AUXICO RESOURCES CANADA INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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Contents

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of
Auxico Resources Canada Inc.,

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee is composed in majority of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Guimond Lavallée Inc., Chartered Professional Accountants Company, has been appointed to audit the consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

February 24, 2022

/s/ Mark Billings
President

Guimond Lavallée | Chartered professional accountants corporation

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
AUXICO RESOURCES CANADA INC.,

Opinion

We have audited the accompanying consolidated financial statements of AUXICO RESOURCES CANADA INC., and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2021 and September 30, 2020 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 of the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

If, in the light of the work we have done on this other information, we conclude that there is a material misstatement in this other information, we are required to report this fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Bédard.

Guimond Lavallée inc.[1]

Chartered Professional Accountant Company

Brossard (Quebec)
February 24, 2022

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1 CPA auditor, CA, public accountancy permit No. A128615

Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	September 30, 2021	September 30, 2020
ASSETS		
Current assets		
Cash & cash equivalents	**2,563,533**	288,780
Receivables (note 6)	**254,810**	103,733
Prepaid expenses (note 7)	**1,546,960**	156,469
Inventory (note 8)	**126,776**	47,171
Advance to directors (note 18)	**3,098**	3,098
Advance to companies controlled by a director (note 18)	**-**	8,646
Advance to a joint operation (note 9)	**-**	288,360
	4,495,177	896,257
Non-current assets		
Prepaid expenses (note 7)	**500,000**	-
TOTAL ASSETS	**4,995,177**	896,257
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**335,644**	578,628
Income tax payable	**4,314**	4,314
Due to companies controlled by a director (note 18)	**12,733**	34,000
Due to directors (note 18)	**3,883**	36,530
Current portion of finder's fees payable (note 10)	**224,988**	-
Convertible debentures (note 11)	**66,232**	52,298
	647,794	705,770
Non-current liabilities		
Deferred income tax liabilities (note 17)	**-**	70,972
Long-term finder's fees payable (note 10)	**159,601**	-
Convertible debentures (note 11)	**28,121,815**	3,772,435
	28,281,416	3,843,407
TOTAL LIABILITIES	**28,929,210**	4,549,177
DEFICIENCY		
Deficiency attributable to shareholders	**(23,935,120)**	(3,654,952)
Equity attributable to non-controlling interest	**1,087**	2,032
Total deficiency	**(23,934,033)**	(3,652,920)
TOTAL LIABILITIES & DEFICIENCY	**4,995,177**	896,257

Going Concern (note 2)
Commitments (note 23)
Subsequent Events (note 25)

Approved on behalf of the Board:

Pierre Gauthier (*signed*)

Mark Billings (*signed*)

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Sales	**768,544**	-
Cost of sales	**1,252,240**	-
Gross loss	**(483,696)**	-
Selling and administrative expenses (note 20)	**4,379,659**	920,809
Loss before finance income, finance costs and income taxes	**(4,863,355)**	(920,809)
Finance income	**4,196**	-
Finance costs (note 21)	**(25,913,900)**	(2,254,078)
Net finance costs	**(25,909,704)**	(2,254,078)
Loss before income taxes	**(30,773,059)**	(3,174,887)
Income taxes		
Income tax expense (note 17)	**-**	1,842
Deferred (Recovered) income taxes (note 17)	**(70,972)**	14,085
Net loss and comprehensive loss	**(30,702,087)**	(3,190,814)
Net loss and comprehensive loss attributable to:		
Shareholders	**(30,701,142)**	(3,190,674)
Non-controlling interest	**(945)**	(140)
	(30,702,087)	(3,190,814)
Loss per share to equity holders of Auxico Resources Canada Inc. basic & diluted (note 13)	**(0.560)**	(0.071)
Weighted average number of shares outstanding	**54,815,945**	44,885,000

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Total equity (deficiency) attributable to shareholders						
	SHARE CAPITAL (Note 12)		WARRANTS (Note 12)	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY (DEFICIENCY)	NON-CONTROLLING INTEREST
	#	$	$	$	$	$	$
Balance as at September 30, 2020	44,885,000	4,972,177	399,223	1,080,372	(10,106,724)	(3,654,952)	2,032
Stock-based compensation	-	-	-	1,202,836	-	1,202,836	-
Shares and warrants issued in a private placement	9,744,000	3,371,266	1,500,734	-	-	4,872,000	-
Issuance costs – Private placement	-	(207,450)	(92,347)	-	-	(299,797)	-
Issuance costs – Convertible debentures	-	-	56,136	-	-	56,136	-
Exercice of options	895,000	420,540	-	(179,790)	-	240,750	-
Exercice of warrants	4,300,000	1,940,454	(735,454)	-	-	1,205,000	-
Expiry of warrants	-	-	(135,583)	135,583	-	-	-
Conversion of debentures	5,190,000	1,705,209	1,438,840	-	-	3,144,049	-
Net loss and comprehensive loss for the year	-	-	-	-	(30,701,142)	(30,701,142)	(945)
Balance as at September 30, 2021	**65,014,000**	**12,202,196**	**2,431,549**	**2,239,001**	**(40,807,866)**	**(23,935,120)**	**1,087**
Balance as at September 30, 2019	44,885,000	4,972,177	399,223	1,016,600	(6,916,050)	(528,050)	2,172
Stock-based compensation	-	-	-	63,772	-	63,772	-
Net loss and comprehensive loss for the year	-	-	-	-	(3,190,674)	(3,190,674)	(140)
Balance as at September 30, 2020	**44,885,000**	**4,972,177**	**399,223**	**1,080,372**	**(10,106,724)**	**(3,654,952)**	**2,032**

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Cash used in operating activities		
Net loss for the year	**(30,702,087)**	(3,190,814)
Adjustments for:		
Share-based compensation	**1,202,836**	63,772
Unrealized foreign exchange loss	**15,094**	17,522
Write-off of sales tax receivable	**18,634**	2,715
Bad debts	**10,352**	-
Impairment on advance to a joint operation	**400,067**	-
Gain on debt settlement	**(98,147)**	-
Write-down of inventory	**26,535**	-
Deferred income tax expense	**(70,972)**	14,085
Unrealized loss on derivative financial instrument	**935,198**	1,314,801
Fair value adjustment of the embedded derivatives	**23,734,924**	789,621
Accreted interest	**511,588**	103,181
Settlement of payables	**-**	99,310
Transaction costs (note 19)	**462,375**	-
Provision on prepayment of inventory (note 7)	**116,000**	-
Net changes in non-cash working capital items (note 19)	**(2,376,665)**	(208,293)
	(5,814,268)	(994,100)
Cash flows used in investing activities		
Advances to a joint operation	**(126,060)**	(288,360)
Advances to companies controlled by a director	**8,646**	(35,973)
	(117,414)	(324,333)
Cash flows from financing activities		
Due to directors	**(32,647)**	14,924
Due to companies controlled by a director	**(21,267)**	(34,490)
Proceeds from issuance of convertible debentures, net of issuance cost and subscriptions receivables	**2,603,528**	1,617,130
Proceeds from issuance of units, net of issuance cost	**4,409,528**	
Finder's fees payable repayment	**(198,561)**	-
Exercise of options	**240,750**	-
Exercise of warrants	**1,205,000**	-
	8,206,331	1,597,564
Increase in cash and cash equivalents	**2,274,649**	279,131
Cash and cash equivalents, beginning of the year	**288,780**	9,139
Effect of foreign exchange rate fluctuations on cash and cash equivalents	**104**	510
Cash and cash equivalents, end of the year	**2,563,533**	288,780
Supplemental information		
Interest paid	**153,192**	8,017

Refer to note 19 for non-cash transactions.

