

CORNISH METALS INC.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2022

(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 three months ended April 30, 2022 have been prepared by and are the responsibility of Cornish Metals' management.

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

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

	April 30, 2022	January 31, 2022
ASSETS		
Current		
Cash	\$ 4,286,535	\$ 6,922,704
Marketable securities (Note 4)	1,574,506	1,574,506
Receivables (Note 14)	140,449	107,230
Deferred financing fees (Note 5)	672,778	-
Prepaid expenses	<u>353,680</u>	<u>231,933</u>
	7,027,948	8,836,373
Deposits	52,959	42,448
Property, plant and equipment (Note 6)	6,128,901	6,437,175
Exploration and evaluation assets (Note 7)	<u>21,175,960</u>	<u>20,772,029</u>
	<u>\$ 34,385,768</u>	<u>\$ 36,088,025</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 929,675	\$ 613,178
Lease liability (Note 8)	3,594	4,204
Commitment to issue shares (Note 9)	<u>6,076,200</u>	<u>6,041,525</u>
	7,009,469	6,658,907
Lease liability (Note 8)	-	667
NSR liability (Note 10)	<u>8,767,363</u>	<u>8,717,330</u>
	<u>15,776,832</u>	<u>15,376,904</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 11)	56,846,350	56,846,350
Share subscriptions received in advance (Note 11)	30,000	-
Capital contribution	2,007,665	2,007,665
Share-based payment reserve (Note 11)	630,265	630,265
Foreign currency translation reserve	(1,326,881)	(174,123)
Deficit	<u>(39,578,463)</u>	<u>(38,599,036)</u>
	<u>18,608,936</u>	<u>20,711,121</u>
	<u>\$ 34,385,768</u>	<u>\$ 36,088,025</u>

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

Commitments (Note 13)

Subsequent Events (Note 17)

Approved and authorized on behalf of the Board on June 22, 2022:

"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>	
	April 30, 2022	April 30, 2021
EXPENSES		
Accretion	\$ -	\$ 15,764
Advertising and promotion	110,878	52,925
Depreciation (Note 6)	443	22,109
Finance cost (Note 8)	-	3,895
Insurance	33,509	21,784
Office, miscellaneous and rent (Notes 8 and 14)	28,978	21,883
Professional fees (Note 14)	169,597	412,674
Generative exploration costs	333	-
Regulatory and filing fees	21,244	68,883
Share-based compensation (Notes 11 and 14)	-	51,796
Salaries, directors' fees and benefits (Note 14)	<u>262,133</u>	<u>222,836</u>
Total operating expenses	(627,115)	(894,549)
Interest income	743	192
Foreign exchange loss	<u>(353,055)</u>	<u>(406,692)</u>
Loss for the period	(979,427)	(1,301,049)
Foreign currency translation	<u>(1,152,758)</u>	<u>(210,502)</u>
Total comprehensive loss for the period	<u>\$ (2,132,185)</u>	<u>\$ (1,511,551)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding:	<u>285,850,157</u>	<u>248,501,072</u>

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 three months ended</u>	
	April 30, 2022	April 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (979,427)	\$ (1,301,049)
Items not involving cash:		
Accretion	-	15,764
Depreciation	443	22,109
Share-based compensation	-	51,796
Finance cost	-	3,895
Foreign exchange loss	353,055	406,692
Changes in non-cash working capital items:		
Increase in receivables	(33,218)	(47,393)
Increase in prepaid expenses	(28,727)	(54,245)
Increase (decrease) in accounts payable and accrued liabilities	<u>62,490</u>	<u>(6,550)</u>
Net cash used in operating activities	<u>(625,384)</u>	<u>(908,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,661)	(75,671)
Acquisition of exploration and evaluation assets	(1,171,500)	(670,970)
Increase in deposits	<u>(10,512)</u>	<u>(16,215)</u>
Net cash used in investing activities	<u>(1,184,673)</u>	<u>(762,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from AIM listing	-	14,244,206
Proceeds from fundraising received in advance of share issue	30,000	-
Proceeds from warrant exercises	-	184,750
Share issue costs	-	(1,066,126)
Increase in deferred financing fees	(584,359)	-
Conversion of royalty option costs	-	(111,730)
Lease payments	<u>(1,090)</u>	<u>(24,284)</u>
Net cash provided by (used in) financing activities	<u>(555,449)</u>	<u>13,226,816</u>
Impact of foreign exchange on cash	<u>(270,663)</u>	<u>(396,680)</u>
Change in cash during the period	(2,636,169)	11,158,299
Cash, beginning of the period	<u>6,922,704</u>	<u>353,601</u>
Cash, end of the period	<u>\$ 4,286,535</u>	<u>\$ 11,511,900</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 15)

