

CORNISH METALS INC.
(Previously STRONGBOW EXPLORATION INC.)

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Reader's Note

These consolidated condensed interim financial statements of Cornish Metals Inc. ("Cornish Metals") for the nine months ended October 31, 2020 have been prepared by and are the responsibility of Cornish Metals's management.

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

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

	October 31, 2020	January 31, 2020
ASSETS		
Current		
Cash	\$ 494,911	\$ 1,305,253
Marketable securities (Note 4)	501,116	547,721
Receivables	50,573	23,414
Deferred financing fees (Note 5)	198,932	-
Prepaid expenses	<u>21,276</u>	<u>54,702</u>
	1,266,808	1,931,090
Deposits	36,560	36,829
Property, plant and equipment (Note 6)	6,183,834	5,966,727
Exploration and evaluation assets (Note 7)	<u>9,154,970</u>	<u>7,928,688</u>
	\$ 16,642,172	\$ 15,863,334
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 675,703	\$ 610,288
Short-term portion of lease liability (Note 8)	<u>39,962</u>	<u>78,595</u>
	715,665	688,883
Long-term portion of lease liability (Note 8)	-	20,313
Debt (Note 9)	5,787,191	5,210,765
Royalty option (Note 9)	<u>2,886,514</u>	<u>2,886,514</u>
	<u>9,389,370</u>	<u>8,806,475</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	39,602,565	37,271,686
Share subscriptions received in advance (Note 10)	439,100	1,175,000
Capital contribution	2,007,665	2,007,665
Share-based payment reserve (Note 10)	743,587	732,930
Foreign currency translation reserve	14,709	149,996
Deficit	<u>(35,554,824)</u>	<u>(34,280,418)</u>
	<u>7,252,802</u>	<u>7,056,859</u>
	\$ 16,642,172	\$ 15,863,334

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

Commitments (Note 12)

Subsequent Event (Note 16)

Approved and authorized on behalf of the Board on December 16, 2020:

"Patrick Anderson" Director _____
"Richard Williams" Director

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

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

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>October 31,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>	<u>October 31,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>
EXPENSES				
Accretion (Note 9)	\$ 77,160	\$ 52,548	\$ 208,205	\$ 159,974
Advertising and promotion	29,998	63,659	107,178	370,880
Depreciation (Note 6)	22,359	23,152	67,135	69,011
Finance cost (Note 8)	4,545	3,271	5,168	792
Insurance	19,500	19,869	58,431	58,980
Office, miscellaneous and rent (Note 13)	5,009	256	29,227	13,966
Professional fees (Note 13)	126,081	56,381	192,378	184,215
Generative exploration costs	3,729	-	3,729	2,355
Regulatory and filing fees	5,948	173	25,480	12,759
Share-based compensation (Note 10)	230,250	-	230,250	-
Salaries and benefits (Note 13)	<u>180,103</u>	<u>172,217</u>	<u>524,439</u>	<u>522,127</u>
Total operating expenses	(704,682)	(391,526)	(1,451,620)	(1,395,059)
Interest income	199	863	4,517	7,777
Foreign exchange gain (loss)	(40)	767,929	(291)	(166,596)
Realized gain on marketable securities (Note 5)	-	70,958	-	47,086
Unrealized gain (loss) on marketable securities (Note 5)	-	228,444	(46,605)	164,144
Write off of exploration and evaluation assets (Note 7)	<u>-</u>	<u>(879,942)</u>	<u>-</u>	<u>(879,942)</u>
Net loss	(704,523)	(203,274)	(1,493,999)	(2,222,590)
Foreign currency translation	<u>(263,423)</u>	<u>(100,488)</u>	<u>(135,287)</u>	<u>6,363</u>
Total comprehensive loss for the period	\$ (967,946)	\$ (303,762)	\$ (1,629,286)	\$ (2,216,227)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	(0.01)	(0.03)
Weighted average number of common shares outstanding:	133,818,585	86,768,585	133,475,155	86,768,585