The accompanying notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. ("Auxico" or the "Company") was incorporated under the Canada Business Corporation Act on April 16, 2014. Auxico has two subsidiaries, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011 and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico. The Company is also actively engaged in exploration mining opportunities in Colombia, in Democratic Republic of Congo ("DRC") as well as Brazil.

The Company's head office and primary place of business is located at 500-201 Notre-Dame Street West, Montréal, Québec, H2Y 1T4, Canada.

2. GOING CONCERN

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in its mining properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. For the year ended September 30, 2021, although the Company did generate revenues of $768,544 (September 30, 2020 - $Nil) from its operations, it still recorded a net comprehensive loss of $30,702,087 (September 30, 2020 – loss of $3,190,814) and a deficit of $40,807,866 (September 30, 2020 – deficit of $10,106,724). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. In that regard, the Company has created a joint venture in the Democratic Republic of the Congo ("DRC") for the supply of tantalite. The Company has also entered into agreements with Brazilian suppliers to purchase a quantity of columbite. In addition, the Company signed an agreement with an entity in Colombia that will lead to a joint venture for the production of rare earth elements.

Despite the restrictions and delays caused by the COVID-19 pandemic, particularly in Brazil, the Company was able to launch its commodities trading business, together with its partner, and generate revenues in the year ended September 30, 2021. During this recent fiscal year, the Company purchased material as inventory and made advances to other companies for material to be delivered; this includes manganese, columbite and tantalite. The Company's management expects that this material will be sold in the upcoming fiscal year and enable the Company to increase significantly its revenues. In addition, the easing of the COVID-19 pandemic restrictions will free up the ports in Brazil, which have either been closed or subject to serious backlogs since the beginning of the pandemic. These factors should have a material positive impact on the commodities trading business.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 24, 2022.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated statements of financial position:

- Derivative instrument is measured at fair value.

The consolidated financial statements have been prepared on a going concern basis, meaning the Company would be able to realize its assets and discharge its liabilities in the normal course of action.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company's subsidiaries, as at September 30, are:

	2021	2020
Auxico Resources S.A. de C.V. ("Auxico Mexico")	100%	100%
C.I. Auxico de Colombia S.A ("Auxico Colombia")	96%	96%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

Operating segments are reported in a manner consistent with the internal reporting of the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the management team, which makes strategic decisions.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The revenue from sale of ore concentrate is recognized at an amount that reflects the consideration that the Company expects to receive. The Company established a five-step model to account for revenue arising from contracts with customers: to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. The Company exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of revenue recognition model to contracts with customers.

The revenue from the sale of ore concentrate is recognized at the point in time when control of the ore concentrate passes to the customer which occurs when title transfer to the customer which is generally at the moment where the full provisional payment has been received by the Company.

Issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. The Company charges share issue costs to share capital and debentures when the related financial instruments are issued. Deferred issue costs related to financing transactions that are not completed are charged to expenses as well as issuance cost affected to financial instruments classified at fair value through profit or loss.

Share-based compensation

A share-based compensation plan has been granted by the Company to its directors, officers and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is re-measured and recognized over the service period. The Company assumes a dividend yield of nil in its estimation considering its history.

Upon the exercise of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Mining properties and exploration and evaluation expenditures

Exploration and evaluation (E&E) expenditures include rights in mining properties and costs related to the initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in net income (loss) when they are incurred.

E&E expenditures also include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies. Expenditures relating to E&E activities are expensed as incurred.

E&E include costs related to establishing the technical and commercial viability of extracting a mineral resource. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral source or a proven and probable reserve;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

The E&E expenses are recorded in the consolidated statement of loss and comprehensive loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(i) Financial assets
Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at amortized cost' and 'fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

IFRS 9 presents an approach to the classification and measurement of financial assets that considers the business model for managing assets and the characteristics of the related cash flows. Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured according to two categories: at amortized cost or at FVTPL. In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Financial assets at FVTOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income. Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments'. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified all of its financial assets as follows:

Financial Assets	Classification	Subsequent Measurement
Cash and cash equivalents	Debt instruments	Amortized cost
Receivables	Debt instruments	Amortized cost
Advance to directors	Debt instruments	Amortized cost
Advance to companies controlled by directors	Debt instruments	Amortized cost
Advances to a joint operation	Debt instruments	Amortized cost

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(iii) Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(iv) Financial liabilities and equity instruments issued by the Company
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(v) Financial liabilities and equity instruments issued by the Company
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Financial liabilities and equity instruments issued by the Company (continued)

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial liabilities as follows:

Financial Liability	Classification	Subsequent Measurement
Accounts payable and accruals	Other financial liability	Amortized cost
Due to companies controlled by a director	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost
Long-term debt	Other financial liability	Amortized cost
Convertible debentures – Host component	Other financial liability	Amortized cost
Convertible debentures – Conversion option	FVTPL	Fair value
Convertible debentures – Participating feature	FVTPL	Fair value

(vi) Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(vii) Extinguishment of financial liabilities with equity instruments
In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss and comprehensive loss, unless the settlement was determined to be a transaction with an owner, in which case the difference is recognized in the equity.

Income taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

ii) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Inventory and inventory prepayment

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the FIFO (first in, first out) method. The cost of inventory comprises costs of purchase incurred in bringing the inventory to their present location and condition. The costs of purchase include the purchase price, non-recoverable taxes, transport, handling and other costs directly attributable to the acquisition of finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the cost exceeds net realizable amount, a provision is recognized. The provision may be reversed in a subsequent period if the circumstances which caused the write down no longer exist.

Joint arrangements

A joint arrangement can take the form of a joint operation or joint venture. All joint arrangements involve a contractual arrangement that establishes joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operation may or may not be structured through a separate vehicle. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Company include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

Leases

Lease contracts which contain the legal form of a lease are classified as either finance or operating leases. Finance lease represent leases that transfer substantially all of the risks and rewards of ownership of the leased asset. To assess whether a contract transfer substantially all the risks and rewards of ownership of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset if not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset it used.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measure based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when these is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, of if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than $8,000). The lease payments associated with these leases are classified as operating lease and are recognized as an expense on a straight-line basis over the lease term.

