
Q2 METALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED AUGUST 31, 2024

UNAUDITED – PREPARED BY MANAGEMENT

(EXPRESSED IN CANADIAN DOLLARS)

The accompanying unaudited condensed interim consolidated financial statements of Q2 Metals Corp. for the six months ended August 31, 2024, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditor.

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

Q2 Metals Corp.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	August 31, 2024 \$	February 29, 2024 \$
ASSETS		
Current assets		
Cash and cash equivalents	6,813,053	5,871,420
GST/QST receivable	465,116	723,337
Amounts receivable	-	1,507
Prepaid expenses	274,680	169,438
Total current assets	7,552,849	6,765,702
Reclamation bonds	17,437	17,437
Exploration and evaluation assets (Note 6)	32,680,304	22,077,412
Total assets	40,250,590	28,860,551
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables (Note 9)	1,667,803	2,081,333
Liability for flow-through shares (Note 12)	823,494	-
Total liabilities	2,491,297	2,081,333
Equity		
Issued capital (Note 7)	45,947,394	34,722,587
Equity reserve (Note 7)	3,991,219	3,514,834
Share subscriptions received	7,625	-
Deficit	(12,353,438)	(11,624,780)
Total equity attributable to shareholders	37,592,800	26,612,641
Non-controlling interest (Note 6)	166,493	166,577
Total Equity	37,759,293	26,779,218
Total equity and liabilities	40,250,590	28,860,551

Going concern (Note 1)

Commitments (Note 11)

Subsequent events (Note 13)

These consolidated financial statements were approved by the Board of Directors and authorized for issue on October 17, 2024.

(s) Alicia Milne, Director

(s) Leo Power, Director

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

Q2 Metals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	Three months ended August 31, 2024 \$	Three months ended August 31, 2023 \$	Six months ended August 31, 2024 \$	Six months ended August 31, 2023 \$
General and administrative expenses				
Audit and accounting fees (Note 9)	15,422	25,333	32,082	45,632
Advertising and promotion	75,855	45,433	180,590	125,537
Bank fees and interest	1,456	238	3,063	5,243
Consulting fees (Note 9)	82,075	86,247	188,245	158,118
Director's fees (Note 9)	45,000	-	90,000	-
Filing and transfer agent fees	18,522	11,621	75,615	28,461
Insurance	8,050	7,950	16,100	15,900
Investor relations (Note 11)	36,000	61,000	72,000	113,014
Legal fees	7,853	2,160	25,708	14,716
Office, insurance and administrative	4,895	3,523	13,742	7,079
Property costs	-	-	-	-
Share-based payments	-	-	433,327	1,038,199
	295,128	243,505	1,130,472	1,551,899
Other income				
Flow-through premium recovery (Note 12)	331,224	51,384	331,224	189,168
Interest income	14,779	123,231	70,506	229,888
	346,003	174,615	401,730	419,056
Net loss and comprehensive loss (income)	(50,875)	68,890	728,742	1,132,843
Loss attributable to:				
Shareholders of the Company	(50,955)	66,680	728,658	1,132,218
Non-controlling interest (Note 6)	80	210	84	625
	(50,875)	68,890	728,742	1,132,843
Basic and diluted net loss per share (Note 8)	0.00	0.00	0.00	0.02
Weighted average number of common shares outstanding				
- basic and diluted (Note 8)	183,520,961	83,340,475	166,207,545	64,977,054

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

Q2 Metals Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	2024 \$	2023 \$
Cash flows (used in) operating activities		
Net loss for the period	(728,742)	(1,132,218)
Non-cash adjustments:		
Share-based payments (Note 7)	433,327	1,038,199
Flow-through premium recovery	(331,224)	(189,166)
Reversal and settlement of accounts payable	-	-
Non-cash working capital items:		
Amounts receivable	259,728	3,324
Prepaid expenses	(105,242)	(343,102)
Trade and other payables	(33,025)	28,727
Cash flows (used in) operating activities	(505,178)	(594,861)
Cash flows from financing activities		
Shares issued for cash	6,878,479	-
Share issuance costs	(183,646)	(6,189)
Warrants exercised	106,750	320,273
Stock options exercised	21,000	20,000
Finder's warrants exercised	-	31,625
Share subscriptions received	7,625	(11,050)
Loans payable	-	(28,074)
Cash flows from financing activities	6,830,208	326,605
Cash flows (used in) investing activities		
Exploration and evaluation asset expenditures	(5,383,397)	(1,081,927)
Cash flows (used in) investing activities	(5,383,397)	(1,081,927)
Change in cash	941,420	(1,350,183)
Cash, beginning of period	5,871,420	12,010,842
Cash, end of period	6,813,053	10,660,659
Supplemental information:		
Common shares issued for interest in exploration and evaluation properties (Notes 6 and 7)	\$ 5,600,000	\$ 6,630,000

