EDM RESOURCES INC.

(Formerly ScoZinc Mining Ltd.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(PRESENTED IN CANADIAN DOLLARS)
(UNAUDITED)

As at	June 30, 2023	December 31, 2022
ASSETS		
Current		
Cash	**$ 1,154,002**	$ 332,935
Amounts receivable and prepaid expenses (Note 5)	**404,616**	452,444
	1,558,618	785,379
Non-current		
Cash held for reclamation (Note 3)	**3,187,453**	3,169,417
Property, plant and equipment (Note 4)	**8,110,215**	7,950,608
Exploration and evaluation assets (Note 6)	**12,024,392**	11,877,939
	23,322,061	22,997,964
	$ 24,880,678	$ 23,783,343
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 748,988**	$ 456,350
Amounts payable to related parties (Note 12)	**164,258**	174,050
	913,246	630,400
Non-current		
Decommissioning liability (Note 8)	**13,110,537**	12,899,628
Loan payable (Note 13)	**60,000**	60,000
	14,083,783	13,590,028
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**89,765,770**	87,825,047
Warrants (Note 10(b))	**-**	-
Contributed surplus (Notes 10(a), 10(c))	**1,598,917**	1,517,576
Deficit	**(80,567,792)**	(79,149,308)
	10,796,896	10,193,315
	$ 24,880,678	$ 23,783,343

Nature of Operations and Going Concern (Note 1)

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

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(PRESENTED IN CANADIAN DOLLARS)
(UNAUDITED)

For the three and six months ended	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
EXPENSES				
Salaries and benefits (Note 12)	**$ 167,078**	$ 131,141	**$ 356,301**	$ 237,109
Office and general	**94,584**	115,657	**115,854**	136,145
Legal and accounting fees	**49,991**	119,490	**89,289**	176,406
Investor relations	**6,204**	15,806	**10,583**	15,806
Amortization (Note 4)	**4,907**	**5**,207	**14,037**	10,414
Consulting	**68,760**	70,000	**155,000**	132,000
Stock-based payments (Note 10(a) and (c))	**49,568**	74,295	**81,341**	151,941
Regulatory fees	**14,914**	10,504	**16,984**	19,446
	(456,006)	(542,100)	**(839,391)**	(879,267)
OTHER GAINS AND LOSSES				
Interest income	**9,018**	9,107	**18,036**	18,024
Financing costs	**(386,220)**	-	**(386,220)**	-
Accretion of decommissioning liability (Note 8)	**(105,455)**	(14,366)	**(210,909)**	(22,422)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (938,663)**	$ (547,359)	**$ (1,418,484)**	$ (883,665)
Basic and diluted loss per share (Note 11)	**$ (0.04)**	$ (0.03)	**$ (0.07)**	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	**22,634,543**	19,902,259	**21,345,131**	19,902,259

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

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(PRESENTED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	Number of Shares	**Share Capital**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total**
Balance, December 31, 2021	17,932,068	$86,313,034	$813,265	$ 206,045	$(77,236,902)	$10,095,442
Exercise of warrants	1,970,191	1,800,927	(537,829)	445,833	-	1,708,931
Stock-based compensation	-	-	-	151,940	-	151,940
Loss for the period	-	-	-	-	(883,665)	(883,665)
Balance, June 30, 2022	**19,902,259**	**$88,113,961**	**$275,436**	**$ 803,818**	**$(78,120,567)**	**$11,072,648**
Balance, December 31, 2022	20,026,743	$ 87,825,047	-	$1,517,575	$ (79,149,308)	$ 10,193,315
Issued on private placement	4,022,200	$ 1,940,723	-	-	-	$ 1,940,723
Stock-based compensation	-	-	-	81,341	-	81,341
Loss for the period	-	-	-	-	(1,418,484)	(1,418,484)
Balance, June 30, 2023	**24,048,943**	**$89,765,770**	**-**	**$1,598,916**	**$ (80,567,792)**	**$ 10,796,896**

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

EDM Resources Inc.
(Formerly ScoZinc Mining Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(PRESENTED IN CANADIAN DOLLARS)
(UNAUDITED)

