3 Metals Inc. (referred to herein collectively with its subsidiaries as "C3 Metals" or the "Company"). Additionally, the Company's ticker symbol on the TSX Venture Exchange ("TSX-V") was changed to CCCM. On June 18, 2015, Miocene Resources Limited ("Miocene") completed a reverse takeover with Carube Resources Inc. ("CRI"). On July 7, 2015, the Company commenced trading on the TSX-V under the former name Carube Copper Corp.

On February 26, 2020, the Company completed the acquisition of all of the issued and outstanding shares of Latin America Resource Group Limited ("LARG") a private Canadian company located in Toronto, Ontario. LARG has a 100% wholly-owned Peruvian subsidiary named KA Oro S.A.C. ("KAO") which holds a 100% beneficial interest in eight exploration concessions and has option agreements to earn a majority interest in five additional concessions. These 13 concessions comprise the Jasperoide copper-gold project, located in the Andahuaylas-Yauri belt of Peru.

The consolidated financial statements include all of the assets, liabilities and expenses of C3 Metals Inc. and its wholly-owned subsidiaries, Carube Resources Inc., Carube Resources Jamaica Limited ("CRJL"), Rodinia Jamaica Limited ("RJL"), Latin America Resource Group Limited, and KA Oro S.A.C.

This MD&A should be read in conjunction with the Company's consolidated annual financial statements for the periods ended August 31, 2020 and 2019 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are presented in Canadian dollars unless otherwise indicated.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This document may contain or refer to certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations*

*in commodity prices, delays in the development of projects, the failure to obtain sufficient funding for operating, capital and exploration requirements and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. C3 Metals undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

## **NATURE OF OPERATIONS AND DESCRIPTION OF BUSINESS**

C3 Metals is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of mineral properties focused on Peru and Jamaica as well as British Columbia and Nova Scotia in Canada. The Company has not determined whether its properties contain mineral resources that are economically recoverable. The recoverability of amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

### **Peru**

On February 26, 2020, the Company completed the acquisition of a 100% interest in LARG. LARG's subsidiary KAO holds a 100% beneficial interest in eight exploration concessions and has two option agreements to earn a majority interest in five additional concessions. These 13 concessions comprise the Jasperoide copper-gold project, located in the Andahuaylas-Yauri belt of Peru. The Jasperoide project concessions cover a total area of 5,696 hectares.

### **Jamaica**

The Company's Jamaican properties are prospective for copper and gold. In Jamaica, the Company currently has 100% ownership of five licences covering 207 square kilometres in area. During August 2019, the Company concluded the sale of six non-core Jamaican licences to Geophysx Jamaica Ltd. ("Geophysx"). The Bellas Gate Project ("BGP") which is comprised of the Bellas Gate and Browns Hall Special Exclusive Prospecting Licences ("SEPLs" or the "licences") is the most advanced stage project, with porphyry and epithermal style copper, gold and silver mineralization.

The Company also holds a 100% interest in two of the Rodinia Jamaica licences known as Main Ridge and Hungry Gully within the Cretaceous Inliers of east-central Jamaica. Additionally, the Company holds a 100% interest in the Arthur's Seat licence also located in the Central Inlier.

The most recent exploration in Jamaica has focused on the Main Ridge project with mapping and prospecting, a grid-based soil sampling program and follow-up rock channel sampling over the eastern area of the Main Ridge project.

## **Nova Scotia**

During April, 2019, the Company acquired, through staking, a 100% interest in four licences comprising the Stewart Brook Gold (“SBG”) project area covering over 46 sq. km. in Guysborough County, Nova Scotia.

## **British Columbia**

The Rogers Creek and Mackenzie properties located in British Columbia, Canada are prospective for copper, gold and molybdenum. Together these properties consist of a total of 32 claims and cover 303 sq. km. in area.

During May 2018, the Company entered into an option earn-in agreement with Tocvan Ventures Corp. (“Tocvan”) who has a right to earn an 80% interest in the Rogers Creek project by spending \$1,900,000 on exploration; payment of \$25,000 cash; and the issuance of 1,300,000 Tocvan common shares over the initial four year earn-in period. Initial payments of \$25,000 cash and 500,000 common shares were received during March 2019. During June 2020, the Company received an additional 200,000 common shares.

Details with respect to the Company’s property interests and exploration programs are described in the section *Overall Performance and Results of Operations*.

## **RECENT ACTIVITY HIGHLIGHTS**

On December 1, 2020, the Company announced the appointment of Mr. Fernando Pickmann as a director of the Company effective December 1, 2020. Mr. Pickmann is a lawyer with over 20 years of corporate, securities and mining law experience. He holds a law degree, an LLM in corporate law and is currently a partner of Dentons law firm in Lima specializing in advising significant mining companies in Peru. Mr. Pickmann was a professor of mining law and strategic alliances at Lima University and has acted as internal legal adviser to the Peruvian government on the Mining Privatization Committee of Centromin, Peru. He has been a board member of PeruPetro (Peruvian agency for oil and gas), is a current director and the president of TSX-V listed Regulus Resources and a director of TSX-V listed Aldebaran Resources.

On September 30, 2020, the Company announced it had completed a comprehensive review of all historical data for the Jasperoide porphyry-skarn district. Three high-priority areas for immediate follow-up of surface exploration and drilling have been identified as follows.

## **Montana de Cobre**

- Extensive 1.5 kilometres of strong copper and gold mineralization hosted in massive magnetite and garnet-diopside skarns coincident with an intense geophysical magnetic high.
- Previous drilling intersected wide intervals of ore-grade copper-gold mineralization, which include:
  - 185.2 metres at 1 percent Cu, 0.39 gram per tonne Au in JADD11-03 (from 22 m);
  - 114.9 m at 0.97 percent Cu, 0.37 g/t Au in JADD12-03 (from 37.1 m);
    - including 34.5 m at 2.55 percent Cu, 0.69 g/t Au (from 103.5 m);
  - 140.3 m at 3.54 percent Cu, 0.33 g/t Au in JADD11-10 (from 70 m);
    - including 24.3 m at 5.76 percent Cu, 0.1 g/t Au (from 86 m).
  - Proximal diorite porphyry shows strong endoskarn and phyllic alteration with porphyry B-type veining.
  - Mineralization remains open in all directions.

### **Cresta Verde**

- Outcropping massive magnetite skarn-hosted copper-gold mineralization coincident with a strong magnetic anomaly extending north from Montana de Cobre.
- A single historical drill hole into the magnetic feature intersected 23.5 m at 1.86 percent Cu (JADD11-20 from 19 m).
- Three kilometres of untested strike potential for immediate stepout drilling.