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

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

	<u>For the nine months ended</u>	
	October 31, 2020	October 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,493,999)	\$ (2,222,590)
Items not involving cash:		
Accretion	208,205	159,974
Depreciation	67,135	69,011
Share-based compensation	230,250	-
Finance cost (recovery)	5,168	792
Realized gain on marketable securities	-	(47,086)
Unrealized (gain) loss on marketable securities	46,605	(164,144)
Write off of exploration and evaluation assets	-	879,942
Foreign exchange loss	291	206,368
Changes in non-cash working capital items:		
Decrease (increase) in receivables	2,441	(56,185)
Decrease in prepaid expenses	39,016	100,976
Increase (decrease) in accounts payable and accrued liabilities	<u>68,938</u>	<u>(18,669)</u>
Net cash used in operating activities	<u>(825,950)</u>	<u>(1,091,611)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(317,564)	(91,279)
Acquisition of exploration and evaluation assets	(1,104,317)	(987,857)
Proceeds from the sale of marketable securities, net	-	642,086
Decrease in deposits	<u>269</u>	<u>31,351</u>
Net cash used in investing activities	<u>(1,421,612)</u>	<u>(405,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement financing	1,177,500	-
Proceeds from warrant exercise (Note 10)	409,500	-
Share issue costs	(49,427)	-
Increase in deferred financing fees	(31,554)	(56,584)
Lease payments	<u>(64,114)</u>	<u>(61,753)</u>
Net cash provided by (used in) financing activities	<u>1,441,905</u>	<u>(118,337)</u>
Impact of foreign exchange on cash	<u>(4,685)</u>	<u>(3,357)</u>
Change in cash during the period	(810,342)	(1,619,004)
Cash, beginning of the period	<u>1,305,253</u>	<u>2,161,772</u>
Cash, end of the period	<u>\$ 494,911</u>	<u>\$ 542,768</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

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

NINE MONTHS ENDED OCTOBER 31

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of shares	Amount	Commitment to issue shares	Capital contribution	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance at January 31, 2019	86,768,585	\$ 37,271,571	\$ -	\$ 507,665	\$ 816,274	\$ -	\$ (29,775,913)	\$ 8,819,597
Foreign currency translation	-	-	-	-	-	6,363	-	6,363
Redemption of line of credit	-	-	-	1,500,000	-	-	-	1,500,000
Loss for the period	-	-	-	-	-	-	(2,222,590)	(2,222,590)
Balance at October 31, 2019	86,768,585	\$ 37,271,571	\$ -	\$ 2,007,665	\$ 816,274	\$ 6,363	\$ (31,998,503)	\$ 8,103,370
Balance at January 31, 2020	86,768,585	\$ 37,271,686	\$ 1,175,000	\$ 2,007,665	\$ 732,930	\$ 149,996	\$ (34,280,418)	\$ 7,056,859
Share issuance pursuant to private placement financing	47,050,000	2,352,500	(1,175,000)	-	-	-	-	1,177,500
Share issue costs	-	(21,621)	-	-	-	-	-	(21,621)
Commitment to issue shares pursuant to exercise of warrants (Note 10)	-	-	439,100	-	-	-	-	439,100
Forfeiture and expiry of stock options	-	-	-	-	(219,593)	-	219,593	-
Share-based compensation	-	-	-	-	230,250	-	-	230,250
Foreign currency translation	-	-	-	-	-	(135,287)	-	(135,287)
Loss for the period	-	-	-	-	-	-	(1,493,999)	(1,493,999)
Balance at October 31, 2020	133,818,585	\$ 39,602,565	\$ 439,100	\$ 2,007,665	\$ 743,587	\$ 14,709	\$ (35,554,824)	\$ 7,252,802

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

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Cornish Metals Inc. (the “Company” or “Cornish Metals”) exists under the laws of the *Canada Business Corporations Act* (“CBCA”). The Company changed its name from Strongbow Exploration Inc. to Cornish Minerals Inc. on July 29, 2020. The Company trades on the TSX Venture Exchange (“TSX-V”), (TSX-V – CUSN) and its head office is located at Suite 960 – 789 West Pender Street, Vancouver, BC, Canada V6C 1H2. The Company has two wholly-owned subsidiaries: Strongbow Alaska, Inc. which was incorporated under the laws of Alaska, USA and Cornish Metals Limited (“Cornish Metals Ltd.”) (previously Strongbow Exploration (UK) Limited), which was incorporated under the laws of the United Kingdom.