For the Six months Ended June 30,	2023	2022
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the period:	**$ (1,418,484)**	$ (883,665)
Amortization	**14,037**	93,999
Share-based payments	**81,341**	(585,566)
Accrued interest income	**(18,036)**	(118,024)
Financing costs	3**86,220**	-
Accretion of decommissioning liability	**210,909**	(28,715)
	(744,012)	(1,521,971)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	**47,828**	5,831
Accounts payable and accrued liabilities	**(93,582)**	58,771
Amounts payable to related parties	**(9,792)**	(63,636)
	(799,558)	(1,521,005)
INVESTING ACTIVITIES		
Exploration and evaluation assets	**(146,453)**	-
Acquisition of property, plant and equipment	**(173,645)**	-
	(320,098)	-
FINANCING ACTIVITIES		
Share capital issued on exercise of warrants	**-**	1,708,931
Share capital issued for cash	**1,940,723**	-
	1,940,723	1,708,931
CHANGE IN CASH	**821,067**	187,926
CASH, BEGINNING OF PERIOD	**332,935**	1,134,917
CASH, END OF PERIOD	**$ 1,154,002**	$ 1,322,843
SUPPLEMENTARY CASH FLOW INFORMATION:		
Change in estimated decommissioning liability	**$ -**	$ 51,137

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

1. NATURE OF OPERATIONS AND GOING CONCERN

EDM Resources Inc. (formerly ScoZinc Mining Ltd.) (the “Company” or “EDM”), and its wholly owned subsidiary Scotia Mine Limited (collectively, the “Group”) is engaged in base metals mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization and development. The Company is a public company, which is listed on the TSX Venture Exchange, incorporated on March 9, 2004, and domiciled in Canada. The address of its registered office is Purdy's Wharf, 1959 Upper Water Street, Suite 1301, Nova Scotia, B3J 3N2.

On January 12, 2022, the Company changed its name to EDM Resources Inc. On March 25, 2022, the Company changed the name of its wholly owned subsidiary to Scotia Mine Limited.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation through the fiscal year and into the foreseeable future and will be able to realize assets and discharge its liabilities and commitments in the normal course of operations at the amounts stated in the condensed interim consolidated financial statements.

The Company has not generated revenue from operations. The Company has incurred a loss of $1,418,484 for the six months ended June 30, 2023 (six months ended June 30, 2022 – $883,665), and as of that date has an accumulated deficit of $80,567,792 (December 31, 2022 – $79,149,308). As at June 30, 2023, cash amounted to $1,154,002 (December 31, 2022 – $332,935), and the Company had working capital of $645,372 (December 31, 2022 – $154,979). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders, and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

At June 30, 2023, the Company had sufficient cash on hand to meet all planned exploration, development, general expenses, and property payments for the next twelve months. The Company plans to raise additional capital to further develop and explore its project, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The condensed interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company’s assets may not be realized, or its liabilities discharged at their carrying amounts and these differences could be material.

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 25, 2023.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, and its active subsidiary, Scotia Mine Ltd. All significant intercompany transactions are eliminated on consolidation.

3. CASH HELD FOR RECLAMATION

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the Scotia Mine facility to an agreed status at the end of the mining operations at the site; as a result the Company is required to make reclamation deposits in respect of this obligation. As at June 30, 2023, a $2,990,661 (December 31, 2022 – $2,973,712) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for $196,792 (December 31, 2022 – $195,705), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. ("NSBI") holds a reclamation bond in the amount of $nil (2021 – $nil), in relation to the land which the Company leases from the organization in Sheet Harbour. The Company terminated its lease during the year ended December 31, 2020, and during the six months ended June 30, 2023, $nil (December 31, 2022 – $nil) in site remediation costs were incurred in addition to the amount of the bond for a total of $nil (2022 – $nil). NSBI has withheld the bond, pending determination of additional remediation costs which may be assessed to the Company, if any. The Company has disputed withholding the bond and the parties have commenced formal litigation procedures to resolve the matter. It is the Company's position that it has met if not exceeded its obligation.