### **Callejon de Oro**

- Strong magnetic anomaly extending for greater than 1.2 km to the southwest of Montana de Cobre.
- High-grade epithermal-style gold mineralization in trenches and soils.
- Results from trench 24 and a single drill hole, respectively, include: 11 m at 19.5 g/t Au and 1.23 m at 27.2 g/t Au (from 210.9 m).
- Target has been the subject of minimal scout drilling and remains highly prospective.

On August 26, 2020, the Company closed a non-brokered private placement financing with the issuance of 43,636,381 common shares at a price of \$0.055 per common share raising gross proceeds of \$2,400,001.

On June 24, 2020, the Company announced it has received approval from the Peruvian government to resume non-drilling exploration activities at the Jasperoide copper-gold project in Peru. Field based activities at Jasperoide had been put on hold in March with all Carube personnel working from home in order to help protect the health of our employees and the communities in which we operate, a decision that aligns with the Canadian, Peruvian, and Jamaican governments' responses to COVID-19. The Company continues to closely monitor events relating to the COVID-19 pandemic and will continue to revise its plans as required.

While field activities were suspended, the Company initiated a comprehensive review all historical data for the Jasperoide Peru project including drill core and logs, developed a preliminary 3D geologic block model for the deposit, completed design of the 2020-21 drill program and made all preparations for exploration programs to re-commence.

On February 28, 2020, the Company held its annual general and special meeting of shareholders in Toronto, Ontario. All the matters submitted to the shareholders were approved by approximately 94 percent of the votes cast at the meeting. The resolution to change the Company's name to C3 Metals Inc. was approved. The Company implemented the name change on July 31, 2020 associated with a corporate rebranding.

On February 26, 2020, the Company completed the acquisition of all of the issued and outstanding shares of LARG. LARG's Peruvian subsidiary KAO holds a 100% beneficial interest in eight exploration concessions and has two option agreements to earn a majority interest in five additional concessions. These 13 concessions comprise the Jasperoide copper-gold project, located in the Andahuaylas-Yauri belt of Peru.

In accordance with the terms of the share purchase agreement, each LARG shareholder received 3.1 common shares of the Company (the "Exchange Ratio") for each common share of LARG held, resulting in the issuance of a total of 104,025,001 common shares of the Company. All outstanding LARG stock options were exchanged for Company stock options at the Exchange Ratio, resulting in the issuance of 14,070,000 stock options exercisable at \$0.05 per share and expiring on December 7, 2024. The Company also issued 1,400,000 common shares to a finder for this acquisition.

As part of this acquisition, LARG was granted a right to nominate one director to the Company's Board. Ms. Kimberly Ann Arntson was nominated as a director by LARG. This nomination was approved by Company shareholders at the annual meeting held on February 28, 2020.

On January 17, 2020, the Company closed a non-brokered private placement financing with the issuance of 50,100,000 common shares at a price of \$0.05 per common share raising gross proceeds of \$2,505,000.

During September 2019, the Company completed a non-brokered private placement financing raising total gross proceeds of \$260,000 with the issuance of 5,200,000 units. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at \$0.08 per share until their expiry date on September 4, 2022.

### SELECTED ANNUAL INFORMATION

The following tables contain selected annual financial information for the fiscal years ended August 31, 2020, 2019 and 2018.

	<b>Year Ended August 31, 2020 \$</b>	<b>Year Ended August 31, 2019 \$</b>	<b>Year Ended August 31, 2018 \$</b>
Revenue	Nil	Nil	Nil
Total expenses	(958,983)	(2,265,491)	(1,698,984)
Other income (expense)	196,660	(5,654)	(28,987)
Net loss for the year	(762,323)	(2,271,145)	(1,727,971)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.01)
Cash dividend per common share	Nil	Nil	Nil

For the year ended August 30, 2020, total expenses (before other income and expenses) were \$958,983 and were comprised of: \$93,404 related to promotion and investor relations including annual shareholder meeting costs; \$30,392 related to regulatory authority and transfer agent fees; \$122,093 with respect to professional fees for legal, accounting and audit services; \$469,175 with respect to office, general and administrative costs; \$217,527 with respect to project generation and evaluation; and, \$26,392 with respect to share based compensation relating to stock options.

Total expenses (before other income and expenses) were \$1,306,508 lower during fiscal 2020 when compared to fiscal 2019. Promotion and investor relations costs were lower by \$24,225. Costs related to promotional campaigns related to the Company's on-line profile and investor awareness were reduced; additionally, promotional costs related to travel and accommodation were lower. Regulatory and transfer agent fees were \$9,891 higher primarily due to exchange filings related to the LARG acquisition. Professional fees were higher by \$53,848 related to higher legal fees primarily associated with the acquisition of LARG. Office, general and administrative costs were higher by \$52,643 primarily relating to the integration of LARG following the acquisition. Project generation and evaluation costs were \$210,568 lower during the quarter due to the decrease in executive management and technical time, lower consulting costs and lower travel costs related to new project evaluation following the completion of the LARG

acquisition. Share based compensation expense was lower by \$207,802 relating to lower non-cash charges for stock options. During fiscal 2019, the Company recorded a loss on sale of certain Jamaican project licences of \$980,295. No similar loss was recorded during fiscal 2020.

Other income and expenses during the year ended August 31, 2020 totaled a net income amount of \$196,660. Interest income on cash balances during fiscal 2020 was \$8,155. An unrealized gain on the Tocvan marketable securities of \$112,000 was recorded during the year. A gain on sale of acquired equipment of \$101,740 was recorded. Foreign exchange losses on accounts payable and accruals totaled \$25,235.

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

### **Mineral Exploration Properties and Deferred Exploration Expenditures**

#### **Jasperoide Project, Peru**

##### **Overview**

On February 26, 2020, the Company completed the acquisition of a 100% interest in LARG. LARG's subsidiary KAO holds a 100% beneficial interest in eight exploration concessions and has two option agreements to earn a majority interest in five additional concessions. These 13 concessions comprise the Jasperoide copper-gold project, located in the Andahuaylas-Yauri belt of Peru. The Jasperoide project concessions cover a total area of 5,696 hectares. For the five concessions under option agreements, the Company must incur a total of US\$5 million (including a minimum of US\$2,000,000 for La Bruja) in exploration (approx. US\$2.1 million incurred to date, including LARG and KAO expenditures prior to the February 26, 2020 acquisition date) and provide a balance of US\$1,820,000 in cash option payments as detailed below.

The Jasperoide copper-gold project, which is located in the highly prospective Andahuaylas-Yauri belt of Peru, host to several large producing copper-gold-molybdenum deposits and mines owned by major companies, including Las Bambas (MMG), Antapaccay (Glencore) and Constancia (Hudbay). The Jasperoide project hosts a number of copper-gold skarn and porphyry targets at various stages of exploration, with drilling by previous explorers intersecting intervals of copper-gold mineralization. The Company's due diligence has also identified the potential for porphyry-style copper-gold mineralization.

