

EMPEROR METALS INC.

Condensed Interim Financial Statements

For the six months ended July 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

To the shareholders of Emperor Metals Inc:

The condensed interim financial statements of Emperor Metals Inc. (the "Company") for the six months ended July 31, 2021 have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

EMPEROR METALS INC.
Condensed Interim Statements of Financial Position
Expressed in Canadian Dollars
(Unaudited)

As at	July 31, 2021	January 31, 2021
Assets		
Current		
Cash	\$ 1,455,129	\$ 1,815,557
Accounts receivable	-	32,250
Goods and services tax receivable	<u>23,641</u>	<u>2,435</u>
	1,478,770	1,850,242
Non-current		
Exploration and evaluation assets (Note 3)	<u>536,305</u>	<u>387,376</u>
Total assets	<u>\$ 2,015,075</u>	<u>\$ 2,237,618</u>
Liabilities		
Current		
Accounts payable	\$ 31,376	\$ 72,563
Deferred flow-through liability (Note 4)	<u>87,750</u>	<u>162,500</u>
	119,126	235,063
Equity		
Share capital (Note 4)	2,271,720	2,271,720
Option and warrant reserve (Note 4)	132,448	132,448
Deficit	<u>(508,219)</u>	<u>(401,613)</u>
	1,895,949	2,002,555
Total liabilities and equity	<u>\$ 2,015,075</u>	<u>\$ 2,237,618</u>

Nature of operations and going concern – Note 1

Approved by the Board of Directors

Director (signed by) “Alex Horsley”

Director (signed by) “Sean Mager”

The accompanying notes form an integral part of these condensed interim financial statements

EMPEROR METALS INC.
Condensed Interim Statement of Loss and Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited)

	Three months ended July 31, 2021	Six months ended July 31, 2021
Expenses		
Advertising and promotion	\$ 2,200	\$ 5,190
Initial listing	48,645	87,102
Management fees (Note 7)	31,500	55,500
Office and administration	3,141	14,349
Professional fees	10,000	15,000
Regulatory and filing fees	7,319	8,832
	<u>\$ (102,805)</u>	<u>\$ (185,973)</u>
Other income		
Interest income (Note 5)	2,236	4,617
Settlement of flow-through liability (Note 4)	74,750	74,750
	<u>(25,819)</u>	<u>(106,606)</u>
Net loss		
	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Basic and diluted income (loss) per common share		
	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Basic and diluted weighted average number of common shares outstanding	<u>30,656,000</u>	<u>30,656,000</u>

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

EMPEROR METALS INC.
Condensed Interim Statement of Changes in Equity
Expressed in Canadian Dollars
(Unaudited)

	Share capital	Option and warrant reserve	Deficit	Total equity
Balance at September 22, 2020	\$ -	\$ -	\$ -	\$ -
Shares issued for cash	2,205,350	-	-	2,205,350
Share issued for property	360,000	-	-	360,000
Share issuance costs – cash	(107,682)	-	-	(107,682)
Share issuance costs – non-cash	(23,448)	23,448	-	-
Flow-through premium liability	(162,500)	-	-	(162,500)
Share-based compensation	-	109,000	-	109,000
Net loss	-	-	(401,613)	(401,613)
Balance at January 31, 2021	\$ 2,271,720	\$ 132,448	\$ (401,613)	\$ 2,002,555
Net loss	-	-	(106,606)	(106,606)
Balance at July 31, 2021	\$ 2,271,720	\$ 132,448	\$ (508,219)	\$ 1,895,949

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

EMPEROR METALS INC.
Condensed Interim Statement of Cash Flows
Expressed in Canadian Dollars
(Unaudited)

	Six months ended July 31, 2021
Cash provided by (used in):	
Operating activities	
Net loss	\$ (106,606)
Items not effecting cash:	
Settlement of flow-through liability	<u>(74,750)</u>
Changes in non-cash working capital:	
Goods and services tax receivable	(21,207)
Accounts payable and accrued liabilities	<u>(41,186)</u>
Cash used in operating activities	<u>(243,749)</u>
Investing activities	
Exploration and evaluation exploration expenditures	<u>(148,929)</u>
Cash used in investing activities	<u>(148,929)</u>
Net decrease in cash	(392,678)
Cash, beginning of period	<u>1,847,807</u>
Cash, end of period	<u>\$ 1,455,129</u>

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

EMPEROR METALS INC.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2021

Expressed in Canadian Dollars

(Unaudited)

1. Nature of operations and going concern

Emperor Metals Inc. (“Emperor” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 22, 2020 as “Alchemy Resources Corp.” The Company changed their name on October 7, 2020 to “Emperor Metals Inc.”. The Company’s head office is at 250 South Ridge NW, Suite 300, Edmonton, Alberta T6H 4M9. The Company is focused on evaluating, acquiring, and exploring mineral properties in Canada. On July 27, 2021, the common shares of the Company were listed on the Canadian Securities Exchange (the “Exchange” or “CSE”) and began trading under the symbol “AUOZ”.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. As at July 31, 2021, the Company recorded net loss of \$106,606 and had working capital of \$1,359,644 and an accumulated deficit of \$508,219. The ability of the Company to continue as a going concern is dependent upon its ability to acquire additional means of financing. Although the Company has been successful in obtaining financing in the past, there can be no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company anticipates that its cash resources will be sufficient to cover its projected funding requirements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the classifications on the statement of financial position. Such adjustments could be material.