Standards issued but not yet effective

At September 30, 2021, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's consolidated financial statements are provided below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements and are not listed.

i) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

ii) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

iii) *Annual Improvements to IFRS Standards 2018–2020*

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

iv) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is currently assessing the impact on its consolidated financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

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

i) *Going concern*
The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii) *Convertible debentures*
The convertible debentures issued by the Company include conversion options as well as a participating feature on net profits generated by the Company, which are considered as Level 3 financial instruments, both classified as liabilities components. The host component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The derivative component is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as of September 30, 2021, are provided in Note 11.

Also, the evaluation of the embedded derivatives contains a high level of incertitude and several estimates such as the price of the shares of a private company, the correlation between the two conversions options as well as the rationale that there will be no sub-optimal behavior from holders of the convertible debentures.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

iii) *Determination of deferred income taxes*

The carrying amount of deferred income tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

iv) *Black & Scholes valuation*

The calculation of the fair value of units, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Company, expected volatility, expected life and expected forfeiture rates, which could affect the Company's results if the current estimates change. Expected volatility was based on the Company's historical volatility and the volatility of an equity market index in the mining sector for the same period. The credit spread used in the valuation was based on an index for CAD triple-C corporate bonds.

v) *Joint arrangements*

Judgment is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Management evaluated its joint arrangement with Kibara Minerals Inc ("Kibara") where each partner acquire a participation in the profit of a joint operations for which no structured separate vehicle was made. Under the principles of IFRS 11 – Joint Arrangements, since there is joint arrangements not structured through a separate vehicle, it is automatically classified as a joint operation.

vi) *Net realizable value of inventory and inventory prepayment*

The Company reviews the carrying value of inventory regularly to ensure that their cost does not exceed net realizable value. In determining net realizable value, various factors are taken into account, including sales prices and costs to complete inventory to their final form.

6. RECEIVABLES

	2021	2020
	$	$
Sales tax receivables	**205,656**	103,733
Subscription receivables	**11,675**	-
Other receivable [(a)]	**37,479**	-
Balance as at September 30	**254,810**	103,733

[(a)] The other receivable consists of a prepayment of inventory for which the Company and the supplier agreed on a reimbursement schedule. As of September 30, 2021, the gross amount receivable totals $39,390 on which a $1,911 provision was recorded. The provision was estimated based on facts known to the Company for the year ended September 30, 2021.

Subsequently to September 30, 2021, the Company acknowledged that the total amount will not be recoverable.

7. PREPAID EXPENSES

	2021	2020
	$	$
Inventory prepayment [(a)]	**1,200,785**	149,759
Prepaid to related company [(b)]	**500,000**	-
Deposit on Minastyc property [(c)]	**225,090**	-
Other prepaids	**121,085**	6,710
Balance as at September 30	**2,046,960**	156,469
Current portion	**1,546,960**	156,469
Long-term portion	**500,000**	-

[(a)] Inventory prepayment

According to the term of contracts with its suppliers, these prepayments do not qualify as inventory as per IAS 2. However, they will eventually transfer to inventory and the Company measured these prepayments at the lower of the cost and net realizable value. The net realizable value of some of the inventory prepayments had a net realizable value inferior to their cost and this resulted in a provision of $116,000. This provision was recorded in the consolidated statement of loss and comprehensive loss under cost of sales.

[(b)] Prepaid to related company

On July 28, 2021, the Company signed an agreement with Central America Nickel (related company – common directors with the Company) to use the license developed by the related company for a period of 10 years. The Company had to pay a deposit of $500,000 that will be applied against future license royalties. Both parties agreed that the royalty will represent 2% on all gross revenues derived from the projects of a mineral production using the licensed technology. Management does not expect to use this license for the upcoming year.

7. PREPAID EXPENSES (continued)

(c) Deposit on Minastyc property

On December 14, 2020, the Company signed an agreement to purchase a parcel of land in Colombia. As at September 30, 2021, the Company paid a total deposit of $225,090. However, the transfer of property of the land has not been completed at the date of these financial statements. The Company has a commitment of $49,635 as of September 30, 2021 to complete the purchase of that land.

8. INVENTORY

	2021	2020
	$	$
Ore concentrate	**126,776**	47,171

The cost of inventory recognized as an expense in the consolidated statement of loss and comprehensive loss under cost of sales during the year was $583,635 (September 30, 2020 - $nil).

For the year ended September 30, 2021, a write-down of $26,535 (September 30, 2020, $nil) was recorded in the cost of sales.

9. ADVANCE TO JOINT OPERATION

On June 2, 2020, the Company entered into a joint venture agreement with Kibara Minerals s.a.r.l. ("Kibara"), a company based in the Democratic Republic of the Congo ("DRC"), concerning the trading of high-grade tantalum and niobium ores from the DRC. Kibara has exclusive supply agreements with local cooperatives in the DRC for the purchase of such ores. the Company has access to buyers worldwide for these ores.

Under the terms of the joint venture agreement for the export of tantalum and niobium-bearing ore from the DRC, the Company will provide financing of up to $1,000,000 (CDN) for the trading of these ores. These funds will be used for:

- Site mobilization for the resumption of production;
- Working capital for the extraction and purchase of ore;
- Transportation of the ore from deposit to the port of Matadi in the DRC;
- Related export taxes; and
- Warehousing of the ore.

Kibara will be responsible for managing the relationship with the cooperatives in the DRC and for sourcing the ore and obtaining the necessary permits and licenses for the export of this ore from the DRC. The profits generated from the trading of tantalum and niobium-bearing ores from the DRC will be shared by the two parties, with 70% going to the Company, with 30% going to Kibara. As at September 30, 2021, the Company has advanced $400,067 (September 30, 2020 - $288,360) to Kibara. The joint operation will only be effective at the commencement of trading activities of tantalum and niobium ores. Since such activities were not started as of September 30, 2021 and 2020, the amount advanced by the Company remains an advance to a joint operation without interest.

As at September 30, 2021, the advance to the joint operation was assessed to determine if there were any indicators of impairment. Following the assessment, the Company noted objective evidence that the estimated future cash flows of the advance had been affected. Therefore, on September 30, 2021, the advance to the joint operation was impaired by $400,067 (September 30, 2020, - $nil).

10. FINDER'S FEES PAYABLE

Following the issuance of convertible debentures (note 11), the Company signed a contract on December 30, 2020, with a third party to pay monthly finder's fees until the maturity date of the convertible debentures issued in October 2020. The monthly payment for those finder's fees represents 10% of the total financing under the scope of this contract.

The finder's fees are payable if the investors remain holders of the convertible debentures. As soon as an investor converts their debentures into units of the Company or shares of Central America Nickel, the monthly payment will be adjusted to reflect that conversion. The maturity of this long term-debt is identical to the convertible debentures, which is October 23, 2023.