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

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

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

As at October 31, 2020, the Company had current assets of \$1,266,808 to settle current liabilities of \$715,665. Although the Company has positive working capital of \$551,143 as at October 31, 2020, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing when required may result in the loss of some, or all, of the Company’s exploration and evaluation assets (Note 7).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended January 31, 2020. These consolidated condensed interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended January 31, 2020 prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The policies applied in these consolidated condensed interim financial statements are based on IFRS issued and outstanding as of December 16, 2020, the date the Board of Directors approved the statements.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

b) Basis of presentation

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

c) New standards not yet adopted

The Company has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than February 1, 2020. All of these updates are not relevant to the Company and are therefore not discussed herein.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings and asset sales, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration, future development and corporate activities and anticipating investing and financing activities. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V. As at October 31, 2020, the Company had current assets of \$1,266,808 to settle current liabilities of \$715,665.

Credit risk

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

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - *Continued*

Foreign currency risk

The Company has its most significant exposure to foreign currency risk through expenditures incurred on its exploration and evaluation assets and property, plant and equipment in the United Kingdom. Most of the Company's expenditure incurred on its exploration and evaluation assets, and property, plant and equipment is in British pounds, therefore the fluctuation of the Canadian dollar in relation to this currency will consequently have an impact on the value of the Company's assets. The Company does not presently invest in foreign denominated currency contracts to mitigate this risk, but will closely monitor this risk depending on the amount and currency of any fundraising for the exploration, evaluation and future development of the South Crofty Tin Project.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is minimal as cash is placed in deposits held with Canadian and British financial institutions that generate modest investment returns and furthermore, the Company has no financial liabilities subject to variable interest rates.

Equity market risk

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

Commodity price risk

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

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

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4. MARKETABLE SECURITIES

The Company holds common shares in one TSX-V listed company (January 31, 2020 – one TSX-V listed company) and in two private mineral exploration companies (January 31, 2020 – two private mineral exploration companies).

	October 31, 2020		January 31, 2020	
	Cost	Fair market value	Cost	Fair market value
Public company shares	\$ 4,000	\$ 2,600	\$ 4,000	\$ 2,600
Private company shares	281,225	498,516	281,225	545,121
	\$ 285,225	\$ 501,116	\$ 285,225	\$547,721

During the nine months ended October 31, 2020, the Company recorded an unrealized loss of \$46,605 (October 31, 2019 – gain of \$164,144) associated with the change in fair value of marketable securities.

During the nine months ended October 31, 2019, the Company received net proceeds of \$642,086 and recognized a gain of \$47,086 from the sale of shares in Westhaven Ventures Inc., a company related to the Company by virtue of a common director (D. Grenville Thomas).

5. DEFERRED FINANCING FEES

Deferred financing fees of \$198,932 (January 31, 2020 - \$Nil) consist primarily of legal, accounting and related professional fees incurred in connection with a proposed listing of the Company's common shares and a concurrent financing on the Alternative Investment Market ("AIM") in London, UK. The deferred financing fees will be applied against the gross proceeds on completion of the equity financing. In the event that a listing and concurrent equity financing on AIM are not completed, the deferred financing fees will be expensed.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2020