On March 11, 2020, the World Health Organization (“WHO”) declared coronavirus COVID-19 a global pandemic. To combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures will have a significant, negative effect on the economies of all nations for an undeterminable period.

2. Basis of presentation and measurement

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements for the year ended January 31, 2021. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended January 31, 2021, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on September 29, 2021.

EMPEROR METALS INC.

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b) Use of estimates and critical judgments

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ. Significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited financial statements for the year ended January 31, 2021.

3. Exploration and evaluation assets

Hemlo North Property

On December 7, 2020, the Company acquired 100% interest in mining claims in the Hemlo North Property by issuing 600,000 common shares at \$0.10 per share. The property is comprised of 12 mining claims, located in Ontario. Certain mining claims are subject to two separate 1.0% Net Smelter Royalties ("NSR").

Pine Grove & Pic River Property

On December 7, 2020, the Company acquired 100% interest in certain mining claims in the Pine Grove and Pic River Properties by issuing 3,000,000 common shares at \$0.10 per share. The properties are comprised of 128 mining claims, located in Ontario. These mining claims are subject to a 2.0% NSR.

Exploration and evaluation property expenditures

	Hemlo North		Pine Grove		Pic River		Total
Balance, September 22, 2020	\$	-	\$	-	\$	-	\$ -
Acquisition - shares		60,000		224,414		75,586	360,000
Geological consulting		-		24,579		-	24,579
Travel and support		-		2,797		-	2,797
Balance, January 31, 2021	\$	60,000	\$	251,790	\$	75,586	\$ 387,376
Assays and drilling		-		588		-	588
Fieldwork rentals		1,215		13,670		5,677	20,562
Freight		-		84		-	84
Geological consulting		3,649		75,716		23,114	102,479
Overhead and management fee		-		1,482		871	2,353
Supplies		-		950		1,320	2,270
Travel and support		-		13,202		7,391	20,593
Balance, July 31, 2021	\$	64,864	\$	357,482	\$	113,959	\$ 536,305

4. Share capital

a) Common shares

The Company's articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital. Each share confers the right to one vote at the annual general meeting.

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance, January 31, 2021 and July 31, 2021	30,656,000	\$ 2,271,720

Escrowed common shares.

As at July 31, 2021, 4,850,000 shares were held in escrow. Under the agreement, 10% of the escrowed common shares will be released from escrow on the date the Company's common shares are listed for trading (the "Initial Release") and an additional 15% will be released on 6-month intervals from the date of the Initial Release.

b) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the tenth anniversary of the date the option was granted.

A summary of stock option activity in the period is as follows:

	Number of options	Weighted average exercise price
Outstanding options, January 31, 2021 and July 31, 2021	2,725,000	\$ 0.10

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

Exercise Price	Number of options	July 31, 2021 Remaining contractual life (years)	Exercise Price	Number of options	January 31, 2021 Remaining contractual life (years)
\$ 0.10	2,725,000	4.4	\$ 0.10	2,725,000	4.9
\$ 0.10	2,725,000	4.4	\$ 0.10	2,725,000	4.9

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c) *Warrants*

A summary of share purchase warrant activity in the period is as follows:

	Number of Warrants	Weighted average exercise price
Outstanding warrants, January 31, 2021 and July 31, 2021	781,600	\$ 0.10

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

Exercise Price	Number of warrants	July 31, 2021 Remaining contractual life (years)	Exercise Price	Number of warrants	January 31, 2021 Remaining contractual life (years)
\$ 0.10	781,600	1.4	\$ 0.10	781,600	1.9
\$ 0.10	781,600	1.4	\$ 0.10	781,600	1.9

5. **Flow-through premium liability**

On December 31, 2020, the Company completed a flow-through placement of 1,625,000 shares at \$0.20 per share for gross proceeds of \$325,000 and recognized a deferred flow-through premium of \$162,500 as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at July 31, 2021, the Company has incurred \$148,929 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$74,750 in connection with the settlement of the flow-through liability was recognized in other income.

6. **Financial instruments and risk management**

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

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The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's share capital as well as the Company's reporting currency is denominated in Canadian Dollars. The Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities, therefore interest rate risk is limited to potential decreases on the interest rate offered on cash held with its financial institution. The Company considers this risk to be minimal.

Commodity price risk

Commodity price risk is the risk that the value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions and accounts and other receivables. The Company considers credit risk with respect to its cash is minimal as cash is mainly held with financial institutions that are financially sound based on their credit rating. The Company exposure to credit risk mainly pertains to goods and services tax receivable of \$23,641.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at July 31, 2021, all of the Company's financial liabilities are due within one year.

As at July 31, 2021, the Company had a working capital of \$1,359,644 and it does not have any monetary long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future.

Determination of fair value

The statements of financial position carrying amounts for cash, goods and services tax receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the objective of the Company. In the management of capital, the Company includes its components of shareholders' equity.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements.

The Company does not have a source of revenue. As such, the Company is dependent on external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management policies on an ongoing basis. The Company is not subject to any externally imposed capital requirements.

7. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the six months ended	July 31 2021
Management fees paid to key management and directors	\$ 55,500
	<u>\$ 55,500</u>