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

Q2 Metals Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

	Number of Shares	Issued Capital \$	Share Subscriptions Received \$	Equity Reserve \$	Deficit \$	Non-controlling interest \$	Total \$
Balance, February 28, 2023	75,748,693	26,195,765	11,050	2,513,651	(11,429,338)	167,459	17,458,587
Shares issued for property	6,500,000	6,630,000	-	-	-	-	6,630,000
Warrants exercised	1,174,539	320,273	(11,050)	-	-	-	309,223
Finder's warrants exercised	126,500	49,060	-	(17,435)	-	-	31,625
Options exercised	100,000	39,581	-	(19,581)	-	-	20,000
Share issuance costs	-	(6,169)	-	-	-	-	(6,169)
Share-based payments	-	-	-	1,038,199	-	-	1,038,199
Net loss for the period	-	-	-	-	(1,132,218)	(625)	(1,132,843)
Balance, August 31, 2024	83,649,732	33,228,510	-	3,514,834	(12,561,556)	166,834	24,348,622
	Number of Shares	Issued Capital \$	Share Subscriptions Received \$	Equity Reserve \$	Deficit \$	Non-controlling interest \$	Total \$
Balance, February 29, 2024	89,415,968	34,722,587	-	3,514,834	(11,624,780)	166,577	26,779,218
Shares issued for cash	9,719,998	2,429,999	-	-	-	-	2,429,999
Shares issued for cash – flow-through	9,671,972	3,293,762	-	-	-	-	3,293,762
Shares issued for property	20,000,000	5,600,000	-	-	-	-	5,600,000
Warrants exercised	350,000	106,750	-	-	-	-	106,750
Options exercised	81,428	42,008	-	(21,008)	-	-	21,000
Share subscriptions received	-	-	7,625	-	-	-	7,625
Share issuance costs	-	(247,712)	-	64,066	-	-	(183,646)
Share-based payments	-	-	-	433,327	-	-	433,327
Net loss for the period	-	-	-	-	(728,658)	(84)	(728,742)
Balance, August 31, 2024	129,239,366	45,947,394	7,625	3,991,219	(12,353,438)	166,493	37,759,293

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

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Q2 Metals Corp. (formerly Queensland Gold Hills Corp.) (“Q2 Metals” or the “Company”) was incorporated under the British Columbia Business Corporations Act on May 6, 2010. The Company is principally engaged in the business of exploring and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues. The head office of the Company is located at Suite 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

On January 9, 2023, the Company changed its name from Queensland Gold Hills Corp to Q2 Metals Corp. The Company’s shares are listed on Tier 2 of the TSX Venture Exchange in Canada (“QTWO”), the Frankfurt Stock Exchange in Germany (“458”), and the OTCQB (“QUEXF”).

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to social and government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business.

As at August 31, 2024, the Company had not earned revenue and had an accumulated deficit of \$12,353,438 (February 29, 2024 - \$11,624,780), cash and cash equivalents of \$6,813,053 (February 29, 2024 - \$5,871,420), and working capital of \$5,061,552 (February 29, 2024 - \$5,871,420). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. Material accounting policy information

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended February 29, 2024. The policies set out below have been consistently applied to all periods presented.

Basis of presentation and consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for cash and cash equivalents which are reflected at fair value as set out in the accounting policies below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

2. Material accounting policy information (Continued)

Basis of presentation and consolidation (Continued)

The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiary Orefox Exploration Pty Ltd., and 95% ownership of Big Hill Gold Mining Company Pty Ltd. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Presentation and functional currency

These consolidated financial statements are presented in the Canadian dollar functional currency, the currency of the primary economic environment in which the Company and its subsidiaries operate.

Accounting Policies

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 2 of the audited financial statements for the year ended February 29, 2024. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended February 29, 2024.

3. Critical judgements and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Going concern

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgements.