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**

THREE MONTHS ENDED APRIL 30

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of shares	Amount	Share subscriptions received in advance	Capital contribution	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance at January 31, 2021	149,918,585	\$ 40,737,065	\$ 189,902	\$ 2,007,665	\$ 846,212	\$ 239,028	\$ (35,687,896)	\$ 8,331,976
Share issuance pursuant to AIM listing	117,226,572	14,434,108	(189,902)	-	-	-	-	14,244,206
Share issue costs	-	(1,506,824)	-	-	-	-	-	(1,506,824)
Warrant exercises	2,275,000	184,750	-	-	-	-	-	184,750
Share-based compensation	-	-	-	-	51,796	-	-	51,796
Foreign currency translation	-	-	-	-	-	(210,502)	-	(210,502)
Loss for the period	-	-	-	-	-	-	(1,301,049)	(1,301,049)
Balance at April 30, 2021	269,420,157	\$ 53,849,099	\$ -	\$ 2,007,665	\$ 898,008	\$ 28,526	\$ (36,988,945)	\$ 19,794,353
Balance at January 31, 2022	285,850,157	\$ 56,846,350	\$ -	\$ 2,007,665	\$ 630,265	\$ (174,123)	\$ (38,599,036)	\$ 20,711,121
Commitment to issue shares pursuant to the Offering	-	-	30,000	-	-	-	-	30,000
Foreign currency translation	-	-	-	-	-	(1,152,758)	-	(1,152,758)
Loss for the period	-	-	-	-	-	-	(979,427)	(979,427)
Balance at April 30, 2022	285,850,157	\$ 56,846,350	\$ 30,000	\$ 2,007,665	\$ 630,265	\$(1,326,881)	\$ (39,578,463)	\$ 18,608,936

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

APRIL 30, 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

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

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

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

The Company is in the process of 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 April 30, 2022, the Company had current assets of \$7,027,948 to settle current liabilities of \$7,009,469. Although the Company has positive working capital of \$18,479 as at April 30, 2022, 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, 2022. 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, 2022 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 June 22, 2022, the date the Board of Directors approved the statements.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2022

(Unaudited – Prepared by Management)

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2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

b) Basis of presentation

These consolidated condensed interim financial statements are expressed in Canadian dollars, the Company's 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) Revised accounting standard – Property, plant and equipment

The Company has adopted the revised accounting standard IAS 16, *Property, plant and equipment – proceeds before intended use* which is effective for annual periods commencing on or after January 1, 2022. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, the Company will recognize such sale proceeds and related cost in profit or loss.

The revised accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings and asset sales, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration, future development and corporate activities and anticipating investing and financing activities. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V and AIM. As at April 30, 2022, the Company had current assets of \$7,027,948 to settle current liabilities of \$7,009,469.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - *Continued*

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.

Foreign currency risk

The Company has its most significant exposure to foreign currency risk through expenditure 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 Company's mineral properties located in Cornwall, UK.

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. 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 and copper. 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 two private mineral exploration companies (January 31, 2022 – two).

	April 30, 2022		January 31, 2022	
	Cost	Fair market value	Cost	Fair market value
Private company shares	\$ 473,809	\$ 1,574,506	\$ 473,809	\$ 1,574,506
	\$ 473,809	\$ 1,574,506	\$ 473,809	\$ 1,574,506

During the three months ended April 30, 2022 and 2021, the Company recorded an unrealized gain/loss of \$Nil associated with the change in fair value of marketable securities.

5. DEFERRED FINANCING FEES

Deferred financing fees of \$672,778 (January 31, 2022 - \$Nil) consist primarily of legal and related fees which were incurred by the period end date in connection with a financing of £40.5 million (\$64.8 million based on the closest exchange rate as at May 20, 2022) (the “Offering”) which completed on May 24, 2022 (Note 17(a)).

The deferred financing fees, as well as further financing fees incurred subsequent to the period end date, have been applied against the gross proceeds raised from the Offering.

