

EDM RESOURCES INC.
(Formerly ScoZinc Mining Ltd.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2022 AND 2021
(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, 2022	December 31, 2021
ASSETS		
Current		
Cash	1,322,843	1,134,917
Amounts receivable and prepaid expenses (Note 5)	119,301	125,132
	1,442,144	1,260,049
Cash held for reclamation (Note 3)	3,251,776	3,133,752
Property, plant and equipment (Note 4)	7,767,808	7,861,807
Exploration and evaluation assets (Note 6)	7,500,714	7,500,714
	18,520,298	18,496,273
	19,962,442	19,756,322
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	163,439	104,668
Amounts payable to related parties (Note 12)	-	63,636
	163,439	168,304
Decommissioning liability (Note 8)	8,666,355	8,695,070
Loan payable (Note 13)	60,000	60,000
	8,889,793	8,923,374
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	88,113,961	86,313,034
Warrants (Note 10(b))	275,436	813,265
Contributed surplus (Notes 10(a), 10(c))	803,818	929,882
Deficit	(78,120,567)	(77,223,233)
	11,072,649	10,832,948
	19,962,442	19,756,322

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)

	Three Months ended June 30		Six Months ended June 30	
		(Restated) (Note 14)		(Restated) (Note 14)
	2022	2021	2022	2021
EXPENSES				
Salaries and benefits (Note 12)	131,141	126,511	237,109	231,838
Office and general	115,657	51,200	136,145	69,006
Legal and accounting fees	119,490	31,789	176,406	58,463
Investor relations	15,806	60,284	15,806	1,547
Amortization (Note 4)	5,207	45,371	10,414	10,739
Consulting	70,000	40,116	132,000	192,501
Stock-based payments (Note 10(a) and (c))	74,295	22,831	151,941	48,645
Regulatory fees	10,504	11,110	19,446	53,015
	(542,100)	(389,212)	(879,267)	(665,752)
Interest income	9,107	8,842	18,024	9,992
Accretion of decommissioning liability (Note 8)	(14,366)	-	(22,422)	-
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(547,359)	(380,370)	(883,665)	(655,760)
Basic and diluted loss per share (Note 11)	(0.03)	(0.03)	(0.02)	(0.05)
Weighted average number of common shares outstanding - basic and diluted	19,902,259	12,420,760	19,902,259	14,311,278

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	Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	14,084,794	83,791,810	1,031,722	841,538	(75,870,768)	9,794,302
Exercise of warrants	333,333	166,667				166,667
Stock-based compensation				48,645		48,645
Loss for the period					(655,760)	(655,760)
Balance, June 30, 2021	14,418,127	83,958,477	1,031,722	890,183	(76,526,528)	9,353,854
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)	11,072,649

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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	(Restated)	
	2022	(Note 14) 2021
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the period:	(897,334)	(655,760)
Amortization	93,999	10,739
Share-based payments	(571,897)	48,465
Accrued interest income	(118,024)	(8,953)
Accretion of decommissioning liability	(28,715)	-
	(1,521,971)	(605,329)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	5,831	6,262
Accounts payable and accrued liabilities	58,771	67,289
Amounts payable to related parties	(63,636)	4,698
	(1,521,005)	(527,080)
INVESTING ACTIVITIES		
Exploration and evaluation assets	-	(129,745)
	-	(129,745)
FINANCING ACTIVITIES		
Share capital issued on exercise of warrants	1,708,931	166,667
Proceeds from loans payable	-	20,000
Proceeds from promissory note payable	-	250,000
	1,708,931	436,667
CHANGE IN CASH	187,926	(220,158)
CASH, BEGINNING OF PERIOD	1,134,917	243,354
CASH, END OF PERIOD	1,322,843	23,196

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EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

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 \$883,665 for the six months ended June 30, 2022 (six months ended June 30, 2021 – \$655,760), and as of that date has an accumulated deficit of \$86,852,295 (December 31, 2021 – \$86,313,034). As at June 30, 2022, cash amounted to \$1,322,843 (December 31, 2021 – \$1,134,917), and the Company had working capital of \$832,872 (December 31, 2021– \$1,091,745). 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, 2022, 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.

Covid-19 Impact

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global metal prices;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

EDM Resources Inc.

(Formerly ScoZinc Mining Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

Covid-19 Impact (Continued)

At the date of the approval of these condensed interim consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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, 2021.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 26, 2022.