(EXPRESSED IN CANADIAN DOLLARS)

4. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equipment	Motor vehicles	Office equipment	Assets under construction	Total
Cost						
Balance, December 31, 2021	$ 1 ,578,840	$ 4 ,490,826	$ 108,019	$ 152,596	$ 3,747,066	$ 10,077,348
Additions	-	-	53,101	2,379	54,149	109,628
Balance, December 31, 2022	**$ 1 ,578,840**	**$ 4,490,826**	**$ 161,120**	**$ 154,975**	**$ 3,801,215**	**$ 10,186,976**
Disposal	-	-	-	-	-	-
Additions	-	-	-	-	173,645	173,645
Balance, June 30, 2023	**$ 1 ,578,840**	**$ 4,490,826**	**$ 161,120**	**$ 154,975**	**$ 3,974,860**	**$ 10,360,621**
Accumulated Amortization						
Balance, December 31, 2021	**$ 1,013,604**	**$ 965,559**	**$ 89,755**	**$ 146,623**	**$ -**	**$ 2,215,541**
Amortization	704	-	19,401	723	-	20,827
Balance, December 31, 2022	**$ 1,014,308**	**$ 965,559**	**$ 109,156**	**$ 147,346**	**$ -**	**$ 2,236,368**
Disposal	-	-	-	-	-	
Amortization	-	-	8,060	5,977	-	14,037
Balance, June 30, 2023	**$ 1,014,308**	**$ 965,559**	**$ 117,216**	**$ 153,323**	**$ -**	**$ 2,250,405**
Net Book Value, December 31, 2022	**$ 565,532**	**$ 3,525,267**	**$ 51,964**	**$ 7,629**	**$ 3,801,215**	**$ 7,950,608**
Net Book Value, June 30, 2023	**$ 564,532**	**$ 3,525,267**	**$ 43,904**	**$ 1,652**	**$ 3,974,860**	**$ 8,110,215**

(EXPRESSED IN CANADIAN DOLLARS)

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2023	December 31, 2022
Refundable GST/HST	**$ 105,164**	$ 182,221
Prepaid expenses	**299,451**	270,223
	$ 404,616	$ 452,444

6. EXPLORATION AND EVALUATION ASSETS

Scotia Mine Project, Nova Scotia

As part of the business acquisition of ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Scotia Mine and several other mineral resource prospects in Halifax, Nova Scotia. The properties are comprised of exploration licences and a mineral property lease that provides for zinc and lead exploration and development.

The following is a continuity of the Company's Projects:

Balance, December 31, 2021	$ 7,500,714
Additions	278,294
Change in decommissioning liability estimate	4,098,931
Balance, December 31, 2022	**11,877,939**
Additions	146,453
Balance, June 30, 2023	**$ 12,024,392**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2023	December 31, 2022
Trade payables	**$ 743,408**	$ 283,506
Accrued expenses	**5,579**	172,844
	$ 748,987	$ 456,350

8. DECOMMISSIONING LIABILITY

The Company has estimated that the present value of future rehabilitation costs required to remediate the Scotia Mine facility based on its current state.

Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Current significant closure and rehabilitation activities include dismantling and removing facilities, equipment removal and remediation of the mine site.

The total amount of estimated undiscounted cash flow required to settle the Company's estimated obligation as at June 30, 2023 was $13,692,006 (December 31, 2022 – $13,692,006). The calculation of present value of estimated future cash flows assumed a discount rate of 3.27% (2022 – 1.27%) and an inflation rate of 2.4% (2022 – 4.8%). Rehabilitation costs are estimated to be settled at various dates between 2029 and 2032.

(EXPRESSED IN CANADIAN DOLLARS)

8. DECOMMISSIONING LIABILITY (Continued)

A continuity of the Company's decommissioning liability is as follows:

Balance, December 31, 2021	$ 8,695,070
Accretion	110,427
Change in estimate	4,094,131
Balance, December 31, 2022	**$12,899,628**
Accretion	210,909
Balance, June 30, 2023	**$13,110,537**

9. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares without par value
Unlimited number of Class A preferred shares with no par value
Unlimited number of Class B preferred shares with a par value of $10 per share

(b) ISSUED - COMMON SHARES

	Shares		Amount
Balance, December 31, 2021	17,932,068	$	86,313,034
Issued on exercise of warrants	1,970,191		1,437,013
Balance, June 30, 2022	**19,902,259**	**$**	**87,750,047**
Balance, December 31, 2022	20,026,743	$	87,825,047
Issued on private placement	4,022,200		1,940,723
Balance, June 30, 2023	**24,048,943**	**$**	**89,765,770**

10. SHARE BASED PAYMENTS

a) **Stock Option Plan**

A stock option plan ("Plan") was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Each year, shareholders of the Company approve the Plan at the Annual General Meeting. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares. The Plan provides for a floating maximum limit of 10% of the outstanding common shares of the common shares as permitted by the policies of the TSX-V. Options under the Plan have terms and vesting as determined by the Board. The expiry date shall not be more than 10 years from the date of grant.