At inception, the initial monthly payment was $23,190, bearing no interest. Under IFRS 9 guidance, the Company determined the initial carrying amount using the discounted fair value and, following initial measurement, the liability will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Upon conversion of debentures, the Company derecognizes the associated gross carrying amount of the liability and will be transferred to profit and loss as a "gain on debt settlement". For the year ended September 30, 2021, $533,000 worth of convertible debentures was converted into units of the Company resulting in a gain of $98,147 on the long term-debt.

	2021 **$**	2020 $
Financing fees, payable by monthly instalments of $18,749, bearing no interest, nominal of $463,509, maturing in October, 2023.	**384,589**	-
Current portion	**224,988**	-
Long term portion	**159,601**	-

11. CONVERTIBLE DEBENTURES

Issuance – September 30, 2020

During the months of June and July 2020, the Company. completed two non-brokered private placements, raising aggregate gross proceeds of $1,650,000 in participating convertible debentures (the "Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on either June 19, 2023, or July 24, 2023 (the "Maturity Dates") and convertible at the option of the Debenture holder into:

- units ("Units") of the Company that are equal to the principal amount of each Debenture being converted at a deemed price of $0.10 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.15 for a period of three years from the date of issuance; or
- the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montréal, Canada) at a conversion price of $1.00 per CAN share; and
- a cash payment equal to the principal amount and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Dates.

Interest at a fix rate of 10% per annum will be paid to Debenture holders semi-annually in arrears.

11. CONVERTIBLE DEBENTURES (continued)

In addition, Debenture holders will receive a total of 16.5% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $100,000 principal amount of Debentures ("Participating Feature").

The Company paid finder's fees of $46,000 in connection with these private placements. The Debentures issued pursuant to the private placements are subject to a four-month hold period.

Issuance – September 30, 2021

On October 26, 2020, the Company announced that it has completed a non-brokered private placement, raising aggregate gross proceeds of $2,788,000 in participating convertible debentures (the "Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable convertible debenture maturing on October 23, 2023 ("Maturity Date") and convertible at the option of the Debenture holder into:

- units ("Units") of the Company that are equal to the principal amount of each Debenture being converted at a deemed price of $0.20 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.25 for a period of three years from the date of issuance; or
- the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and
- a cash payment equal to the principal amount that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

In addition, Debenture holders will receive a total of 13.94% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $200,000 principal amount of Debentures ("Participating Feature").

The Company paid the following finder's fees:

- $146,800 in cash;
- $120,000 of convertible debentures with the same characteristics as the ones detailed below;
- 500,000 finders' warrants ("Finders' Warrants"). Each Finder's Warrant is exercisable into one Share at a strike price of $0.20 for a period of three years from closing. The Debentures issued pursuant to the private placement are subject to a four-month hold period in Canada;
- $606,083 as a variable remuneration on the form of a long term debt (note 10)

The company recorded total finder's fees of $971,119 for the issuance of these debentures. From the total of those finder's fees, $426,402 was allocated to the host component and was therefore capitalized to the consolidated statement of financial position.

Accounting treatment and evaluation

In accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"), the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

11. CONVERTIBLE DEBENTURES (continued)

At the issuance of the Debentures, the Company determined that the conversion options as well as the participating feature constitute an embedded derivative financial instrument. Upon a conversion into units of the Company, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to equity. Upon a conversion into common shares of CAN, the carrying amount of the host debt instrument and the fair value of the related embedded derivative will be transferred to profit and loss.

The convertible debentures are a hybrid instrument, which are in their entirety regarded as a financial liability. The initial carrying amount for the debt host issued in October 2020 was valued at $1,624,355 and represents the residual debt instrument. The Company determined the initial carrying amount using the discounted fair value of the debt host and, following initial measurement, the host component will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

At the date of these consolidated financial statements, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to $25,648,406 using the same valuation technique.

The fair value of the Conversion Options was estimated using Monte Carlo simulation (using the Black-Scholes framework). Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives.

The following assumptions were used to determine the fair value for the debentures issued in June and July 2020:

	September 30, 2021	**September 30, 2020**	**Inception**
Estimated life	1.8 years	2,8 years	3 years
Actual stock price	$1.56	$0.19	$0.08
Volatility	115.8%	100.4%	98.1%
Risk free rate	0.701%	0.308%	0.290%
Dividend yield	Nil%	Nil%	Nil%

The following assumptions were used to determine the fair value for the debentures issued in October 2020:

	September 30, 2021	**Inception**
Estimated life	2.1 years	3 years
Actual stock price	$1.56	$0.19
Volatility	115.8%	97.2%
Risk free rate	0.701%	0.310%
Dividend yield	Nil%	Nil%

For the year ended September 30, 2021, the change in fair value of derivatives resulted in an increase of expense of $23,734,924 (September 30, 2020 –$789,621) and was recorded in the consolidated statements of loss and comprehensive loss.

11. CONVERTIBLE DEBENTURES (continued)

	Host Component $	Embedded derivatives $	Total $
Balance as at September 30, 2020 [a]	1,381,143	2,443,590	**3,824,733**
Initial proceeds - October issuance	2,788,000	-	**2,788,000**
Fair value adjustment at inception – October issuance	(1,163,645)	2,098,843	**935,198**
Transaction costs allocated to host component – October issuance	(426,402)	-	**(426,402)**
Accretion[b]	475,643	-	**475,643**
Conversion into units of the Company	(515,098)	(2,628,951)	**(3,144,049)**
Change in fair value of the derivative	-	23,734,924	**23,734,924**
Balance as at September 30, 2021	**2,539,641**	**25,648,406**	**28,188,047**
Current potion [c]	**-**	**66,232**	**66,232**
Long term portion	**2,539,641**	**25,582,174**	**28,121,815**

[a] The Company reviewed the classification of the participating feature during the year ended September 30, 2021. There was an error of presentation in the consolidated financial statements for the year ended September 30, 2020. The participating feature was valued at $803,830 and was previously presented under the host component and was evaluated at amortized cost. Following the reclassification, the participating feature is now presented under the embedded derivatives in the opening balance and is now evaluated at fair value. There was no material difference between the amortized cost and the fair value as at September 30, 2020. Therefore, no restatement was needed.

[b] The amortization of transaction costs was presented as an expense with the accreted expenses and was recorded in the consolidated statements of loss and comprehensive loss.

[c] For the year ended September 30, 2021, the Company estimated the current portion of the Debentures payable for an amount of $66,232 (September 30, 2020 - $52,298), which represent payments for the participating feature.

At inception, the Company recognized an unrealized loss on Debentures in the amount of $935,198 (September 30, 2020 - $1,314,801), which was the difference between the fair value of the combined liabilities and the proceeds received. A loss at inception was recorded because it was determined, based on the return on investment, that the transaction price was not the best evidence of fair value.