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment	Software	Furniture & fixtures	Land & site	Motor vehicles	Right-of-use assets	Water treatment plant* (in progress)	Equipment	Total
As at January 31, 2022	\$ 90,776	\$ 46,938	\$ 27,335	\$1,810,951	\$ 13,954	\$ 12,816	\$ 4,497,352	\$ 234,317	\$ 6,734,439
Additions	5,451	-	-	-	-	-	-	-	5,451
Foreign currency translation	(5,385)	(1,712)	(1,688)	(86,931)	(908)	(759)	(207,996)	(13,932)	(319,311)
As at April 30, 2022	\$ 90,842	\$ 45,226	\$ 25,647	\$1,724,020	\$ 13,046	\$ 12,057	\$ 4,289,356	\$ 220,385	\$ 6,420,579
Accumulated depreciation									
As at January 31, 2022	\$ (39,122)	\$(46,494)	\$ (13,820)	\$ -	\$ (13,954)	\$ (5,339)	\$ -	\$ (178,535)	\$ (297,264)
Depreciation	-	(443)	-	-	-	-	-	-	(443)
Capitalized depreciation	(5,209)	-	(546)	-	-	(1,567)	-	(3,641)	(10,963)
Foreign currency translation	2,317	1,711	909	-	908	377	-	10,770	16,992
As at April 30, 2022	\$ (42,014)	\$ (45,226)	\$ (13,457)	\$ -	\$ (13,046)	\$ (6,529)	\$ -	\$ (171,406)	\$ (291,678)
Net book value									
As at January 31, 2022	\$ 51,654	\$ 444	\$ 13,515	\$1,810,951	\$ -	\$ 7,477	\$ 4,497,352	\$ 55,782	\$ 6,437,175
As at April 30, 2022	\$ 48,828	\$ -	\$ 12,190	\$1,724,020	\$ -	\$ 5,528	\$ 4,289,356	\$ 48,979	\$ 6,128,901

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

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	January 31, 2022	Expended during the period	April 30, 2022
Cornwall Mineral Properties, UK			
Exploration costs	\$ 4,536,805	\$ 896,287	\$ 5,433,092
Tenure and utility costs	1,292,255	95,436	1,387,691
Office and remuneration costs	4,201,741	230,622	4,432,363
Capitalized depreciation	437,888	10,963	448,851
Asset acquisition	10,898,376	41,494	10,939,870
Recovery of costs	(449,947)	-	(449,947)
Foreign currency translation	<u>(145,089)</u>	<u>(870,871)</u>	<u>(1,015,960)</u>
	<u>\$ 20,772,029</u>	<u>\$ 403,931</u>	<u>\$ 21,175,960</u>

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

a) Cornwall Mineral Properties, UK

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

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

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

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

CORNISH METALS INC.

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7. EXPLORATION AND EVALUATION ASSETS - *Continued*

a) Cornwall Mineral Properties, UK - *Continued*

- Cornish Metals to make a US\$4,750,000 payment in common shares upon closing of either the financing for the dewatering of the mine at the South Crofty Tin Project, and / or any interim financings (up to 10% of the gross proceeds of such interim financings). In relation to this milestone payment, the Company initially recorded \$6,099,858 as an acquisition cost and corresponding commitment to issue shares (Note 9), which was subsequently re-measured to \$6,141,352 at the period end. Common shares were issued on May 31, 2022 in satisfaction of this commitment (Note 17(b)); and
- Cornish Metals to make a US\$5,000,000 payment in common shares upon making a decision to proceed with the development and / or construction of a mine either at the South Crofty Tin Project or at the United Downs property.

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

b) Cornish Lithium exploration option agreement

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

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

CORNISH METALS INC.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. LEASE LIABILITY

	Three months ended		Year ended
	April 30, 2022		January 31, 2022
Opening balance	\$ 4,871	\$	20,389
Addition	-		8,181
Lease payments	(1,090)		(27,760)
Amortization of discount – charged to profit or loss	-		3,895
Amortization of discount – capitalized to exploration & evaluation assets	101		166
Foreign currency translation	(288)		-
Ending balance	\$ 3,594	\$	4,871

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:

	April 30, 2022		January 31, 2022
Current portion of lease obligation	\$ 3,594	\$	4,204
Long-term portion of lease obligation	-		667
Ending balance	\$ 3,594	\$	4,871

The table below analyses 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	\$ 3,997	\$ -	\$ 3,997	\$ 3,594

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

During the three months ended April 30, 2021, the Company continued its sub-lease agreements with two tenants within its office located in Vancouver, Canada. Both sub-lease agreements have been treated as operating leases in accordance with IFRS 16. Income arising under these sub-lease agreements during the three months ended April 30, 2021 was \$3,600 and has been recognized in profit or loss. With the closure of the Company's office in Vancouver on April 30, 2021, the sub-lease agreements had been terminated by this date.