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6. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment	Software	Furniture & fixtures	Land & site	Motor vehicles	Right-of-use real estate	Water treatment plant* (in progress)	Equipment	Total
As at January 31, 2020	\$ 51,562	\$ 47,519	\$ 27,907	\$1,715,153	\$ 19,143	\$ 180,381	\$ 4,048,089	\$ 290,834	\$ 6,380,588
Additions	3,236	-	-	-	-	-	-	4,353	7,589
Capitalized borrowing costs	-	-	-	88,918	-	-	279,303	-	368,221
Foreign currency translation	(373)	(306)	(302)	(15,548)	(213)	-	(35,890)	(3,017)	(55,649)
As at October 31, 2020	\$ 54,425	\$ 47,213	\$ 27,605	\$1,788,523	\$ 18,930	\$ 180,381	\$ 4,291,502	\$ 292,170	\$ 6,700,749
Accumulated depreciation									
As at January 31, 2020	\$ (31,806)	\$(37,641)	\$ (9,567)	\$ -	\$ (17,008)	\$ (82,458)	\$ -	\$ (235,381)	\$ (413,861)
Depreciation	(3,388)	(3,620)	-	-	-	(60,127)	-	-	(67,135)
Capitalized depreciation	(9,395)	-	(1,685)	-	(2,106)	-	-	(25,930)	(39,116)
Foreign currency translation	223	306	107	-	184	-	-	2,377	3,197
As at October 31, 2020	\$ (44,366)	\$ (40,955)	\$ (11,145)	\$ -	\$ (18,930)	\$ (142,585)	\$ -	\$ (258,934)	\$ (516,915)
Net book value									
As at January 31, 2020	\$ 19,756	\$ 9,878	\$ 18,340	\$1,715,153	\$ 2,135	\$ 97,923	\$ 4,048,089	\$ 55,453	\$ 5,966,727
As at October 31, 2020	\$ 10,059	\$ 6,258	\$ 16,460	\$1,788,523	\$ -	\$ 37,796	\$ 4,291,502	\$ 33,236	\$ 6,183,834

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

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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7. EXPLORATION AND EVALUATION ASSETS

	January 31, 2020	Expended during the period	October 31, 2020
South Crofty, Cornwall, UK			
Exploration costs	\$ 1,063,273	\$ 820,315	\$ 1,883,588
Tenure and utility costs	861,485	79,114	940,599
Office and remuneration costs	2,777,237	366,181	3,143,418
Capitalized depreciation	347,324	39,116	386,440
Asset acquisition	3,023,374	-	3,023,374
Recovery of costs	(255,906)	-	(255,906)
Foreign currency translation	111,901	(78,444)	33,457
	<u>\$ 7,928,688</u>	<u>\$ 1,226,282</u>	<u>\$ 9,154,970</u>

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

a) South Crofty Tin Project, Cornwall, UK

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

The purchase price of the acquisition was as follows:

Purchase price	
Common shares issued (2,000,000 shares)	\$ 400,000
Cash consideration (including transaction costs)	1,453,374
Commitment to issue shares	2,000,000
	<u>\$ 3,853,374</u>

In addition to the cash and common share consideration of \$1,853,374 paid on July 11, 2016, the Company agreed to the following additional payments and share issuances under the terms of the SPA:

- Cornish Metals to make a \$2,000,000 payment to the Sellers on the second anniversary of the approval vote by creditors for South Crofty’s exit from administration (date set at June 10, 2018). While Cornish Metals had the right to settle 50% of this payment in cash, the Company decided to settle 100% of this payment with the issuance of common shares and recorded a commitment to issue shares totaling \$2,000,000 at the date of acquisition. During the year ended January 31, 2019, the Company issued 8,456,664 shares in satisfaction of this commitment.
- Cornish Metals to issue 1,000,000 common shares to the Sellers upon receipt of a permit to increase water discharge from the old mine workings from 10,000m³ per day to 25,000m³ per day (issued November 1, 2017 at a value of \$180,000).

CORNISH METALS INC.