As at September 30, 2021, the debentures have a nominal value of $3,650,000 (September 30, 2020 - $1,650,000)

12. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at September 30, 2021, there were 65,014,000 (44,885,000 as at September 30, 2020) issued and fully paid common shares, with the exception of the $11,675 subscription receivables (September 30, 2020 -$Nil).

Issuance through private placement

On February 3, 2021, the Company completed a non-brokered private placement, raising gross proceeds of $4,721,000 by issuing 9,442,000 units of the capital of the Company at a price of $0.50 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 per common share for three years from the date of issuance. In connection with the private placement, the Company issued an aggregate of 302,000 units of the capital of the Company for services rendered valued at $151,000. The fair value of the units issued in exchange for services rendered was measured by reference of the fair value of the equity instruments granted because the fair value of the services received could not be estimated reliably.

Issuance costs of $299,797 were incurred for this private placement. Those issuance costs were allocated respectively to the relative fair value of each component of the private placement.

Issuance through conversion of debentures

During the year ended September 30, 2021 the Company issued 2,500,000 units of the capital of the Company following the conversion of debentures issued in June 2020 at a price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per common share for three years from the date of issuance.

During the year ended September 30, 2021 the Company issued 2,690,000 units of the capital of the Company following the conversion of debentures issued in October 2020 at a price of $0.20 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.25 per common share for three years from the date of issuance.

Issuance through exercise of options and warrants

During the year ended September 30, 2021 the Company issued 895,000 common shares of the capital of the Company following the exercise of 895,000 options in exchange for $240,750. The options exercised had an exercise price ranging from $0.105 to $0.40. Following the exercise of those options, $179,790 was reclassified from contributed surplus to share capital.

During the year ended September 30, 2021 the Company issued 4,300,000 common shares of the capital of the Company following the exercise of 4,300,000 warrants in exchange for $1,205,000. The warrants exercised had an exercise price ranging from $0.15 to $0.40. Following the exercise of those warrants, $735,454 was reclassified from warrants reserve to share capital.

12. SHARE CAPITAL (continued)

Warrants

Issuance through finder's fees

On October 23, 2021, the Company issued 500,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.19 and an exercise price of $0.20, risk free rate of 0.25%, volatility of 97.20%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of $56,136. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.20 at any time until the third-year anniversary of the date of their issuance.

Issuance through private placement

On February 3, 2021, the Company issued 4,872,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.59 and an exercise price of $1.00, risk free rate of 0.22%, volatility of 102.20%, vesting immediately and expected life of 3 years from date of grant resulting in a fair value of $1,500,734. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $1.00 at any time until the third-year anniversary of the date of their issuance.

Issuance through conversion of debentures

During the year ended September 30, 2021 the Company issued 2,500,000 warrants following the conversion of debentures issued in June 2020. The fair value of those warrants was calculated under the relative fair value method. The Company allocated the total proceeds from the conversion in proportion to their relative fair values. Those relative fair values were estimated using the share price at the date of issuance for the common shares of the capital of Company issued and using a Black-Scholes pricing model for the warrants. The assumptions used in the Black-Scholes pricing model are described below.

	August 25, 2021	**June 14, 2021**	**May 19, 2021**	**December 3, 2020**
Estimated life	3 years	3 years	3 years	3 years
Actual stock price	$1.22	$0.72	$0.85	$0.28
Strike price	$0.15	$0.15	$0.15	$0.15
Volatility	100.48%	101.88%	101.03%	100.68%
Risk free rate	0.57%	0.50%	0.53%	0.30%
Dividend yield	Nil%	Nil%	Nil%	Nil%

The fair value for the warrants calculated under the relative fair value method was estimated at $691,895.

During the year ended September 30, 2021 the Company issued 2,690,000 warrants following the conversion of debentures issued in October 2020. The fair value of those warrants was calculated under the relative fair value method. The Company allocated the total proceeds from the conversion in proportion to their relative fair values. Those relative fair values were estimated using the share price at the date of issuance for the common shares of the capital of Company issued and using a Black-Scholes pricing model for the warrants. The assumptions used in the Black-Scholes pricing model are described below.

12. SHARE CAPITAL (continued)

Warrants (continued)

	September 2, 2021	**August 9, 2021**	**June 9, 2021**
Estimated life	3 years	3 years	3 years
Actual stock price	$1.21	$0.76	$0.76
Strike price	$0.25	$0,25	$0.25
Volatility	98.39%	102.26%	100.80%
Risk free rate	0.49%	0.58%	0.49%
Dividend yield	Nil%	Nil%	Nil%

The fair value for the warrants calculated under the relative fair value method was estimated at $746,945.

Changes in the number of warrants outstanding are as follows:	Number of warrants	Weighted average exercise price
Balance as at September 30, 2019	4,554,100	$0.40
Expired	(1,275,000)	$0.40
Balance as at September 30, 2020	3,279,100	$0.40
Issued	10,562,000	$0.57
Exercised	(4,300,000)	$0.28
Expired	(1,362,500)	$0.40
Balance as at September 30, 2021	**8,178,600**	**$0.68**

The following table summarizes the information on outstanding warrants as at:

	September 30, 2021		September 30, 2020	
Exercise price	**Number of warrants**	**Weighted average number of remaining contractual life**	Number of warrants	Weighted average number of remaining contractual life
$0.15	**300,000**	**2.17**	-	-
$0.15	**400,000**	**2.70**	-	-
$0.15	**500,000**	**2.90**	-	-
$0.25	**16,600**	**0.91**	16,600	1.91
$0.25	**1,650,000**	**2.86**	-	-
$0.25	**440,000**	**2.92**	-	-
$0.40	**-**	**-**	787,500	0.09
$0.40	**-**	**-**	1,000,000	0.37
$0.40	**-**	**-**	1,000,000	0.45
$0.40	**-**	**-**	475,000	0.49
$1.00	**4,872,000**	**2.34**	-	-
	8,178,600		3,279,100	

12. SHARE CAPITAL (continued)

Stock options

In 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

On September 15, 2020, the Board of Directors issued 600,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.105, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.106 per option at the grant date for a total of $63,772 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.36%, expected volatility of 96.20 % and expected option life of five years.

On March 17, 2021, the Board of Directors issued 900,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.45, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.323 per option at the grant date for a total of $290,631 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.99%, expected volatility of 98.72 % and expected option life of five years.

On June 21, 2021, the Board of Directors issued 500,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.75, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.139 per option at the grant date for a total of $69,341 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.97%, expected volatility of 85.76 % and expected option life of five years.

On July 19, 2021, the Board of Directors issued 675,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.79, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.573 per option at the grant date for a total of $387,105 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.78%, expected volatility of 96.73 % and expected option life of five years.

On September 1, 2021, the Board of Directors issued 510,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $1.26, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.894 per option at the grant date for a total of $455,759 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.79%, expected volatility of 96.10 % and expected option life of five years.