##### **La Bruja Option Agreement**

Two concessions are subject to an option agreement with Inversiones La Bruja S.A.C. ("La Bruja"), where the Company can earn a 100% interest in the equity shares of La Bruja subject to minimum exploration expenditures of US\$2,000,000 and total cash option payments of US\$2,000,000. As at August 31, 2020, cash option payments totalling US\$180,000 had been provided with a balance of US\$1,820,000 outstanding. During June 2020, amending agreements to adjust the timing of cash option payments and exploration expenditure requirements were concluded. Future anniversary payments due by August 31 each year are as follows: 2021 – US\$320,000; 2022 – US\$500,000; and, 2023 – US\$1,000,000.

As at August 31, 2020, a total of US\$267,225 of exploration expenditures had been incurred with a balance of US\$1,732,775 remaining to be incurred by August 31, 2023. Of that total, cumulative exploration expenditures of US\$500,000 are required by August 31, 2021. Following the earn-in of a 100% interest in the concessions a net smelter return ("NSR") royalty of 1.5% would be payable to the former shareholders of La Bruja.

### **Ares Option Agreement**

Three concessions are subject to an option agreement with Compania Minera Ares S.A.C. (“Ares”) where the Company has the right to earn an initial 51% interest in these concessions subject to incurring exploration expenditures of US\$5,000,000, including certain administrative costs, by October 2023. As of August 31, 2020, a total of US\$2,119,640 in expenditures had been incurred with an outstanding balance of US\$2,880,360 remaining. The La Bruja concessions are located within an area of interest defined in the option agreement such that exploration expenditures of \$267,225 incurred for the La Bruja concessions also qualify for the Ares earn-in.

Following the earn-in of a 51% interest in these mineral concessions, a new joint venture company is to be formed where the Company would hold an initial 51% equity interest and Ares would hold a 49% equity interest. Either party will then be required to co-fund their pro-rata share of ongoing exploration expenditures or would be subject to dilution. If either party were diluted to less than a 15% interest their interest would convert to a 1.5% NSR royalty with the other party then holding a 100% interest in the joint venture company. If the Company maintains greater than a 50% interest in the joint venture it would continue to be operator.

### **Jasperoide Project Property and Exploration Costs**

The fair value of the common share and other consideration provided for the acquisition of LARG totaled \$7,205,150 and was allocated to the fair value of net identifiable assets acquired. This resulted in a value of \$7,540,390 being allocated to mineral exploration property assets for the Jasperoide project. From the time of acquisition to August 31, 2020, additional concession fees and related costs of \$157,674 were incurred. During August 2020, a cash option payment of \$92,963 (US\$70,000) was made with respect to the La Bruja option agreement. As at August 31, 2020, the carrying value of the Jasperoide mineral property costs was \$7,728,935.

During the period from acquisition to August 31, 2020, the Company incurred a total of \$258,906 with respect to Jasperoide project exploration costs. Components of total costs comprised \$97,651 relating to geology; \$105,788 related to drill program planning and design; \$41,657 relating to community and social development; \$276 related to health and safety; and, \$13,534 related to Peruvian IVA tax on these expenditures.

### **The Bellas Gate Project, Jamaica**

#### **Overview**

The BGP is comprised of the Bellas Gate and Browns Hall SEPLs located within deformed, altered and mineralized Cretaceous rocks, primarily volcanics, within the Central Inlier of Jamaica. The licences are contiguous and cover 84 square kilometres in area. The Spaniards placer mined gold in the 16<sup>th</sup> century within the Central Inlier and high-grade copper veins were mined at two sites there in the mid-1800s. Subsequently, no significant exploration or development was undertaken until the 20<sup>th</sup> century when exploration was focused on copper. The BGP is subject to a 2% net smelter royalty (NSR) in favour of Clarendon Consolidated Minerals Ltd., the original vendor of the property. The Company’s exploration programs at the BGP are focused on defining copper and gold porphyry resources.

#### **OZ Minerals Term Sheet and Definitive Agreement**

During May 2013, the Company entered into a term sheet with OZ Minerals, with a definitive joint venture agreement concluded during May 2015. Significant terms included that OZ Minerals was required to incur staged exploration expenditures of \$6.5 million and staged cash payments to the Company of \$475,000

over a maximum period of 3.5 years to earn a 70% interest in the BGP. After completing the expenditures to earn a 70% interest, in February 2016, OZ Minerals elected to earn a further 10% interest by financing all work to the end of a feasibility study. In September 2016, OZ Minerals, for corporate reasons, elected to withdraw from the Bellas Gate Joint Venture.

During September 2016, the Company announced it had finalized a purchase agreement with OZ Minerals to acquire a 100% interest in OZ Minerals' holdings in Jamaica which include the 70% interest that OZ Minerals had earned in the BGP in addition to other property licences OZ Minerals had acquired in Jamaica.

### **Bellas Gate Project Property Costs**

As at August 31, 2020, the Company had a capitalized balance of \$1,734,520 (August 31, 2019 - \$1,732,373) with respect to property costs for the BGP. Licence renewal fees of \$203 were incurred by the Company during fiscal 2020.

### **Bellas Gate Project Summary of Past Exploration Activity; 2011 to 2017**

<b>Year</b>	<b>Operator</b>	<b>Geophysics</b>	<b>Soil Sampling</b>	<b>Trenching</b>	<b>Drilling</b>	<b>Highlights</b>
2011 and 2012	Carube Resources			800m	3,500m	Camel Hill: 170m of 0.32% Cu in drill hole CH12-01 and 207m of 0.27% Cu and 0.15 g/t Au in drill hole CH12-07
2013	Carube Resources		5,865 samples			15 new target areas defined by copper in soil anomalies including Provost, Hendley, MAB, Geo Hill and Coffee.
2014	OZ Minerals	1,867 line kms airborne mag and radiometrics.	1,887 samples		3,964m	Connors: 294m of 0.56% CuEq; including 96m of 1.00% CuEq, in drill hole DDH-CON-14-005
2015	OZ Minerals		1,095 samples		6,911m	Hendley: 261m @ 0.26% CuEq in drill hole HEN-15-003
2016	OZ Minerals	46 km of IP			728m	Provost: 339m of 0.34% CuEq, including 10m of 1.79% CuEq in drill hole PVT-16-002
2017	Carube Copper				1,900m	Provost: 340.1m of 0.09 g/t Au and 0.20% Cu or 0.25% CuEq including 55.0m of 0.27 g/t Au and 0.35% Cu or 0.51% CuEq in PVT-004

*Table 1: Summary of exploration activity from 2011 to 2017*

### **Bellas Gate Project Exploration Expenditures**

As at August 31, 2020, exploration expenditures incurred directly by the Company for the BGP have a total carrying value of \$4,184,863 (August 31, 2019 - \$4,416,175). These costs are comprised of the Company's direct exploration expenditures and exclude any exploration previously funded previously by OZ Minerals. Costs incurred by the Company during the year ended August 31, 2020 total \$99,077 and related to geology of \$50,665; geochemical of \$433; drilling related costs of \$33,162; environmental costs of \$819; community and social development costs of \$13,103; and, health and safety costs of \$895.