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OCTOBER 31, 2020

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7. EXPLORATION AND EVALUATION ASSETS – Continued

a) South Crofty Tin Project, Cornwall, UK - Continued

- Cornish Metals to issue 2,000,000 common shares to the Sellers on delivery of a positive feasibility study or commencement of commercial production, whichever occurs first.
- Cornish Metals to make a cash and / or common share payment to the Sellers equal to 25% of the Net Present Value ("NPV") of the project upon making a decision to go into production. In the event that Cornish Metals's market capitalization is less than the NPV of the project when a production decision is made, Cornish Metals will pay the equivalent of 25% of its market value to the Sellers and the balance (between the 25% of market value and 25% of the NPV of the project) will be paid out as a 5% Net Profits Interest from production.
- In the event that Cornish Metals transfers any assets, rights, or entitlements to certain mineral rights which are not part of the core mineral rights (the "Other Mineral Rights") to a third party before the agreed consideration has been paid to the Sellers, then the Sellers will be entitled to receive a payment equal to 10% of any consideration received for the Other Mineral Rights, to a maximum of \$1,000,000.

b) Cornish Lithium exploration option agreement

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

Under the terms of the agreement, CLL agreed to issue common shares with a value US\$50,000 concurrently with its first financing (received – August 2017) and, to keep the agreement in good standing, to issue CLL common shares with a value of US\$50,000 on the first, second, third and fourth anniversary of the agreement. From the fifth anniversary date of the agreement, CLL will make annual payments of US\$100,000, in cash or common shares of CLL, at its election. From the tenth anniversary date of the agreement, CLL will make annual payments of US\$500,000 in cash or common shares of CLL, at its election, of which 50% of the payment will be considered an advance royalty payment.

c) Sleitat and Coal Creek Tin Properties, Alaska, U.S.A.

On July 24, 2015, the Company acquired the Sleitat and Coal Creek tin properties in Alaska (collectively, the "Properties") subject to the terms of a property purchase agreement (the "Agreement") with Osisko Gold Royalties Limited ("Osisko"), a significant shareholder of the Company, and Mr. R. Netolitzky, and their respective wholly-owned companies. Mr. Netolitzky was a director of the Company at the time of the acquisition. The Company acquired the Properties for total consideration of 6,500,000 common shares of the Company and a 2% NSR on the properties. The common shares were issued at \$0.10 per share for a value of \$650,000 with transaction costs of \$6,134 incurred.

In addition to the shares and the NSR, the Company granted Osisko a first right of refusal on the sale of any future royalties on any of the Company's Properties.

During the nine months ended October 31, 2019, the Company wrote off all capitalized exploration and evaluation assets related to the Properties due to limited exploration activities since their acquisition and also because substantive expenditure on further exploration activities on these Properties is neither budgeted nor planned in the foreseeable future.

On December 1, 2019, the Company relinquished the Coal Creek tin property. The Company maintains its interest in the underlying mineral claim and mining leases for the Sleitat tin property by making annual rental payments.

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8. LEASE LIABILITY

	Nine months ended October 31, 2020	Year ended January 31, 2020
Opening balance	\$ 98,908	\$ 187,248
Lease modification and remeasurement	-	(6,867)
Lease payments	(64,114)	85,545
Amortization of discount	5,168	4,072
Ending balance	\$ 39,962	\$ 98,908

Upon adoption of IFRS 16 – Leases (“IFRS 16”), the Company has recognized a right-of-use asset and a lease liability at the transition date (February 1, 2019) for the lease arrangement relating to its office located in Vancouver, Canada. Previously, this lease was classified as an operating lease. The lease liability was initially measured at the present value of the lease payments, discounted using the Company’s estimated incremental borrowing rate of 5%, rather than the interest rate implicit in the lease, as that rate could not be readily determined. Lease liabilities are now included within current and long-term liabilities in the consolidated statements of financial position.

The reconciliation of prior year lease commitments and the impact of discounting to the opening lease liability balance of \$187,248 is as follows:

Minimum lease payments under operating leases as of February 1, 2019	\$ 203,299
Effect from discounting at the estimated incremental borrowing rate as of February 1, 2019	(16,051)
Opening lease liability as of February 1, 2019	\$ 187,248

The finance cost, or amortization of the discount, is charged to profit or loss using the effective interest method.