12. SHARE CAPITAL (continued)

Stock options (continued)

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance as at September 30, 2019	3,875,000	$0.30
Issued	600,000	$0.11
Balance as at September 30, 2020	4,475,000	$0.27
Issued	2,585,000	$0.76
Exercised	(895,000)	$0.27
Cancelled	(625,000)	$0.18
Balance, as at September 30, 2021	**5,540,000**	**$0.49**

During the year ended September 30, 2021, the issuance of stock options resulted in a recognition of an expense by the Company of $1,202,836 (September 30, 2020 - $63,772).

The following table summarizes the information on outstanding and exercisable options at

	September 30, 2021		September 30, 2020	
Exercise price	**Number of option**	**Weighted average number of remaining contractual life**	Number of option	Weighted average number of remaining contractual life
$0.11	**550,000**	**3.96**	600,000	4.96
$0.25	**1,305,000**	**0.36**	2,325,000	1.36
$0.25	**100,000**	**1.89**	400,000	2.89
$0.25	**500,000**	**2.49**	500,000	3.49
$0.40	**300,000**	**1.06**	450,000	2.06
$0.40	**200,000**	**1.45**	200,000	2.45
$0.45	**900,000**	**4.46**	-	-
$0.75	**500,000**	**0.22**	-	-
$0.79	**675,000**	**4.80**	-	-
$1.26	**510,000**	**4.92**	-	-
	5,540,000		4,475,000	

13. LOSS PER SHARE

Basic EPS

Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that year.

13. LOSS PER SHARE (continued)

Diluted EPS

Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase. The Company reported net losses for the years ended September 30, 2021, and 2020. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of loss and comprehensive loss.

14. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in five geographical segments, Canada, Mexico, Colombia, DRC, Brazil and Bolivia. The total assets and the capital assets identifiable with these geographic areas for the years ended September 30, 2021, and 2020 are as follows:

	2021 **$**	2020 $
Canada	**3,357,422**	556,813
Mexico	**25,192**	371
Colombia	**227,938**	3,542
DRC	**-**	288,360
Brazil	**1,384,625**	47,171
Total assets	**4,995,177**	896,257
Canada	**28,878,115**	4,355,379
Mexico	**50,594**	193,697
Colombia	**501**	101
Total liabilities	**28,929,210**	4,549,177
Canada	**(20,488,111)**	(1,941,200)
Mexico	**(1,993,468)**	(1,680,514)
Colombia	**(845,548)**	(33,238)
DRC	**(28,030)**	-
Brazil	**(543,139)**	-
Bolivia	**(36,824)**	-
Total deficiency	**(23,935,120)**	(3,654,952)
Canada	**28,967,885**	3,020,406
Mexico	**312,954**	166,918
Colombia	**813,255**	3,490
DRC	**28,030**	-
Brazil	**543,139**	-
Bolivia	**36,824**	-
Net loss and comprehensive loss	**30,702,087**	3,190,814

15. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years.

The Company's capital items are the following:

	For the years ended September 30	
	2021	2020
	$	$
Cash & cash equivalents	**2,563,533**	288,780
Advance to directors	**3,098**	3,098
Advance to companies controlled by a director	**-**	8,646
Advance to a joint operation	**-**	288,360
Due to directors	**3,883**	36,530
Due to companies controlled by directors	**12,733**	34,000
Share capital	**12,202,196**	4,972,177

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Classification of financial instruments

The carrying amount of the Company's financial assets and liabilities by categories are as follows:

Financial assets and liabilities recognized at amortized cost:

	For the years ended September 30	
	2021	2020
	$	$
Cash & cash equivalents	**2,563,533**	288,780
Receivables, excluding sales tax	**49,154**	-
Advance to directors	**3,098**	3,098
Advance to companies controlled by a director	**-**	8,646
Advance to a joint operation	**-**	288,360
Accounts payable and accruals	**335,644**	578,628
Due to directors	**3,883**	36,530
Due to companies controlled by directors	**12,733**	34,000
Finder's fees payable	**384,589**	-
Convertible debentures – host component	**2,539,641**	2,184,973

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Company has determined that the carrying amount of its short-term financial assets and liabilities, including, cash & cash equivalents, receivables (excluding sales tax) advance to directors, advance to companies controlled by a director, advance to a joint operation, accounts payable and accruals, due to directors and due to companies controlled by a director approximates their fair value because of the relatively short periods to maturity of these instruments.

The carrying amount of the convertible debentures – host component do not differ significantly from their fair value.

Management believes that no significant change occurred in the risk of these instruments.

Fair value hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

Financial liabilities recognized at fair value:

	For the years ended September 30	
	2021	2020
	$	$
Convertible debentures – Embedded derivative (level 3)	**25,648,406**	2,443,590

The determination of the fair value of the embedded derivative of the convertible debentures was calculated using a level 3 fair value hierarchy.

Risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars, in Mexican Pesos and in Pound Sterling. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk.

The financial assets and liabilitites denominated in United States dollars, in Mexican Pesos and in Pound Sterling, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	For the years ended September 30	
	2021	2020
	$	$
Cash & cash equivalents (United States)	**741,067**	2,589
Cash & cash equivalents (Mexico)	**23,949**	371
Receivables (United States)	**37,479**	-
Accounts payable and accruals (United States)	**(106,567)**	(29,648)
Accounts payable and accruals (United Kingdom)	**-**	(31,947)
Accounts payable and accruals (Mexico)	**(46,252)**	(189,384)
Net exposure	**649,676**	(248,019)

A 10% change in the exchange rate would result in a variation estimated at $62,179 (September 30, 2020 - $25,772).

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

i) Fair value interest rate risk:
Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate, because of changes in interest rates. The Company's financial liabilities other than current liabilities, are comprised of medium to long-term fixed interest rate debt.

Cash & cash equivalents	Fixed interest rates
Advance to directors	Non-interest bearing
Advance to companies controlled by a director	Non-interest bearing
Accounts payables and accruals	Non-interest bearing
Due to companies controlled by a director	Non-interest bearing
Due to directors	Non-interest bearing
Convertible debentures	Fixed interest rates / Non-interest bearing

If the variable interest rates had increased by 1% during the year ended September 30, 2021, the Company's net loss would have increased by $18,387 (September 30, 2020 - $5,484).

ii)Commodity price risk:
While the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents, receivables (excluding sales tax), advance to directors, advance to companies controlled by a director and advance to joint operations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At September 30, 2021, the Company has working capital of $3,847,383 (September 30, 2020 –working capital of $190,487)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of the financial liability's amounts:

	Less than 1 year $	1 to 5 years $	> 5 years $
Accounts payable and accruals	**335,644**	-	-
Due to companies controlled by a director	**12,733**	-	-
Due to directors	**3,833**	-	-
Finder's fees payable	**224,988**	**238,521**	
Convertible debentures – Host component	**-**	**3,650,000**	**-**
Convertible debentures – Embedded derivative	**66,232**	**25,704,929**	