### **Rodinia and Other Licences, Jamaica**

The Company retains a 100% interest in three licences in Jamaica including the Main Ridge, Hungry Gully and Arthur's Seat licences. This is in addition to the Bellas Gate and Brown's Hall licences, comprising the BGP.

### **Acquisition of Rodinia Jamaica Limited**

On March 31, 2012, the Company completed the acquisition of a 100% interest in Rodinia Jamaica Limited ("RJL") from Tigers Realm Metals Pty Limited ("TRM") and Rodinia Resources Pty Limited ("Rodinia"). RJL held a 100% interest in four Special Exploration Prospecting Licences ("SEPLs" or "Rodinia Licences"), which total 184 sq. km. in area and which are known as Belvedere, Hungry Gully, Main Ridge and Mount Royal. The Belvedere and Mount Royal SEPLs are contiguous and are considered one project area known as the Above Rocks Project. Rodinia retains a 2% NSR in respect of the four licences.

### **Other Jamaica Projects acquired from OZ Minerals**

During September 2016, the Company announced it had finalized a heads of agreement with OZ Minerals to acquire a 100% interest in OZ Minerals' holdings in Jamaica which, in addition to the 70% interest that OZ Minerals had earned in the BGP, included five licences covering 276 square kilometres which OZ Minerals had acquired directly in 2014. In April 2017, Carube received the official transfer documents from the Jamaican Ministry of Transportation and Mines for these five additional SEPLs. The licences include Arthurs Seat, Windsor Castle, Berkshire Hall, Mount Ogle and Shirley Castle. All licences have previously had airborne geophysics, which includes magnetics and radiometrics, flown over them by OZ Minerals. OZ Minerals undertook reconnaissance work at the Mammee Hill prospect on the Shirley Castle licence, conducting reconnaissance mapping, rock chip sampling and ridge and spur soil sampling for 298 samples.

The Company's 100% interest in the five licences was subject to a single potential future payment to OZ Minerals of \$1.5 million within one year of commencement of commercial production on any of the five licences. Each of the licences were subject to a 2% NSR with a buyback of one-half of the NSR for \$500,000. During May 2019, the Company completed amendments to the agreement with OZ Minerals to: (i) waive the \$1.5 million payment within one year of commencement of commercial production if the mineral product is less than 10,000 tonnes per annum; and, (ii) reduce the 2% NSR to a 1% NSR with a buyback of one-half for \$250,000 on any of the SEPLs.

### **Agreement for Sale of Six Jamaican Exploration Licences**

On June 19, 2019, the Company announced an agreement with Geophysx Jamaica Ltd. ("Geophysx"), pursuant to which Geophysx has acquired six of the Company's SEPLs located in Jamaica including four of the SEPLs previously acquired from OZ Minerals and two of the Rodinia SEPLs. The SEPLs contain

early-stage copper-gold exploration projects and include the Belvedere, Mount Royal, Mount Ogle, Berkshire Hall, Windsor Castle and Shirley Castle SEPLs.

Pursuant to this agreement, Geophysx acquired a 100% interest in each of the projects for total cash of \$277,605 (a payment of US\$5,000 upon execution of the initial letter of intent (received during May 2019); and, a payment of US\$205,000 from trust upon transfer of title of the SEPLs to Geophysx (received August 2019). The Company retains a NSR royalty of 1% on four of these SEPLs. Geophysx will have the right to buy down the first half of the NSR for US\$50,000 per each 0.1% of the NSR (total of US\$250,000) and the second half of the NSR for US\$70,000 per each 0.1% of the NSR (total of US\$350,000). Geophysx would make future cash payments to the Company at milestones following commencement of commercial production that could total US\$240,000.

### **Main Ridge and Hungry Gully Exploration Activity 2015 to Date**

Soil geochemistry surveys were completed on the two licences during 2014 and 2015. At Main Ridge, a one-kilometre long segment in the southwestern part of the licence was characterized by anomalous copper values of 250 to 664 ppm copper and gold values of up to 33 ppb.

There are two highly prospective targets at Main Ridge, including:

- the Main Ridge Gold Zone (MRGZ) as defined by gold in soils, an airborne potassium anomaly and distinct structures extends over two kilometres to the west-northwest of the former Pennants gold mine.
- the Orange Hill Copper Prospect (OHCP) is located on the western part of Main Ridge and is characterized by a large magnetic feature coincident with the copper-gold in soil anomalies.

During 2018, additional mapping and sampling focused on the Main Ridge Gold Zone where results show gold mineralization associated with structural trends hosting quartz, carbonate and adularia veins. Gold mineralization is associated with the low angle northwest striking structure, along dilational jogs developed at the intersection of the low angle northwest structures and cross cutting steeply dipping northeast structures. The width of mapped low angle structures is variable, but locally up to 10 metres in apparent thickness. Results include: 19.3 g/t gold at Mango Valley, 12.0 g/t gold at Donkey Hill and 1.7 g/t gold at Silver Fish which are three newly identified showings within the MRGZ.

During October and November 2018, the Company announced additional positive results from its surface exploration program at the Main Ridge project. A grid-based soil sampling program extended the strike length of the coherent zone of strong gold in soils to 5,500 metres, parallel to the trend of the Bennet Gold Zone (BGZ). Results to date validate the exploration team's interpretation that the gold-bearing quartz-adularia-rhodochrosite veins extend northwest and southeast of the former Pennants gold mine. Mapping, sampling and trenching will continue west and east of the former Pennants mine, to define the structural controls on gold mineralization and define the source of high copper in soils within the project area.

During January 2019, the Company announced assay results from soil and rock sampling over the eastern area of the Main Ridge project. The mapping and prospecting, grid-based soil sampling program and follow-up rock channel sampling have identified high-grade copper-silver mineralization along the Rio Minho Valley, located immediately northeast of and parallel to the BGZ. Highlights of rock channel sampling results include:

- Channel sampling at the Cobre Verde prospect returned:
  - 16.0 metres at 1.22 percent copper plus 7.8 g/t silver;
  - Including 8.0 m at 1.61 percent copper plus 10.5 g/t silver;
  - Including 4.0 m at 2.21 percent copper plus 15.8 g/t silver;
- Channel sampling at the Lime Valley prospect returned:
  - 2.0 m at 6.07 percent copper plus 19.4 g/t silver;
  - 2.0 m at 1.92 percent copper plus 8.1 g/t silver;
- Channel sampling at the Trout Hall prospect returned:
  - 6.0 m at 2.0 percent copper, 6.0 m at 1.6 percent copper.