Capitalization of exploration and evaluation expenditures

Management has determined that exploration and evaluation expenditures incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 6 for details of capitalized exploration and evaluation expenditures.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

3. Critical judgements and estimation uncertainties (Continued)

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of metallic resource assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which comprises issued capital, equity reserve and accumulated deficit, which totaled \$37,759,293 at August 31, 2024 (February 29, 2024 - \$26,779,218).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and cash equivalents and other short-term guaranteed deposits, all held with select major Canadian chartered banks and financial institutions.

The Company is currently attempting to identify economic base and precious metal resources with an emphasis on lithium, gold, zinc, and silver, and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned acquisitions and exploration, as well as pay for administrative costs, the Company will spend existing working capital and raise additional amounts as needed.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

4. Capital management (Continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements; and
- (iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended August 31, 2024 and the year ended February 29, 2024.

5. Financial instruments and financial risk factors

Fair value measurements

	August 31, 2024	February 29, 2024
Financial assets		
<i>FVPL, measured at fair value</i>		
Cash and cash equivalents	\$ 6,813,053	\$ 5,871,420
Reclamation bonds	17,437	17,437
Financial liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Trade and other payables	\$ 1,667,803	\$ 2,081,333

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2024, the Company's financial instruments are comprised of cash and cash equivalents, reclamation bonds, trade and other payables, and loan payable. The carrying value of these financial instruments approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

5. Financial instruments and financial risk factors (Continued)

Financial instruments measured at fair value on the consolidated statement of financial position are summarized in levels of fair value hierarchy as follows:

At August 31, 2024

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 6,813,053	\$ -	\$ -	\$ 6,813,053
Reclamation bonds	17,437	-	-	17,437
Total	\$ 6,830,490	\$ -	\$ -	\$ 6,830,490

At February 29, 2024

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 5,871,420	\$ -	\$ -	\$ 5,871,420
Reclamation bonds	17,437	-	-	17,437
Total	\$ 5,888,857	\$ -	\$ -	\$ 5,888,857

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and metals price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There were no changes in the risks, objectives, policies and procedures from the previous year.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2024, the Company had cash and cash equivalents of \$6,813,053 (February 29, 2024 - \$5,871,420) to settle current liabilities of \$2,491,297 (February 29, 2023 - \$2,081,333). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has no other contractual obligations other than trade and other payables. As discussed in Note 1, the Company's ability to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of select major Canadian chartered banks and financial institutions. The Company regularly monitors compliance to its cash management policy.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

5. Financial instruments and financial risk factors (Continued)

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and a significant portion of the Company's expenditures are transacted in Canadian dollars. As a result, the Company's exposure to the foreign currency risk is minimal at this time but may increase as the Company develops its Australia-based properties.

(c) Commodity price risk

The Company is exposed to price risk with respect to base and precious metal prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to price movements and volatilities. The Company closely monitors prices to determine the appropriate course of action to be taken by the Company.

(d) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with amounts receivable, which is comprised primarily of GST/HST receivable due from the Government of Canada. The Company has no significant concentration of credit risk arising from its operations. Management believes that the credit risk concentration with respect to amounts receivable is low.

6. Interest in exploration properties and exploration and evaluation expenditures

Cisco Property

On February 29, 2024, the Company entered into three individual option agreements which granted the exclusive right and option to acquire a 100% interest in three groups of mineral claims collectively known as the Cisco Property, located in the southern portion of Eeyou Istchee James Bay, Quebec, Canada. On June 12, 2024, the Company completed the closing of the option agreements. Under the terms of the three individual Option Agreements, the aggregate consideration payable for the Cisco Property is \$2,400,000 cash (\$1,500,000 paid), 60,000,000 common shares (20,000,000 shares issued at \$0.28 per share) of the Company and exploration expenditures of \$12,000,000, broken down on a per Option Agreement basis as follows:

Cisco Claim Group

The Company entered into an option agreement to acquire a 100% interest in 121 mineral claims (the "Cisco Claims") by paying total consideration of an aggregate of 40,000,000 common shares (10,000,000 shares issued with a fair value of \$2,800,000), \$2,000,000 cash (\$1,100,000 paid) and conduct \$12,000,000 in exploration expenditures, over a four-year period. The vendor will retain a 4% gross metals returns royalty ("GMR") on the Cisco Claims (the "Cisco GMR"), of which up to 3% of the Cisco GMR can be repurchased by the Company at any time after the option for the Cisco Claims is exercised and prior to commercial production. The Company may repurchase the first 1% for \$1,500,000, the next 1% for \$3,000,000 and the Company has a right of first refusal on the next 1%. The foregoing Cisco GMR purchase payments may be satisfied in either cash or common shares, at the election of the Company. The vendor will also be paid a cash bonus of \$2,500,000 on the completion and delivery of an initial mineral resource calculation report, prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects, on the Cisco Claims demonstrating an inferred resource (or higher category) of at least 25 million tonnes grading over 1% Li₂O.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