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

	October 31, 2020	January 31, 2020
Current portion of lease obligation	\$ 39,962	\$ 78,595
Long-term portion of lease obligation	-	20,313
Ending balance	\$ 39,962	\$ 98,908

The table below analyzes the Company’s lease liabilities into relevant contractual maturity date groupings based on the remaining period at the reporting date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

	1 year or less	1-2 years	Total contractual cash flows	Carrying amount
Total contractual obligations	\$ 48,388	\$ -	\$ 48,388	\$ 39,962

The difference between the total contractual undiscounted cash flows related to lease payments to lessors and the carrying amount of the lease liability is the amortization of the discount related to the lease liability.

During the nine months ended October 31, 2020, the Company continued its sub-lease agreements with tenants within its office located in Vancouver, Canada. These sub-lease agreements have been treated as operating leases in accordance with IFRS 16. Income arising under these sub-lease agreements during the nine months ended October 31, 2020 was \$20,800 (October 31, 2019 - \$30,150) and has been recognized in profit or loss.

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9. DEBT AND ROYALTY OPTION

	Nine months ended		Year ended
	October 31, 2020		January 31, 2020
Opening balance	\$	5,210,765	\$ 4,525,893
Accretion – charged to profit or loss		208,205	193,912
Accretion – capitalized to property, plant and equipment		368,221	490,960
Ending balance	\$	5,787,191	\$ 5,210,765

On January 26, 2018, the Company completed a secured convertible note financing (the “Note”) with Osisko for gross proceeds of \$7,170,000. The Note is convertible into a 1.5% NSR on all metals and minerals produced from the South Crofty Tin Project (the “Osisko NSR”). The Note is secured by a first-ranking lien on all of the assets of the Company and its subsidiaries. If an event of default occurs under either the Note or the Osisko NSR, Osisko has the right to realize upon its security and become the owner of all of the Company’s assets.

Osisko may not make a demand on the Note until the commencement of commercial production at the South Crofty Tin Project (or otherwise upon the occurrence of an event of default). No interest is to be payable on the principal amount outstanding under the Note until December 31, 2021 (or otherwise on the occurrence of an event of default), after which time interest will accrue at an annual rate of 10%. If commercial production is not achieved at the South Crofty Tin Project by December 31, 2025, all amounts owing under the Note would become due and payable.

Concurrently with this transaction, the Company and Osisko entered into a governance and financing agreement containing, among other things, the grant to Osisko of an option to purchase the Osisko NSR in exchange for the Note (the “Royalty Option”). If, as and when Osisko exercises the Royalty Option, the Company and its affiliates will enter into a royalty agreement with Osisko (the “Royalty Agreement”), and the Company’s performance and payment obligations will continue to be secured by the first ranking lien of Osisko. Once the Company has made royalty payments in excess of US\$7.5 million, the scope of the first ranking liens will be reduced.

The Company received gross proceeds of \$7,170,000 from the sale of the Note, which was recorded at a fair value of \$4,283,486 using a 14% discount rate. The carrying value of the debt, net of transaction costs totalling \$366,054 (\$3,917,432), will be accreted up to the debt’s face value over the estimated term of the debt. The difference between the gross proceeds received and the fair value recorded for the Note has been recorded as a Royalty Option. The Royalty Option is a non-financial liability that has been recorded at a cost of \$2,886,514; transaction costs of \$246,673 allocated to the Royalty Option on a pro-rata basis were expensed in professional fees in the year ended January 31, 2018.

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

At October 31, 2020, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

Share issuances

On February 3, 2020, the Company closed a private placement financing, issuing 47,050,000 units (the “Units”) at a price of \$0.05 per Unit for gross proceeds of \$2,352,500, of which \$1,175,000 was received as at January 31, 2020. Each Unit comprises one common share and one half of one common share purchase warrant. Each full warrant will allow the holder to purchase one additional common share of Cornish Metals (each, a “Warrant Share”) at a price of \$0.07 per Warrant Share for a period of 36 months from the closing date of the financing. In connection with the private placement, Osisko purchased a total of 20,000,000 Units. Net proceeds from the financing amounted to \$2,302,322.