CORNISH METALS INC.

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9. COMMITMENT TO ISSUE SHARES

	April 30, 2022	January 31, 2022
Current portion of commitment to issue shares	\$ 6,076,200	\$ 6,041,525
Ending balance	\$ 6,076,200	\$ 6,041,525

Pursuant to the restructuring of the outstanding deferred considerable payable in respect of the acquisition of the Cornwall Mineral Properties (Note 7), the Milestone Shares meet the definition of a derivative financial instrument which is recognized at fair value. In determining fair value, the triggering events for the crystallization of the Milestone Shares as described in Note 7 have been assessed, including their potential future timing.

The fair value of the deferred considerable payable has been included within acquisition costs within the carrying value of the Cornwall Mineral Properties.

10. NSR LIABILITY

	Three months ended April 30, 2022	Year ended January 31, 2022
Opening balance	\$ 8,717,330	\$ -
Conversion of debt into NSR liability	-	6,037,330
Conversion of Royalty Option into NSR liability	-	2,886,514
Transaction costs	-	(275,464)
Foreign currency translation	50,033	68,950
Ending balance	\$ 8,767,363	\$ 8,717,330

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

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

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

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

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

The NSR liability was initially recorded at fair value at the date of conversion of the Note, net of transaction costs. The fair value was determined to be the amortized cost of the Note at the date of conversion (\$6,037,330) and the carrying value of the Royalty Option (\$2,886,514). Costs of \$275,465 were incurred in respect of the transaction, resulting in an initial carrying value of the NSR liability of \$8,648,379.

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

At April 30, 2022, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

Share issuances

Three months ended April 30, 2022

There were no share issuances during the three months ended April 30, 2022.

As at April 30, 2022, the Company received share subscriptions in advance totaling \$30,000 in connection with the Offering (Note 17(a)) which completed on May 24, 2022.

Three months ended April 30, 2021

On February 16, 2021, the Company completed its listing and concurrent financing on AIM issuing 117,226,572 common shares at a price of £0.07 (\$0.12) raising gross proceeds of £8,205,860 (\$14,434,108 based on February 12, 2021 closing exchange rate), of which \$189,902 had been received in advance by January 31, 2021. Total share issue costs amounted to \$1,506,824 resulting in net proceeds of \$12,927,284.

Stock options and warrants

As at April 30, 2022, the following stock options and warrants were outstanding and exercisable:

	Outstanding	Exercise price	Exercisable	Expiry date
Options	1,400,000	\$ 0.20	1,400,000	November 3, 2022
	5,150,000	0.10	5,150,000	August 19, 2025
Warrants	2,072,222	\$ 0.10	2,072,222	November 9, 2022
	1,450,000	0.07	1,450,000	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.

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11. CAPITAL AND RESERVES – Continued**Stock options and warrants – Continued***Stock options – Continued*

Stock option transactions for the three months ended April 30, 2022 are summarized as follows:

	Number of options	Weighted average exercise price
Balance, April 30, 2022 and January 31, 2022	6,550,000	\$ 0.12
Number of options exercisable as at April 30, 2022	6,550,000	\$ 0.12

Warrants

Warrant transactions for the three months ended April 30, 2022 are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2022 and January 31, 2022	3,522,222	\$ 0.09

During the three months ended April 30, 2021, 2,275,000 warrants were exercised at a weighted average exercise price of \$0.08 resulting in total proceeds of \$184,750.

Share-based compensation

During the three months ended April 30, 2022 and 2021, the Company granted no stock options.

During the three months ended April 30, 2022, the Company recorded \$Nil (April 30, 2021 - \$51,796) in share-based compensation expense.

12. CAPITAL MANAGEMENT

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

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

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

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13. COMMITMENTS

The Company has entered into contracts with utility providers, land owners 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 \$230,000. 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 £84,000 per annum (equivalent to \$135,072 at the period end GBP/CAD rate) during periods when there is no production from the respective owner's mineral rights ("Advance Royalty Payments"), or
- a NSR payable for a minimum of £84,000 on ore extracted from property that falls within the mineral rights held by the owners which varies according to the prevailing tin price.

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

14. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended April 30, 2022 and 2021:

Operating expenses

- a) Paid \$2,013 to North Arrow Minerals Inc., a company with two common directors, for office space and administrative services (April 30, 2021 - \$1,639); and
- b) Received \$788 from Winshear Gold Corp., a company with a common director, relating to an apportionment of administrative costs, benefits and rent for the Vancouver office (April 30, 2021 - \$4,538), of which \$788 was included in receivables (January 31, 2022 - \$325).