Unaudited – prepared by management

(Expressed in Canadian Dollars)

6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Cisco Property (continued)

Broadback Claims

On June 12, 2024, the Company entered into an option agreement (the “Broadback Agreement”) with 9219-8845 Quebec Inc (“9219”), Steven Labranche and Anna-Rosa Giglio (the “Broadback Vendors”), to acquire a 100% interest in 24 mineral claims (the “Broadback Claims”) from the Broadback Vendors. The Company must pay to the Broadback Vendors total consideration of an aggregate of 10,000,000 common shares (5,000,000 shares issued with a fair value of \$1,400,000) and \$200,000 (paid). 9219 and Ressources Broadback Inc. have been granted a 3% GMR on the Broadback Claims (the “Broadback GMR”), of which up to 2% of the Broadback GMR can be repurchased by the Company at any time prior to commercial production for \$1,000,000 for the first 1% and \$2,000,000 for the next 1%. The foregoing Broadback GMR purchase payments may be satisfied in either cash or Common Shares, at the election of the Company.

Ouagama Claims

On June 12, 2024, the Company entered into an option agreement (the “Ouagama Agreement”) with 9219, Steven Labranche, Anna-Rosa Giglio, Trent Potts and Potts of Gold Resources Pty Ltd. (the “Ouagama Vendors”), to acquire a 100% interest in 77 mineral claims (the “Ouagama Claims”) from the Ouagama Vendors. The Company must pay to the Ouagama Vendors total consideration of an aggregate of 10,000,000 Common Shares (5,000,000 shares issued with a fair value of \$1,400,000) and \$200,000 (paid). The Ouagama Vendors have been granted a 3% GMR on the Ouagama Claims (the “Ouagama GMR”), of which up to 2% of the Ouagama GMR can be repurchased by the Company at any time prior to commercial production for \$1,000,000 for the first 1% and \$2,000,000 for the second 1%. The foregoing Ouagama GMR purchase payments may be satisfied in either cash or Common Shares, at the election of the Company.

Mia Property, Quebec

On November 21, 2022, the Company entered into an agreement with 9219-8845 QC Inc., a private Quebec company dba Canadian Mining House (“CMH”) and certain investors in CMH (“CMH Nominees”) to acquire a 100% interest in the 86 square kilometre Mia Lithium Property (the “Mia Property”). The Mia Property is comprised of 171 mineral claims and located 62 km East of Wemindji Community in the Eeyou Istchee James Bay Territory, Quebec, Canada.

To acquire a 100% interest in the Mia Property, the Company must:

- Issue to CMH and the CMH Nominees 6,500,000 common shares (issued) and pay \$200,000 within 3 days of TSXV acceptance of the acquisition (the “Effective Date”) (paid);
- Issue to CMH and the CMH Nominees 6,500,000 common shares and pay \$150,000 on the six-month anniversary of Effective Date (issued and paid);
- Incur \$1,000,000 in exploration expenditures on the Property within one year of the agreement (incurred); and
- Pay to CMH and the CMH Nominees \$150,000 on the one-year anniversary of the Effective Date (paid).

The Company earned a 100% interest in the Property on the closing date of October 11, 2023.

Q2 Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2024 and 2023

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(Expressed in Canadian Dollars)

6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Mia Property, Quebec (Continued)

CMH retained a 3% net smelter returns royalty ('NSR') on the Mia Property (the "Mia NSR"), of which, up to 1% may be repurchased by the Company for \$1,000,000 at any time prior to commercial production. CMH subsequently assigned 2% of the Mia NSR on 28 claims in favour of Franco-Nevada Corporation (the "Franco-Nevada NSR"). Separately, CMH assigned 2% of the Mia NSR on certain other mineral claims forming part of the Mia Property in favour of Eastmain Resources Inc. (the "Eastmain NSR"). As a result, CMH retains a 1% NSR on the claims that are part of the Franco-Nevada NSR and Eastmain NSR's and a 3% NSR on all other claims. The Eastmain NSR was extinguished by CMH on August 16, 2023. The Company assumed the obligations under the existing royalties.