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE BASED PAYMENTS (Continued)

a) **Stock Option Plan** (Continued)

Share option activity for the six months ended June 30, 2023 and 2022 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price ($)
Balance - December 31, 2021 and June 30, 2022	**1,287,000**	**0.61**
Balance - December 31, 2022	**1,085,000**	**0.54**
Stock options issued	1,230,000	0.50
Stock options cancelled	(175,000)	0.56
Balance - June 30, 2023	**2,140,000**	**0.52**

The following table summarizes information about stock options outstanding as at June 30, 2023:

Number of Options Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
135,000	04-Jul-24	0.45	1.26	135,000
90,000	12-Aug-24	0.45	1.37	90,000
50,000	20-Aug-24	0.75	1.39	50,000
50,000	20-Aug-24	0.60	1.39	50,000
9,000	03-Oct-24	0.45	1.51	9,000
9,000	03-Oct-24	0.60	1.51	9,000
7,000	03-Oct-24	0.75	1.51	7,000
1,210,000	09-May-24	0.50	2.75	1,210,000
160,000	18-Jun-30	0.45	7.22	160,000
400,000	29-Oct-31	0.60	8.59	333,699
20,000	20-Feb-33	0.60	9.90	3,562
2,140,000		**0.52**	**5.10**	**2,057,261**

On February 20, 2023, 20,000 stock options were granted to an employee of the Company at a strike price of C$0.60 and expiring on February 20, 2033, subject to the Company's Stock Option Plan and the policies of the TSX Venture Exchange.

On May 9th, 2023, a total of 1,210,000 stock options were granted to certain directors, employees and consultants of the Company at a strike price of C$0.50 and expiring on May 9, 2028, subject to the Company's Stock Option Plan and the policies of the TSX Venture Exchange ("TSX.V").

During the six months ended June 30, 2023, the Company recognized $81,341 (six months ended June 30, 2022 - $151,940) related to vesting of stock options.

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE BASED PAYMENTS (Continued)

b) Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2023 and 2022:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2021	3,545,531	$ 0.50
Issued	-	$ 0.50
Exercised	(1,859,458)	$ (0.50)
Expired	(1,686,073)	$ (0.50)
Balance, June 30, 2022	-	$ -
Balance, December 31, 2022	-	$ -
Issued	4,041,974	$ 0.75
Balance - June 30, 2023	**4,041,974**	**$ 0.75**

10. SHARE BASED PAYMENTS (Continued)

c) Restricted Share Units

On October 25, 2019, the Company adopted a Restricted Stock Unit Incentive Plan ("the Plan"), pursuant to shareholder approval.

The number of shares reserved for stock options and all other forms of equity-based incentive compensation under the Plan cannot exceed 10% of the Company`s issued and outstanding common shares.

On February 25, 2021, the Company issued 7,200 RSUs which vest on February 25, 2022, with a fair value of $5,040. On August 31, 2021, the Company issued a total of 87,719 Restricted Stock Units (“RSU”) to an officer of the Company, with a fair value of $50,000. These RSU's vested on August 19, 2022.

On November 5, 2021, the Company issued 36,765 RSUs which vested on November 5, 2022, with a fair value of $25,000 to an employee of the Company.

During the three months ended June 30, 2022, the Company recognized $13,185 (Three months ended June 30, 2021 – $12,329) in stock-based compensation expense on the vesting of RSUs.

On August 15, 2022, the Company issued a total of 87,719 RSUs to an officer of the Company, with a fair value of $50,000. These RSU's vest on August 15, 2023.

On August 29, 2022, 87,719 RSUs with a fair value of $50,000 were exercised and converted to common shares of the Company by an officer of the Company.

On November 5, 2022, 36,765 RSUs with a fair value of $25,000 were exercised and converted to common shares of the Company by an officer of the Company.

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE BASED PAYMENTS (Continued)

c) Restricted Share Units (Continued)

On November 7, 2022, the Company issued a total of 51,020 RSUs to an officer of the Company, with a fair value of $25,000. These RSU's vest on November 7, 2023.