### **Rodinia and Other Licences Acquisition Costs**

As at August 31, 2020, total property costs for the Rodinia and other licences have a carrying value of \$869,683 (August 31, 2019 - \$867,130). Licence renewal fees were \$681 during fiscal 2020.

### **Rodinia and Other Licences Exploration Expenditures**

As at August 31, 2020, the carrying value of exploration costs for the Rodinia and Other Licences totals \$623,335 (August 31, 2019 - \$612,740). During the year ended August 31, 2020, the Company incurred total costs of \$44,064 primarily related to work at Main Ridge. This was comprised of geology costs of \$38,949; geochemical costs of \$926; drilling and related costs of \$158; environmental costs of \$819; and, community and social development costs of \$3,212.

### **Stewart Brook Gold, Nova Scotia, Canada**

During April, 2019, the Company acquired, through staking, a 100% interest in four licences comprising the Stewart Brook Gold (“SBG”) project area covering over 46 sq. km. in Guysborough County, Nova Scotia. The SBG project area was staked because it shows district-scale exploration potential for saddle reef and vein-style gold mineralization. Property highlights include:

- Located along strike of Atlantic Gold's Cochrane Hill deposit;
- Large gold-in-till anomaly defined, measuring 8,000 metres by 4,000 metres;
- Three historical gold districts located within five kilometres;
- Mapped anticline and synclines with cross-cutting faults; and,
- Excellent infrastructure, access and investor-friendly jurisdiction.

During May 2019, the Company commenced a till sampling program at SBG. The results of this initial exploration program were announced on July 18, 2019. Highlights of these results include: (i) anomalous gold values in 13 of the 22 samples collected; (ii) confirmation of the 8,000-metre by 4,000-metre gold-in-till anomaly defined by historic work conducted in the 1980s with up to 222 ppb Au in till; (iii) sampling to the south and west identified a new 1,240 ppb Au in till anomalous sample; and (iv) completed north-to-south till sample lines for gold grain analysis and determined potential travel distance.

The historic till and soil geochemical surveys over the SBG area was undertaken by Seabright Resources Inc. in the late 1980's, which defined an 8,000m by 4,000m gold in till anomaly. Seabright's till sampling program was very successful in defining highly anomalous gold in the Stewart Brook area. Of the 169 historic samples taken in the vicinity of the Stewart Brook Gold project, gold in till values ranged from nil to 7,000 ppb Au, with a mean value of 195.6 ppb Au and a median value of 7 ppb Au. These historic results have now been verified by the Company's recent till sampling program, which yielded 13 till samples with visible gold that assayed from 4 to 222 calculated ppb Au in Heavy Mineral Concentrate (HMC).

A new gold in till anomaly was also identified in a single isolated sample (with no samples within one kilometre) along the southwestern border of the SBG project. The lone till sample returned 1,240 calculated ppb gold and was collected less than a kilometre east-northeast from the Country Harbour Gold District. Anticline and syncline structures mapped to the west of Country Harbour are interpreted to extend onto the SBG project area based on the early mapping work of geologist E.R. Faribault.

In total, 22 till samples were extracted, inspected and analyzed. Till samples were sent to Overburden Drilling Management located in Ottawa, Ontario, where gold grains were separated from the heavy mineral concentrates and counted, measured and classified. Till data provided important information regarding potential distance of glacial transport, and more importantly proximity to bedrock.

During the year ended August 31, 2019, the Company incurred initial costs for the licences of \$2,602 for SBG and incurred exploration expenditures of \$28,971, comprised of \$18,951 for geology and \$10,020 for geochemical work. During the year ended August 31, 2020, additional geology costs of \$8,224 were incurred. As at August 31, 2020, the carrying value of exploration costs totals \$37,195.

The next phases of exploration work will focus on the "up-ice" priority areas and will include ground geophysics, prospecting and mapping, and drilling, if warranted. Expansion and refinement of the gold target will occur as new results and interpretations are completed.

### **British Columbia, Canada Properties – Rogers Creek and Mackenzie**

The Rogers Creek and Mackenzie Projects were acquired with the reverse takeover of Miocene. As at August 31, 2020 property costs total \$3,179,850 (August 31, 2019 - \$3,229,385). During March 2019, the Company received a cash payment of \$25,000 and a share payment valued at \$50,000 from Tocvan Ventures Corp. related to the option agreement for the Rogers Creek property (see below). During June 2020, the Company received a first anniversary share payment valued at \$50,000 from Tocvan. These amounts were offset against prior project acquisition costs.

During the year ended August 31, 2020, the Company incurred a total of \$13,690 in exploration costs for the Mackenzie project including geology costs of \$10,390 and geochemical costs of \$3,300.

### **Rogers Creek**

The Rogers Creek copper-gold property is located in southwestern British Columbia, near the town of Pemberton. The property now consists of 23 mining claims covering 212 square kilometres. The property is currently 100% owned subject to an underlying 2.5% NSR, which is payable upon production, half of which could be purchased for \$1.25 million. The property is located in an easily accessible area with excellent infrastructure including a major power line, which crosses the western side of the property, and an extensive logging road network.

During May 2018, the Company entered into an option earn-in agreement with Tocvan Ventures Corp. who have a right to earn an 80% interest in the Rogers Creek project by spending \$1,900,000 on exploration; payment of \$25,000 cash; and the issuance of 1,300,000 Tocvan common shares over the initial four year earn-in period. Initial payments of \$25,000 cash and 500,000 common shares were received during March 2019 following the Canadian Securities Exchange's approval of Tocvan's going public transaction. During June 2020, the company received the first anniversary payment of 200,000 common shares. Following the successful completion of the earn-in, an 80% / 20% joint venture will be formed where the Company would retain a 20% interest in the project subject to funding future pro-rata expenditures. A 3% NSR royalty is

payable by Tocvan to the Company with advance royalty payments of \$50,000 per year after Tocvan has earned its 80% interest.

Tocvan is now operating exploration programs at the Rogers Creek property. During the 2019 field season a rock sampling program and induced polarization geophysical survey were completed. Due to COVID-19, a contemplated diamond drilling program was postponed until 2021.