Participation in financing

- a) Received \$24,500 from each of Richard Williams, Don Njegovan and D. Grenville Thomas for their participation in the financing that completed upon the Company's listing on AIM in February 2021 (Note 11); and
- b) The convertible note entered into with Osisko in January 2018 was converted into royalties over the Cornwall Mineral Properties in February 2021 (Note 10).

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14. RELATED PARTY TRANSACTIONS - Continued

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

	Three months ended	
	April 30, 2022	April 30, 2021
Salaries and benefits ¹	\$ 208,241	\$ 156,618
Directors' fees	32,500	22,589
Share-based compensation	-	51,796
Total	\$ 240,741	\$ 231,003

¹ Allocated \$205,491 (April 30, 2021 - \$153,868) to salaries and benefits and \$2,750 (April 30, 2021 - \$2,750) to professional fees.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three months ended April 30, 2022, the significant non-cash transactions were:

- Included in exploration and evaluation assets are capitalized depreciation of \$10,963, prepaid expenses of \$154,563 and \$571,208 which relates to accounts payable and accrued liabilities;
- Included in property, plant and equipment is \$2,790 which relates to accounts payable and accrued liabilities;
- Included in deferred financing fees is \$88,419 which relates to accounts payable and accrued liabilities; and
- Included in exploration and evaluation assets are acquisition costs of \$41,494 which relates to the re-measurement of the deferred consideration payable for the Cornwall Mineral Properties (Note 7).

During the three months ended April 30, 2021, the significant non-cash transactions were:

- Included in exploration and evaluation assets are capitalized depreciation of \$11,053, prepaid expenses of \$121,536 and \$196,191 which relates to accounts payable and accrued liabilities;
- Included in property, plant and equipment are capitalized borrowing costs of \$27,763 and \$4,610 which relates to accounts payable and accrued liabilities;
- Included in transaction costs relating to the conversion of the Royalty Option is \$114,561 which relates to accounts payable and accrued liabilities; and
- Included in share issue costs in \$96,487 which relates to accounts payable and accrued liabilities.

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16. 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 April 30, 2022</u>			<u>As at January 31, 2022</u>		
	Canada	United Kingdom	Total	Canada	United Kingdom	Total
Deposits	\$ 13,024	\$ 39,935	\$ 52,959	\$ -	\$ 42,448	\$ 42,448
Property, plant and equipment	-	6,128,901	6,128,901	443	6,436,732	6,437,175
Exploration and evaluation assets	-	21,175,960	21,175,960	-	20,772,029	20,772,029

17. SUBSEQUENT EVENTS**a) Completion of the Offering**

On May 24, 2022, the Company completed the Offering thereby raising £40.5 million (\$64.8 million based on the closest exchange rate as at May 20, 2022) in gross proceeds.

The Offering included a £25.0 million (approximately \$40.0 million based on the closing exchange rate as at May 20, 2022) strategic investment by Vision Blue Resources Limited. The balance of the Offering was completed through a private placement with certain Canadian and UK investors and eligible private investors.

The Offering was structured through a unit offering comprising one common share at £0.18 (\$0.30 for Canadian investors) and a warrant to purchase one common share priced at £0.27 (\$0.45 for Canadian investors) for a period of 36 months from the closing date of the Offering. A total of 225,000,000 units were issued, comprising around 44.0% of the issued share capital, as enlarged by the Offering, excluding the effect of the issuance of the Milestone Shares as described in Note 17(b). VBR held approximately 27.2% of the enlarged issued share capital upon closing of the Offering.

b) Issuance of shares as deferred consideration payable for the Cornwall Mineral Properties

On May 31, 2022, the Company issued 20,298,333 common shares to the Sellers satisfying the deferred consideration payment equivalent to an amount of US\$4,750,000 (Note 7). This payment represents consideration equivalent to an amount of US\$4,750,000 (\$6,089,500 at a US dollar / Canadian dollar exchange rate of 1.2820) at a deemed price of \$0.30 per common share. The deemed price was the same price under which Canadian investors subscribed to the Offering pursuant to the terms of the Side Letter.

c) Disposal of Sleitat royalty to Electric Royalties Limited

On May 27, 2022, the disposal of a 1% Net Smelter Royalty on the Sleitat tin-silver project located in Alaska, USA to Electric Royalties Limited was completed. The consideration was \$100,000 and 1,000,000 common shares in Electric Royalties Limited, which in aggregate amounted to \$355,000 at the date of completion.