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 March 22, 2022, a \$2,948,581 (December 31, 2021 – \$2,940,195) 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 \$194,088 (December 31, 2021 – \$193,557), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

EDM Resources Inc.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

4. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
Cost			
Balance, December 31, 2020	9,307,141	836,641	10,143,782
Additions	4,500	-	4,500
Balance, December 31, 2021	9,311,641	836,641	10,148,282
Additions	24,552	-	24,552
Balance, June 30, 2022	9,336,193	836,641	10,172,834
Accumulated Amortization			
Balance, December 31, 2020	1,447,242	836,641	2,283,883
Amortization	2,592	-	2,592
Balance, December 31, 2021	1,449,834	836,641	2,286,475
Amortization	118,551	-	118,551
Balance, June 30, 2022	1,568,385	836,641	2,405,026
Net Book Value, December 31, 2021	7,861,807	-	7,861,807
Net Book Value, June 30, 2022	7,767,808	-	7,767,808

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2022	December 31, 2021
Refundable GST/HST	93,345	86,476
Prepaid expenses	25,956	38,656
	119,301	125,132

6. EXPLORATION AND EVALUATION ASSETS

Scotia Mine Project, Nova Scotia

As part of the business combination with 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, January 1, 2021	5,824,918
Additions	18,457
Change in decommissioning liability estimate	1,657,339
Balance, December 31, 2021	7,500,714
Balance, June 30, 2022	7,560,585

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30-Jun 2022	December 31, 2021
Trade payables	41,723	58,918
Accrued expenses	121,716	45,750
	163,439	104,668

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, 2022 was \$6,903,002 (December 31, 2021 – \$6,903,002). The calculation of present value of estimated future cash flows assumed a discount rate of 1.27% (2021 – 1.27%) and an inflation rate of 4.8% (2021 – 4.8%). Rehabilitation costs are estimated to be settled at various dates between 2029 and 2032.

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

Balance, December 31, 2020	7,005,506
Accretion	32,225
Change in estimate	1,657,339
Balance, December 31, 2021	8,695,070
Change in estimate	(51,137)
Accretion	22,422
Balance, June 30, 2022	8,666,355

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 – 19,902,259

	Shares
Balance, December 31, 2021	17,932,068
Exercise of warrants	110,400
Balance, March 31, 2022	18,042,468
Exercise of warrants	1,859,791
Balance, June 30, 2022	19,902,259

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

10. SHARE BASED PAYMENTS

a) Stock Option Plan

A stock option plan ("Options 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 Options Plan at the Annual General Meeting. The Options 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 Options 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 Options 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.

Share option activity for the six months ended June 30, 2022 and 2021 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price (\$)
Balance - December 31, 2020 and June 30, 2021	875,000	0.64
Balance - December 31, 2021 and June 30, 2022	1,287,000	0.61

10. SHARE BASED PAYMENTS (Continued)

a) Stock Option Plan (Continued)

The following table summarizes information about stock options outstanding as at June 30, 2022:

Number of Options Outstanding	Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
157,000	13-Jul-22	1.11	0.03	157,000
205,000	03-Jul-24	0.45	2.01	205,000
90,000	12-Aug-24	0.45	2.12	90,000
50,000	20-Aug-24	0.75	2.14	50,000
50,000	20-Aug-24	0.60	2.14	50,000
20,000	03-Oct-24	0.60	2.26	20,000
9,000	03-Oct-24	0.45	2.26	9,000
9,000	03-Oct-24	0.60	2.26	9,000
7,000	03-Oct-24	0.75	2.26	7,000
220,000	18-Jun-30	0.45	7.97	165,000
470,000	29-Oct-31	0.60	9.33	-
1,287,000		0.61	5.74	762,000

During the six months ended June 30, 2022, the Company recognized \$151,941 (six months ended June 30, 2021 – \$48,645) related to vesting of stock options.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

b) Warrants

The following table reflects the continuity of warrants for the three months ended June 30, 2022 and 2021:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2020	7,732,864	0.54
Issued	-	-
Exercised	(333,333)	(0.50)
Balance, June 30, 2021	7,399,531	0.54
Balance, December 31, 2021	3,545,531	0.50
Exercised	(1,859,458)	(0.50)
Expired	(1,686,073)	(0.50)
Balance, June 30, 2022	-	-

10. SHARE BASED PAYMENTS (Continued)

c) Restricted Share Units

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

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

During the year ended December 31, 2020, the Company granted a total of 188,456 Restricted Stock Units ("RSU") with a fair value of \$85,100. 123,456 RSUs vested on August 20, 2021, and 65,000 RSUs vested on November 5, 2021.

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 vest on August 19, 2022.

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

As at June 30, 2022, there were 131,684 (December 31, 2021 - 131,684) 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 six months ended June 30, 2022, and 2021 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

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 months ended June 30, 2022, and 2021 is as follows:

For the six months ended	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Remuneration	111,328	100,749	228,183	206,500
Share-based compensation	74,295	22,831	151,941	22,831
	<u>185,623</u>	<u>123,580</u>	<u>380,124</u>	<u>229,331</u>

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.