Four target areas within the Miocene age Rogers Creek Pluton have been identified on Rogers Creek, based on geophysics, geochemistry, and the presence of alteration and/or mineralization. Exploration work has identified a six by two kilometre area of widespread propylitic alteration, localized copper-gold mineralization and multi-element soil anomalies, including copper, gold and molybdenum.

### **Mackenzie**

The Mackenzie copper-gold property is located in southwestern British Columbia, approximately 100 kilometres west of Lillooet, the nearest population centre, a railhead, source of high-tension power and major roads. Forest service access roads cross the northern and southern claim boundaries and link the property with the town of Gold Bridge, which is located about 40 kilometres to the east.

Mackenzie now consists of nine mining claims covering approximately 91 square kilometres. The British Columbia Government in response to COVID-19, has issued a blanket Time Extension Order for all claims. For the Mackenzie project, assessment work is due before December 31, 2021.

Four of the nine claims that make up the Mackenzie Project are subject to a 2% NSR in favour of the original vendor of the claims. This royalty does not extend to the western half of the Mackenzie property that includes the Bornite Trend where narrow quartz-chalcopyrite-bornite veins were found over a broad area. The Company has the right to buy-back 62.5% of the NSR for the purchase price of \$1,000,000 (adjusted for CPI) with an additional right of first refusal for the remaining 37.5% of the NSR should the original vendor decide to sell all or any part of his interest in the NSR. Additionally, a 1.75% NSR royalty on the Mackenzie property was granted to Wallbridge Mining Company Ltd. ("Wallbridge") in connection with Miocene's prior line of credit arrangements with Wallbridge. The Wallbridge NSR can be repurchased for \$1,750,000.

During August 2019, the Company announced that it had completed a mapping and sampling program at the Mackenzie Project. Previous work has identified three copper-bearing trends across the 91 sq. km. project area. The 2019 exploration program focused on two of the areas, namely the Bornite trend and the Breccia trend prospects. At the Breccia trend, broad zones of gossanous and silicified rock have been identified over a 1,200-metre by 600 m area; copper staining was observed in multiple outcrops; and, host rock is a breccia cut by sheeted and quartz stockwork veins. At the Bornite trend, bornite and chalcopyrite mineralization is hosted by planar and quartz stockwork veins and vein-style mineralization has been defined along a 7.5 km strike length.

From 2012 to 2015, work included mapping and sampling at the Tillworth Trend, Bornite Trend and the Breccia Trend. At the Bornite Trend, copper values ranged up to a maximum of 4.34% Cu with Au ranged from 0.001 to 0.445 g/t; and Ag from 3.34 to 4,170 g/t. Mineralization is located approximately ten kilometres south of Amarc Resource's IKE deposit.

During September 2015, a high resolution airborne magnetic and radiometric survey, which covered a 57 square kilometre area and included the Bornite Trend, was completed on the Mackenzie Project.

Several important characteristics of the area are revealed from interpretation of the airborne magnetic and radiometric data:

- Elevated values in the potassium radiometrics suggesting a potassic alteration zone associated with porphyry mineralization occurs over an area at least 6km long by 3km at its widest point within and parallel to the contact of the Bridge River Pluton.
- A large magnetic body — about 2,000m long by 500m wide and 150m below surface — lies directly beneath high copper values on surface in grab samples. Previous mapping and sampling indicate a strong association between copper mineralization and magnetite.
- Interpreted structural zones coincide well with surface exposures of mineralization that parallel the Bridge River Pluton contact. Cross structures also show magnetic enhancement and correlation with copper in grab samples.

In September 2016, a sampling program was focussed on the higher magnetic zones identified at the Bornite Trend. These sample results indicate three zones of anomalous copper in soil along the edge of the potassic altered intrusive.

All technical information within this document has been reviewed and approved by Stephen Hughes, P. Geo., an officer and director of the Company in his capacity as a qualified person as defined under National Instrument 43-101.

## **Results of Operations**

### **Expenses**

For the year ended August 31, 2020, total expenses (before other income and expenses) were \$958,983 and were comprised of: \$93,404 related to promotion and investor relations including annual shareholder meeting costs; \$30,392 related to regulatory authority and transfer agent fees; \$122,093 with respect to professional fees for legal, accounting and audit services; \$469,175 with respect to office, general and administrative costs; \$217,527 with respect to project generation and evaluation; and, \$26,392 with respect to share based compensation relating to stock options.

Total expenses (before other income and expenses) were \$1,306,508 lower during fiscal 2020 when compared to fiscal 2019. Promotion and investor relations costs were lower by \$24,225. Costs related to promotional campaigns related to the Company's on-line profile and investor awareness were reduced; additionally, promotional costs related to travel and accommodation were lower. Regulatory and transfer agent fees were \$9,891 higher primarily due to exchange filings related to the LARG acquisition. Professional fees were higher by \$53,848 related to higher legal fees primarily associated with the acquisition of LARG. Office, general and administrative costs were higher by \$52,643 primarily relating to the integration of LARG following the acquisition. Project generation and evaluation costs were \$210,568 lower during the quarter due to the decrease in executive management and technical time, lower consulting costs and lower travel costs related to new project evaluation following the completion of the LARG acquisition. Share based compensation expense was lower by \$207,802 relating to lower non-cash charges for stock options. During fiscal 2019, the Company recorded a loss on sale of certain Jamaican project licences of \$980,295. No similar loss was recorded during fiscal 2020.

### **Other Income and Expense**

Other income and expenses during the year ended August 31, 2020 totaled a net income amount of \$196,660. Interest income on cash balances during fiscal 2020 was \$8,155. An unrealized gain on the Tocvan marketable securities of \$112,000 was recorded during the year. A gain on sale of acquired

equipment of \$101,740 was recorded. Foreign exchange losses on accounts payable and accruals totaled \$25,235.

### Net Loss and Loss per Common Share

For the year ended August 31, 2020, net loss was \$762,323 (fiscal 2019 – \$2,271,145). Basic and diluted loss per common share was \$0.00 (fiscal 2019 – \$0.01). As the Company incurred a net loss for each of these years, the diluted number of common shares outstanding excludes all contingently issuable shares as they have an anti-dilutive effect for the years presented.

### Other Comprehensive Income (Loss)

Upon consolidation, the financial statements of the Jamaican subsidiaries (CRJL and RJL) and Peruvian subsidiary (KAO) are translated into Canadian dollars as follows: assets and liabilities - at the closing rate at the date of the statement of financial position, and income and expenses - at the average rate for the period. All resulting foreign exchange translation adjustments are recognized in other comprehensive income (loss). During the year ended August 31, 2020 a foreign currency translation loss of \$442,241 (fiscal 2019 – gain of \$102,551) was recorded in other comprehensive loss.

## SUMMARY OF INTERIM FINANCIAL INFORMATION AND FOURTH QUARTER EVENTS

The following table contains a summary of unaudited quarterly information for the eight quarters ended August 31, 2020.