17. INCOME TAXES

Effective income tax expenses differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 26.5% (2020 – 26.56%) as a result of the following:

	2021 $	2020 $
Loss before income taxes	**(30,773,059)**	(3,174,887)
Tax recovery using the Company's domestic tax rate	**(8,154,861)**	(843,250)
Loss in foreign jurisdiction subject to a different tax rate	**(11,758)**	(5,799)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	**32,504**	12,227
Deduction from losses carry forward in foreign jurisdiction	**63,648**	8,299
Non-deductible expenses	**6,937,193**	614,611
Tax benefits not recognized	**1,133,274**	215,754
Total current income tax expenses	**-**	1,842

17. INCOME TAXES (continued)

The income tax effect of temporary differences that give rise to future tax assets and liabilities is as follows:

	2021	2020
	$	**$**
Deferred tax assets		
Non-capital losses	-	-
Exploration and evaluation expenses	-	-
Deferred tax liabilities		
Issuance costs	**-**	(70,972)
Net deferred tax liabilities	**-**	(70,972)

The non-capital losses expire as follows:

	Federal	**Quebec**	**Colombia**	**Mexico**
	$	**$**	**$**	**$**
2027	-	-	-	-
2028	-	-	-	-
2034	7,167	7,167	-	-
2035	13,998	13,998	-	-
2036	323,455	323,455	-	-
2037	1,071,460	1,069,057	-	-
2038	1,358,670	1,355,631	-	-
2039	1,474,935	1,470,533	31,134	-
2040	866,966	865,871	3,490	-
2041	2,682,309	2,682,310	23,638	230,048
	7,798,959	7,788,021	58,262	230,048

Movement in deferred tax balances during the year:

	Balance October 1, 2019	**Recognized in profit or loss**	**Balance September 30, 2020**	**Recognized in profit or loss**	**Balance September 30, 2021**
	$	**$**	**$**	**$**	**$**
Issuance costs	(56,887)	(14,085)	(70,972)	70,972	-

17. INCOME TAXES (continued)

Unrecognized deferred tax assets:

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

	2021	**2020**
	$	**$**
Non-capital losses	**2,151,959**	1,368,105
Exploration and evaluation expenses	**250,226**	32,091
Issuance costs	**27,425**	-
Unrecognized provision	**106,018**	-

18. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies controlled by a director as well as key management personnel and directors.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	2021	2020
	$	$
Management fees		
Company controlled by a director	**145,000**	120,000
Key management personnel and directors	**230,000**	90,000
Share-based compensation		
Key management personnel and directors	**383,622**	37,200
Rent		
Company controlled by a director	**36,000**	36,000
Consulting fees		
Company controlled by a director	**6,000**	31,500
Interests on private placement		
Key management personnel and directors	**18,581**	-

18. RELATED PARTY TRANSACTIONS (continued)

		Amounts owed by related parties	Amounts owed to related parties
		$	$
Key management personnel and directors	**2021**	**3,098**	**3,883**
	2020	3,098	36,530
Companies controlled by a director	**2021**	**-**	**12,733**
	2020	8,646	34,000

The dues and advances to directors are unsecured, payable on demand and bear no interest.

The dues and advances to companies controlled by a director are unsecured, payable on demand and bear no interest.

19. SUPPLEMENTAL CASHFLOW INFORMATION

Changes in non-cash working capital:

	2021	2020
	$	$
Receivables	**(168,388)**	(86,391)
Income tax payable	**-**	1,842
Prepaid expenses	**(2,006,491)**	(108,655)
Inventory	**(106,140)**	(47,171)
Account payables and accruals	**(95,646)**	32,082
	(2,376,665)	(208,293)

Non-cash transaction for the year ended September 30, 2021:

In relation with the issuance of the convertible debentures in October 2020, there were numerous non-cash transactions. The following items are non-cash financing fees:

Issuance of the long-term debt recorded at $606,083;
Issuance of finder's warrants recorded at $56,136;
Issuance of convertible debentures as finder's fees recorded at $162,603.

Non-cash transaction costs recorded in the consolidated statement of cash flows represent the transaction cost related to the convertible debentures issued in October and that were allocated to the consolidated statement of loss and comprehensive loss diminished by the proportion of the issuance cost paid in cash allocated to the consolidated statement of loss and comprehensive loss.

19. SUPPLEMENTAL CASHFLOW INFORMATION (continued)

In February 2021, units issued during the private placement were recorded as issuance cost and the fair value was allocated between share capital and warrants. This non-cash transaction was recorded at $99,000. At the same moment, units from the private placement were issued in exchange for consulting services for a total of $151,000.

During the exercise, a number of conversions of the convertible debentures occurred resulting in a decrease of the convertible debentures of $3,144,049 and an increase of the same amount was recorded in the share capital and warrants of the Company.

There were no non-cash transactions for the year ended September 30, 2020.

20. SELLING AND ADMINISTRATIVE EXPENSES

	2021	2020
	$	$
Professional fees	**932,163**	449,195
Management fees	**375,000**	210,000
Legal fees	**154,124**	61,950
Exploration and evaluation expenditures (note 22)	**1,171,601**	103,038
Travel expenses	**6,267**	2,344
Office expenses	**11,017**	1,872
Rent	**36,000**	36,000
Advertising	**30,633**	44,849
Taxes and permits	**2,818**	94
Telecommunication	**1,253**	2,681
Public listing fees	**71,418**	51,141
Bad debts	**10,352**	-
Subscriptions	**5,878**	-
Gain on debt settlement (note 10)	**(98,147)**	-
Loss (gain) on foreign exchange	**47,745**	(9,532)
Impairment on advance to joint operation (note 9)	**400,067**	-
Settlement of payables	**-**	(99,310)
Share-based compensation (note 12)	**1,202,836**	63,772
Write-off of sales tax receivable	**18,634**	2,715
Total	**4,379,659**	920,809

21. FINANCE COSTS

	2021	2020
	$	$
Interest and bank fees	**10,897**	4,071
Interest and penalties	**23,383**	25,329
Interest on convertible debentures	**153,192**	3,943
Transaction costs	**544,718**	15,336
Accreted interest	**511,588**	100,977
Unrealized loss on derivative financial instrument (note 11)	**935,198**	1,314,801
Fair value adjustment of the embedded derivatives (note 11)	**23,734,924**	789,621
Total	**25,913,900**	2,254,078

22. EXPLORATION AND EVALUATION EXPENDITURES

	Geology and prospection	**Mining claims**	**Total E&E Expenditures**
	$	**$**	**$**
Balance at September 30, 2020	1,115,694	365,023	1,480,717
Expenditures for the year	949,993	221,608	1,171,601
Balance at September 30, 2021	**2,065,687**	**586,631**	**2,652,318**
Balance at September 30, 2019	1,086,150	291,529	1,377,679
Expenditures for the year	29,544	73,494	103,038
Balance at September 30, 2020	**1,115,694**	**365,023**	**1,480,717**

23. COMMITMENTS

Net Smelter Return Royalty ("NSRR")

The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of products proceed from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US $500,000.