There were no share issuances during the nine months ended October 31, 2019.

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

As at October 31, 2020, the following stock options and warrants were outstanding:

	Number of shares	Exercise price	Number exercisable	Expiry date
Options	2,125,000	\$ 0.15	2,125,000	January 3, 2022
	1,855,000	0.20	1,855,000	November 3, 2022
	5,150,000	0.10	1,030,000	August 19, 2025
Warrants	17,252,143	\$ 0.07	17,252,143	February 3, 2023

Stock options

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

Under the terms of the Plan, options will be exercisable over periods of up to five years as determined by the Board of Directors and must have an exercise price not less than the closing market price of the Company's shares prevailing on the day that the option is granted. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of the Company and its subsidiaries, or employees of companies providing management or consulting services to the Company or its subsidiaries.

The Plan provides that the directors have the discretion to impose vesting of options and that, unless otherwise specified by the directors, vesting will occur generally as to 20% on the grant date and 20% every three months thereafter, becoming fully vested one-year from the date of grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant.

Stock option transactions for the nine months ended October 31, 2020 are summarized as follows:

	Number of options	Weighted average exercise price
Balance, January 31, 2020	6,425,000	0.15
Granted	5,150,000	0.10
Forfeited	(425,000)	0.18
Expired	(2,020,000)	0.11
Balance, October 31, 2020	9,130,000	\$ 0.13
Number of options exercisable as at October 31, 2020	5,010,000	\$ 0.16

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

Warrant transactions for the nine months ended October 31, 2020 are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, January 31, 2020	-	-
Issued pursuant to a private placement financing	23,525,000	0.07
Exercised	<u>(6,272,857)</u>	0.07
Balance, October 31, 2020	<u>17,252,143</u>	<u>\$ 0.07</u>

During the nine months ended October 31, 2020, the Company implemented an early warrant exercise incentive program (the “Incentive Program”) intended to encourage the early exercise of up to 23,525,000 Warrant Shares that were issued in February 2020 pursuant to the private placement financing. Certain warrant holders were restricted in their ability to participate in the Incentive Program as set out under applicable securities laws.

Under the terms of the Incentive Program, holders who exercised their Warrant Shares received:

- the common shares in the capital of the Company to which they were entitled under the terms of the Warrant Shares; and
- one additional common share purchase warrant of the Company (each, an “Incentive Warrant”) entitling the holder to acquire an additional common share of the Company at a price of \$0.10 per share for a period of two years from the date of issuance of such Incentive Warrant.

As at October 31, 2020, holders exercised a total of 6,272,857 Warrant Shares, of which 5,222,222 were under the Incentive Program, for gross proceeds of \$439,100. Of these proceeds, \$409,500 were received by October 31, 2020, with the balance of the proceeds of \$29,600 being received by the Company on November 11, 2020 (Note 16). As the common shares relating to these warrant exercises were not issued until November 9, 2020, the Company has recorded \$439,100 as a commitment to issue shares as at October 31, 2020. The Incentive Warrants were also issued on November 9, 2020.

Share-based compensation

During the nine months ended October 31, 2020, the Company granted 5,150,000 (2019 – Nil) stock options to directors and officers with an estimated fair value of \$433,191 (2019 – \$Nil).

During the nine months ended October 31, 2020, the Company recorded \$230,250 (2019 - \$Nil) in share-based compensation expense.

The Company used the following assumptions to estimate a fair-value for the stock options granted during the nine months ended October 31, 2020:

	Nine months ended October 31, 2020
Risk-free interest rate	0.39%
Expected dividend yield	0%
Expected stock price volatility	142%
Expected option life in years	5 years
Forfeiture rate	0%

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11. CAPITAL MANAGEMENT

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

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

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

12. COMMITMENTS

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

The Company also has outstanding commitments relating to the construction of the water treatment plant for \$270,000. The timing of payments relating to these commitments is uncertain, and would depend on the progress of construction.