	Fiscal 2020				Fiscal 2019			
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Q1 \$	Q2 \$	Q3 \$	Q4 \$
<b>Revenue</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Expenses:</b>								
Promotion and investor relations	12,691	36,700	16,975	27,038	32,768	50,511	21,050	13,300
Regulatory authority and transfer agent fees	4,857	7,285	11,890	6,360	4,809	5,047	6,199	4,446
Legal, accounting, audit & advisory	16,289	44,535	31,953	29,316	12,816	10,771	19,571	25,087
Office, general and administrative	91,345	132,238	101,733	143,859	131,109	103,001	95,008	87,414
Project generation and evaluation	157,998	51,737	3,060	4,732	93,268	85,499	95,706	153,622
Share based compensation	7,198	7,198	7,198	4,798	29,952	29,377	155,181	19,684
Loss on sale of licences to Geophysx Jamaica Ltd.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	980,295
Other expenses (income) total	(31,969)	(25,759)	(111)	(138,821)	(4,163)	(1,568)	(1,669)	13,054
<b>Net loss</b>	258,409	253,934	172,698	77,282	300,559	282,638	391,046	1,296,902
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)

Significant fluctuations in quarterly expenses are summarized as follows.

During the fourth quarter of fiscal 2020, the Company realized a gain on the sale of acquired drilling equipment of \$101,740 (see note 7).

Throughout fiscal 2019 and up to mid 2020, the Company was active in evaluating potential new mineral properties incurring consulting fees, salaries and related travel and accommodation costs. During the fourth quarter of fiscal 2019 an exclusivity payment to LARG of \$75,000 was also recorded in project generation and evaluation expense. Share based compensation expenses were higher during the third quarter of fiscal 2019 related primarily to charges for new stock options granted during the quarter that were valued at \$125,804. During the fourth quarter of fiscal 2019, the Company realized a loss on sale of six Jamaican property licences to Geophysx of \$980,295.

There were no significant unusual fourth quarter events during either fiscal 2020 or 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at August 31, 2020, the Company held cash and cash equivalents of \$3,235,301 (August 31, 2019 – \$109,863) and had working capital of \$3,104,258 (August 31, 2019 – \$96,642). The Company has financed its operations primarily with equity financing.

On August 26, 2020, the Company closed a private placement financing with the issuance of 43,636,381 common shares at a price of \$0.055 per common share raising gross proceeds of \$2,400,001. In connection with this financing, the Company paid cash commissions of \$108,319 and issued 1,755,000 compensation options to finders. Each compensation option entitles the holder to purchase a common share at a price of \$0.055 per share until their expiry date on August 26, 2022.

On January 17, 2020, the Company closed a private placement financing with the issuance of 50,100,000 common shares at a price of \$0.05 per common share raising gross proceeds of \$2,505,000. In connection with this financing, the Company paid cash commissions of \$49,860 and issued 997,200 finder's warrants. Each finder's warrant entitles the holder to purchase a common share at a price of \$0.05 per share until their expiry date on January 18, 2022.

During September 2019, the Company completed a private placement financing raising total gross proceeds of \$260,000 with the issuance of 5,200,000 units. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at \$0.08 per share until their expiry date on September 4, 2022.

The Company will require additional funding to be able to acquire, advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

The Company continues to seek joint venture funding for its exploration projects and has ongoing discussions with a number of companies.

### ***Financing activity during fiscal 2019***

Under the terms of the Geophysx sale agreement for six non-core SEPLs in Jamaica, the Company received cash proceeds of \$277,605 (US\$210,000) during August 2019.

### **Contractual Obligations**

The Company does not have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments. Any commitments under exploration option agreements are cancellable at the Company's option but would result in forfeiture of rights under such agreements.

### **OUTSTANDING SHARE DATA**

Information with respect to outstanding common shares, warrants, compensation options, compensation option warrants, stock options, restricted share units and deferred share units as at December 8, 2020, August 31, 2020 and August 31, 2019 is as follows:

	<b>December 8, 2020</b>	<b>August 31, 2020</b>	<b>August 31, 2019</b>
Common shares	375,168,311	375,168,311	170,806,929
Warrants	29,229,750	29,229,750	25,775,000
Compensation options	2,752,200	2,752,200	2,035,500
Compensation option warrants	-	-	1,017,750
Stock options	28,505,000	28,705,000	15,135,000
Restricted share units (RSUs)	-	-	-
Deferred share units (DSUs)	1,551,694	1,551,694	1,551,694
Fully diluted shares outstanding	437,206,955	437,406,955	216,321,873

On August 26, 2020, a private placement financing was closed resulting in the issuance of 43,636,381 common shares and 1,755,000 compensation options. During January 2020, a private placement was closed resulting in the issue of 50,100,000 common shares and 997,200 compensation options. During September 2019, a private placement was closed resulting in the issue of 5,200,000 common shares and warrants. On February 26, 2020, the Company issued a total of 105,425,001 common shares and 14,070,000 stock options in connection with the LARG acquisition.

During February 2020, a total of 970,250 warrants expired. During May 2020, a total of 775,000 warrants expired. During March 2020, a total of 2,035,500 compensation options and 1,017,750 underlying compensation option warrants expired.

On March 16, 2020, the Company announced that it would extend the expiry date of a total of 24,029,750 warrants that were to expire during March 2020, by a one-year period.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash and cash equivalents, restricted deposits, marketable securities, accounts payable and accrued liabilities. Details relating to financial instruments and risk management associated with credit risk, liquidity risk, currency risk and interest rate risk are disclosed in note 14 to the annual consolidated financial statements for the years ended August 31, 2020 and 2019.

## **PROPOSED TRANSACTIONS**

The Company periodically reviews potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. The Company continues to evaluate such opportunities.

## **RELATED PARTY TRANSACTIONS AND COMPENSATION OF KEY MANAGEMENT**

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Chief Financial Officer, Vice President, Business Development and Director. Compensation awarded to key management for the fiscal years ended August 31, 2020 and 2019 is set out in note 13 to the annual consolidated financial statements.

The Company has management service agreements with each of its President and Chief Executive Officer, Vice President, Business Development and Chief Financial Officer which provide for a payment upon termination without cause. These payments are equivalent to 3 months' compensation for each of these individuals. The service agreements also provide that under certain conditions, including a change in control of the Company, that each of these individuals would be entitled to a lump sum payment equivalent to 6 months' compensation irrespective of whether their services were retained subsequent to the change in control.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. The most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mineral exploration properties and deferred exploration expenditures; the valuation of equity instruments including warrants, compensation options and stock options; and, the ability of the Company to continue as a going concern.