During the year ended December 31, 2022, the Company recognized $56,781 (2021 – $79,642; 2020 – $18,356) in stock- based compensation expense on the vesting of RSUs.

On February 16, 2023, the Company issued a total of 26,786 RSUs to an officer of the Company, with a fair value of $15,000. These RSU's vest on February 16, 2024.

As at June 30, 2023, there were 114,505 (December 31, 2022 – 138,739) restricted stock units issued and outstanding.

11. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The effect of potential issuances of shares under options and warrants would be anti-dilutive for the three months ended June 30, 2023 and 2022 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

12. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel include those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the three and six months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30		**Six months ended June 30**	
For the three and six months ended	**2023**	**2022**	**2023**	**2022**
Remuneration	**$ 119,556**	$ 111,328	**$ 226,556**	$ 228,183
Share-based compensation	**15,728**	74,295	**45,195**	151,941
	$ 135,284	$ 185,623	**$ 271,751**	$ 380,124

During the six months ended June 30, 2023, the Company incurred $39,500, in services from Mr. Kevin Farrell, to act as Chief Financial Officer ("CFO") of the Company.

As at June 30, 2023, amounts due to related parties totaled $164,258 (December 31, 2022 – $174,050) pertaining to amounts payable for key management remuneration, director's fees, and reimbursement of expenses paid on behalf of the Company.

13. LOAN PAYABLE

In May 2020, the Company benefitted from a $40,000 Government of Canada Covid-19 "Canada Emergency Business Account" loan, administered by the Royal Bank of Canada. In January 2021, this loan was increased by $20,000, or $60,000 in aggregate. The proceeds of the loan are interest free until December 31, 2022, with a 25% balance forgiveness if repaid by that date. After December 31, 2022, the outstanding balance will accrue interest at 5% per annum and is due in full by December 31, 2025.

14. IXM CREDIT AGREEMENT

The borrower under the Credit Agreement is Scotia Mine Limited ("SML"), a wholly owned subsidiary of the Company through which it holds the Scotia Mine. The Company has agreed to guarantee the obligations of SML under the Credit Agreement. The Credit Agreement makes US$24 million available to the Company until the earlier of, the commencement of commercial production at the Scotia Mine and December 21, 2023. The loan will be repaid over a 33-month period commencing nine months after the initial drawdown. Interest on the loan is of 3-month USD SOFR + 6%. In addition, the Company has agreed to pay IXM an arrangement fee of US$180,000, and a monthly unused line fee of 2.4% (US$48,000 per month). When the interest on the loan and these additional amounts are taken together, the effective interest rate paid is 10.38% per annum. The Credit Agreement contains standard conditions precedent to SML making draws. The Credit Agreement requires among other things that the Company has minimum tangible net worth of US$6 million, maintains a total debt to equity ratio of less than 4:1, has minimum liquidity of C$3 million and net debt to EBITA ratio of less than 1.5X, looking back on a quarterly and an annual basis.

An important term of the Credit Agreement is a "cost-to-complete" calculation carried out by a third-party technical expert employed for the benefit of IXM. If this calculation demonstrates that insufficient funding is available for the Company to put the Scotia Mine into commercial production, then (i) there is a draw stop and (ii) the Company is under an obligation to provide additional funding (either as equity or as loans to the SML which can only be repaid after repayment of the IXM credit facility). In addition, SML and the Company must maintain a C$5 million cash escrow account to fund the ramp-up of production following completion of the project (and which must be topped up on an ongoing basis). There is a remedy period of 15 business days for any default except a payment default, which is 5 business days. Security for the loan is a conventional security package which contains all of present and after acquired property of SML, which includes all of the assets and real property comprising the Scotia Mine. As guarantor of SML's obligations, the Company has granted security by pledging its shares of SML in favour of IXM. IXM's recourse to the assets of the Company is limited to the Company's SML shares, which comprise substantially all of the Company's assets. The Company intends to repay the loan principally from the proceeds of the sale of zinc and lead concentrates from the Scotia Mine, once it is in commercial production, with such sales being made for at least the initial 10 years of operation of the mine, to IXM, pursuant to the Offtake Agreements.

15. COMPARATIVE FIGURES

Certain balances have been reclassified to conform to current period presentation. Such reclassifications had no impact on previously reported net loss or deficit.