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

- an advance payment of £50,000 per annum (equivalent to \$86,300 at the period end GBP/CAD rate) during periods when there is no production from the respective owner's mineral rights ("Advance Royalty Payments"), or
- a NSR payable for a minimum of £50,000 on ore extracted from property that falls within the mineral rights held by the owner which varies according to the prevailing tin price.

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

13. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine months ended October 31, 2020 and 2019:

- a) Paid \$5,358 to North Arrow Minerals Inc. ("North Arrow"), a company with two common directors, for office space and administrative services (October 31, 2019 - \$5,850);
- b) Received \$7,989 from Winshear Gold Corp. ("Winshear", previously Helio Resource Corp.), a company with a common director, relating to an apportionment of rent and similar expenditures for the Vancouver office (October 31, 2019 - \$Nil), of which \$628 was included in receivables (January 31, 2020 - \$1,521); and
- c) Recorded a receivable of \$29,600 (January 31, 2020 - \$Nil) from Osisko for proceeds relating to the exercise of warrants which were received by the Company on November 11, 2020.

Transactions with related parties concluded in current and previous periods are disclosed in Notes 7, 9 and 10 of these consolidated condensed interim financial statements.

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13. RELATED PARTY TRANSACTIONS - Continued

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

	Three Months Ended		Nine Months Ended	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Salaries and benefits ¹	\$ 142,556	\$ 145,110	\$ 426,739	\$ 433,354
Share-based payments ²	230,250	-	230,250	-
Total	\$ 372,806	\$ 145,110	\$ 656,989	\$ 433,354

¹ Allocated \$422,489 (October 31, 2019 - \$419,854) to salaries and benefits and \$4,250 (October 31, 2019 - \$13,500) to professional fees.

² Share-based payments are the fair value of options that have been granted and vested to directors and key management personnel.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine months ended October 31, 2020, the significant non-cash transactions were:

- Included in exploration and evaluation assets are capitalized depreciation of \$39,117, prepaid expenses of \$5,590 and \$198,004 which relates to accounts payable and accrued liabilities;
- Included in property, plant and equipment are capitalized borrowing costs of \$368,221 and \$64,959 which relates to accounts payable and accrued liabilities;
- Included in deferred financing fees is \$167,378 which relates to accounts payable and accrued liabilities.

During the nine months ended October 31, 2019, the significant non-cash transactions were:

- Included in exploration and evaluation assets are capitalized depreciation of \$38,005, and \$116,572 and \$7,098 which relates to accounts payable and receivables, respectively;
- Included in property, plant and equipment are capitalized borrowing costs of \$368,221, the capitalized portion of the right-to-use real estate of \$124,832 and \$308,053 which relates to accounts payable and accrued liabilities; and
- Included in deferred financing fees is \$34,732 which relates to accounts payable and accrued liabilities.

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15. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and evaluation of mineral properties in North America and the United Kingdom as follows:

	<u>As at October 31, 2020</u>			<u>As at January 31, 2020</u>		
	Canada	United Kingdom	Total	Canada	United Kingdom	Total
Deposits	\$ 10,964	\$ 25,596	\$ 36,560	\$ 10,964	\$ 25,865	\$ 98,629
Property, plant and equipment	47,727	6,136,107	6,183,834	114,863	5,851,864	5,966,727
Exploration and evaluation assets	-	9,154,970	9,154,970	-	7,928,688	7,928,688

16. SUBSEQUENT EVENT**a) Exercise of warrants**

As at October 31, 2020, 6,272,857 warrants had been exercised at a price of \$0.07 for gross proceeds of \$439,100, of which \$409,500 had been received by October 31, 2020 and \$29,600 were received on November 11, 2020 (Note 10). Pursuant to the exercise of these warrants, 6,272,857 common shares were issued on November 9, 2020, thereby increasing the number of common shares outstanding to 140,091,442. Incentive Warrants (as defined in Note 10) of 5,222,222 were also issued on November 9, 2020