Details with respect to critical accounting estimates, judgments and estimation uncertainties are disclosed in note 3 to the annual consolidated financial statements for the years ended August 31, 2020 and 2019.

## **NEW ACCOUNTING STANDARDS**

New and revised accounting standards, the timing of their adoption and the impact of these new standards on the Company's financial statements is discussed in note 2 to the annual consolidated financial statements for the years ended August 31, 2020 and 2019.

## **RISKS AND UNCERTAINTIES**

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. The following factors should be considered.

### **Exploration Stage Company**

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits, with the discovery of copper and gold deposits being the Company's focus. The Company's property interests are in the exploration stage only and are without a known economic mineral deposit. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic mineral deposit, which itself is subject to numerous risk factors. Further, there can be no assurance, even if an economic deposit of minerals is located, that the deposit can be commercially mined. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time with which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of additional ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current business relationships or exploration programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of exploration programs on its properties which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercially mine and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

### **Economic Risk**

The prices of copper, gold, silver and other metals fluctuate. The future direction of the price of any metal or mineral will depend on numerous factors beyond the Company's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of commodities, and therefore on the economic viability of the Company's properties, cannot accurately be predicted. As the Company is only at the exploration stage, it is not yet possible for it to adopt specific strategies for controlling the impact of fluctuations in the price of the commodities for which it explores.

### **Management; Dependence on Key Personnel, Contractors and Service Providers**

Shareholders of the Company rely on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

### **Industry Conditions**

The exploration and development of mineral deposits involve significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing

mines. Major expenses may be required to establish reserves, to develop processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs planned by the Company or its joint venture partners will result in a profitable commercial operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as commodity prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the exploration and development of minerals, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

#### **Value of Common Shares**

The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations which may affect the business of the Company and other factors.

#### **Competition**

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other interests, many of which have greater financial resources than it has, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

#### **Additional Funding and Financing Risk**

Additional funds will be required for future exploration and development. The source of future funds available to the Company is through the sale of additional equity capital or borrowing of funds. There is no assurance that such funding will be available to the Company. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

#### **Environmental Risk**

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company has not been subject to any adverse consequences of such developments to date. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators.

**Title to Property**

Although the Company has taken reasonable measures to ensure proper title to its property mineral rights, there is no guarantee that the mineral rights to all of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

**Uninsured Hazards**

The Company may not always be able or may choose not to obtain insurance for many of the risks that it faces. In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in the value of the Company's securities. The Company is currently not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Given the Company remains in the exploration stage its exposure to environmental risks is considered to be limited. The Company may periodically evaluate the cost and coverage of the insurance that is available against certain environmental risks to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate the Company's available funds or could exceed the available funds that the Company has and result in bankruptcy. Should the Company be unable to fully fund the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

**Conflicts of Interest**

Certain directors and officers of the Company also serve as directors or officers of other companies involved in natural resource exploration, development and production. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

**Foreign Political Risk**

The Company's properties or business operations may be exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to obtain or delays in obtaining necessary exploration or mining permits, opposition to exploration and mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as bylaws and policies of Canada affecting foreign trade, investment and taxation.

**Repatriation of Earnings**

There is no assurance that any countries, other than Canada, in which the Company carries on business or may carry on business in the future, will not impose restrictions on the repatriation of earnings to foreign entities.

### **Permits, Licences and Approvals**

The operations of the Company may require licences and permits from various governmental authorities or permits from surface right landowners. The Company believes it holds or is in the process of obtaining all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations. Such licences and permits are subject to changes in regulations and in various operating circumstances. There can be no guarantee that the Company will be able to obtain all necessary licences and permits that may be required to maintain its exploration activities, construct mines or other facilities and commence operations of any of their exploration properties. In addition, if the Company proceeds to production on any exploration property, it must obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, the discharge of various materials into or on land, air or water, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to obtain such permits and licences or that it will be able to comply with any such conditions.

### **Community Risks**

In addition to mineral tenure and environmental permitting, the Company attempts to engage local communities where it explores. Communities may respond differently to exploration and mineral development activities from region to region. Increasingly the exploration sector is required to engage in social contracts with local residents, communities and surface landowners. Factors affecting social acceptance of exploration are variable and can be unpredictable over time. Local opinions can change rapidly about exploration activities and opinions may not be related to the activity of the Company although its ability to enter an area and conduct its programs may be affected by shifts in perception.

### **Regulatory Matters**

The Company's business is subject to various federal, provincial and local laws governing prospecting and development, taxes, labour standards and occupational health, mine safety, toxic substances, environmental protection and other matters. Exploration and development are also subject to various federal, provincial, state and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to monitor the discharge of waste water and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties.

### **Mineral Price Fluctuations**

The marketability of any mineral is subject to numerous factors beyond the control of the Company. The price of minerals can experience volatile and significant movements over short periods of time. Factors impacting price include, but are not limited to, demand for the particular mineral, political and economic conditions and production levels and costs of production in other areas or countries.

### **Global COVID-19 Pandemic**

During March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by most governments internationally, including the Canadian, provincial and municipal governments, regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown to what extent the impact of 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 extensive geographic spread of the disease, and the inability to predict the duration of the outbreak or reoccurrence of outbreaks, 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 full extent of the impact is unknown, COVID-19 may hinder both the Company's ability to conduct exploration activities in the jurisdictions that it operates in and its ability to raise financing for exploration or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.

## **CORPORATE INFORMATION**

### **Officers and Directors**

Stephen Hughes, B.Sc. (Hons.), APGNS (P. Geo.), MAIG, FSEG – Chief Executive Officer and President and Director

Jeffrey Ackert, B.Sc. – Vice President, Business Development

John McNeice, B. Comm. (Hons.), CA, CPA – Chief Financial Officer

Chris Irwin, BA, LLB – Corporate Secretary

Antony Manini, B.Sc., FAusIMM, FSEG – Director and Executive Chairman of the Board

Kimberly Ann Arntson – Director

Zimi Meka, B. Eng. (Mech) Hons, FAusIMM, MAICD, FIEAust – Director

Fernando Pickmann, LLM – Director

Yale Simpson, BApSc. – Director

Alar Soever, B.Sc., P. Geo. – Director

### **Corporate Web-site**

[www.c3metals.com](http://www.c3metals.com)

### **Corporate Office**

217 Queen Street West,

Suite 401

Toronto, ON M5V 0R2

Phone: (647) 953-5924

### **Independent Auditor**

PricewaterhouseCoopers LLP, Ottawa, Canada

### **Corporate Legal Counsel**

Irwin Lowy LLP, Toronto, Canada

### **Corporate Banker**

The Bank of Nova Scotia, Ottawa, Canada and Kingston, Jamaica