Farm-out Agreement

Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US $300,000 is repayable on a quarterly basis starting sixty days after the start of the production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (75% for a consideration of US $1,000,000) until full repayment of the consideration.

23. COMMITMENTS (continued)

Farm-out Agreement (continued)

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (50% for a consideration of US $1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of $100,000 lent (25% for a consideration of US $1,000,000) thereafter for the life of the mine.

Net royalty – Central America Nickel

On May 25, 2018, the Company agreed to pay Central America Nickel Inc. ("CAN") a 2% net royalty on the production of gold on any deposit in the world where process is used by the Company. The Company has the option to buy back 50% of this royalty (or 1% of the 2% royalty) at any time through the issuance of 2,000,000 common shares of the Company.

Agreement with the École Polytechnique and Impact Global Systems ("IGS")

On February 1, 2021, the Company signed an agreement with École Polytechnique and IGS concerning the recovery of critical minerals from ore tailings. As per the terms of this contract, the Company has agreed to provide to École Polytechnique $15,000 in each of 2022 and 2023.

Joint Venture Agreement with Impact Global Systems

On May 25, 2021, the Company signed a joint venture agreement with IGS concerning the processing of ores bearing tantalum, niobium, iridium and possibly other minerals. As per the terms of this agreement, the Company will assume all costs related to the purchase and transport of ores to the IGS facility in Delson, Quebec, as well as providing funds for the purchase of equipment and working capital. In return, the Company will receive 80% of the net profits from the sale of these minerals, with the remaining 20% going to IGS. As at September 30, 2021, no transactions occurred under this joint venture.

Agreement with AMCO Consultores ("AMCO") in Colombia

On August 30, 2021, the Company signed an agreement with AMCO, which agreed to provide environmental consulting services to the Company with respect to the Minastyc property in Colombia. The Company will pay to AMCO 252,342,914 Colombia pesos (approximately $82,000) upon filing of the temporary environmental study, 126,171,457 Colombian pesos (approximately $41,000) upon the delivery of the final environmental study on Minastyc. A further and final payment of 126,171,457 Colombian pesos will be paid to AMCO by Auxico upon approval and acceptance of this environmental study by the governmental and regulatory authorities in Colombia.

24. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to make their presentation identical to that adopted in 2021 and these reclassifications had no effect on the reported result of operations.

25. SUBSEQUENT EVENTS

Exercise of stock options

During the month of October 2021, a holder of stock options exercised 150,000 options for a total consideration of $37,500.

Exercise of warrants

During the month of October and December 2021, two holders of warrants exercised a total of 540,000 warrants for a total consideration of $125,000.

Memorandum of Understanding ("MOU") concerning the Luz Angelica concession in Bolivia

On November 3, 2021, the Company signed an MOU with Ronaldo Chavez Serrate concerning the development of the 825-hectare Luz Angelica concession in Bolivia, which has showings of rare earth elements, tantalum and niobium. The Company and Mr. Chavez will form a joint venture if the Company's due diligence on this concession is acceptable to the Company. The Company will retain 70% of the profits generated on this concession by providing all the capital necessary to begin operations; Mr. Chavez will retain the other 30%.

Following the due diligence on the concession, the Company decided to move forward with a joint venture agreement. As at February 24, 2022, no joint venture agreement has been completed between the two parties.

Grant of Stock Options

On November 24, 2021, the Company granted 450,000 stock options to consultants to the Company. These options have a strike price of $1.39, no vesting period and an expiry date of November 24, 2026. The fair value of the options was estimated at $1.077 per option at the grant date for a total of $484,650 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.17%, expected volatility of 104.04 % and expected option life of five years.

Incorporation of Minera Auxico Bolivia S.A.

On November 26, 2021, the Company incorporated a wholly-owned subsidiary in Bolivia, Minera Auxico Bolivia S.A. The Company, provided an initial capital of US$10,000 to Minera Auxico Bolivia.

Purchase of shares of Americanbol de Minerios Ltda. ("Americanbol") in Bolivia

On December 4, 2021, the Company signed a contract with Michel Goncalves Pacheco and Angelica Martinez Flores, the principal shareholders of Americanbol. Under the terms of this agreement, the Company agreed to buy 99% of the common shares of Americanbol from Mr. Goncalves and Mrs. Martinez for a total amount of US$442,500. An initial payment of US$42,500 was made to Mr. Goncalves and Mrs. Martinez upon signature of the agreement. Additional payments are contingent upon the Company's due diligence on Americanbol and the mining assets it has in Bolivia.

Purchase of Agualinda Property

On December 8, 2021, the Company announced the acquisition of the surface rights to 1,293 hectares of land titled Agualinda, located in the municipality of Puerto Carreño, in the department of Vichada, Colombia. The land adjoins the Minastyc property, which the Company purchased in December 2020. As per the signed agreement, the Company will pay to the vendors a purchase price of US$315,000, in addition to a yearly fee in the amount of US$100,000 for a period of three years following the signing of the agreement.

25. SUBSEQUENT EVENTS (continued)

Memorandum of Understanding ("MOU") with Cooperativa Estanifera de Mineradores da Amazonia Legal ("CEMAL") in Brazil

On December 30, 2021, the Company signed an MOU with CEMAL, concerning the development of tin tailings in Masangana, Brazil, which have showings of rare earth elements. The Masanaga property is estimated to have 30,000,000 metric tonnes of such tailings. As per this MOU, the Company will have 180 days to complete its due diligence, after which, if acceptable to the Company, a joint venture will be formed. The Company will have 51% of the profits by providing the necessary capital to fund the operations of the joint venture, with CEMAL having the remaining 49%. Upon signing of the MOU, the Company paid to CEMAL US$100,000 to ensure a period of exclusivity during this 180-day due diligence period.

Private Placement of $1,771,200

On January 19, 2022, the Company closed a non-brokered private placement (the "Private Placement"), issuing a total of 1,476,000 units (the "Units") at a price of $1.20 per Unit raising gross proceeds of $1,771,200. Each Unit consists of one common share (the "Shares") of the Company and one-half of one common share purchase warrant (the "Warrants"). Each full Warrant is exercisable at $1.50 for a period of 3 years from the date of issuance (the "Closing Date"). The Company paid finder's fees of $117,336 in connection with the Private Placement and issued 80,080 broker warrants ("Broker Warrants"). The Broker Warrants have the same terms as the Warrants mentioned above.

Promissory notes

In February 2022, the Company advanced $200,000 through promissory notes to a third-party. The promissory notes will bear interest at the rate of 10% and will be reimbursed March 31, 2022.