On November 2, 2023, the Company entered into an agreement with CMH to repurchase 2% of the Mia NSR on all claims that are not part of the Franco-Nevada NSR for total consideration of \$1,280,400. The consideration is payable in a combination of cash and common shares of the Company. Lithium Royalty Corp. acquired the remaining 1% NSR held by CMH on all claims comprising the property. During the year ended February 29, 2024, the Company completed the acquisition of the NSR by issuing 1,400,000 common shares with a fair value of \$392,000 and making aggregate cash payments of \$888,400.

As at February 29, 2024, Franco Nevada Corporation holds a 2% NSR on 28 claims comprising the Mia Property and Lithium Royalty Corp. holds a 1% NSR on all Mia Property claims.

Stellar Lithium Property, Quebec

On March 2, 2023, the Company acquired the "Stellar Lithium Property" for the cost of staking. The Stellar Lithium Property is comprised of 77 claims totaling 3,972 hectares in the James Bay district of Quebec, Canada.

Big Hill Gold Property, Australia

In December 2021, the Company acquired an 95% interest of Big Hill Gold Mining Company Pty Ltd. ACN 474 179 ("Big Hill"), a private Australian company. Big Hill holds a 100% interest in an exploration permit and two mining licenses comprising the Big Hill Gold Property located in Queensland, Australia. In consideration for the interest in Big Hill, the Company issued 17,500,000 common shares of the Company and paid \$275,325 (AU\$300,000) in cash.

As a result of the transaction, the Company has recorded the pro-rata fair value of the non-controlling interest's portion of the net assets of Big Hill at the time of acquisition, resulting in a charge of \$171,070 to non-controlling interest. The non-controlling interest (5%) can be acquired by the Company at any time for cash of AU\$700,000. Upon the Company acquiring the remaining 5% of Big Hill, the non-controlling interest will receive a 0.75% net smelter royalty.

The purchase price consideration was as follows:

	\$
Value of 17,500,000 common shares of the Company	2,975,000
AU \$300,000 cash	275,325
Total	3,250,325

Q2 Metals Corp.

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6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

Big Hill Gold Property, Australia (Continued)

The purchase price allocation is as follows:

Current assets	44,577
Exploration and evaluation assets	3,387,574
	3,432,151
Less liabilities assumed:	
Current liabilities	(10,756)
	3,421,395
Non-controlling interest	(171,070)
	3,250,325

Titan Gold Project, Australia

On January 28, 2022, the Company acquired 100% of the issued and outstanding common shares of Orefox Titan Pty Ltd. CAN 640 056 131 ("Orefox Titan"), a private Australian Company. Orefox Titan holds a 100% interest in the Titan Gold Property located contiguous to the Company's Big Hill Gold project in Queensland Australia. In consideration for the acquisition of Orefox Titan, the Company issued 300,000 common shares valued at \$105,000. At the acquisition date, the net assets of Orefox Titan consisted of the Titan Gold Property.

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6. Interest in exploration properties and exploration and evaluation expenditures (Continued)

	Cisco Property	Mia Property	Stellar Property	Big Hill	Titan Gold	Total
Balance, February 28, 2023	\$ -	\$ 3,378,314	\$ 15,200	\$ 3,703,757	\$ 105,000	\$ 7,202,271
Additions during the period						
Property acquisition costs						
Cash	-	1,188,400	1,454	-	-	1,189,854
Shares	-	7,022,000	-	-	-	7,022,000
Property exploration costs						
Assays	-	221,698	-	2,250	-	223,948
Camp	-	869,852	-	-	-	869,852
Drilling	-	1,557,022	-	-	-	1,557,022
Field supplies and rentals	-	336,780	-	-	-	336,780
Fuel	-	314,593	-	-	-	314,593
Geological consulting	-	1,704,301	4,327	12,552	-	1,721,180
Other	-	4,176	-	23,755	-	27,931
Permits	-	8,522	-	-	-	8,522
Travel and transport	-	1,603,459	-	-	-	1,603,459
	-	14,830,803	5,781	38,557	-	14,875,141
Balance, February 29, 2024	\$ -	\$ 18,209,117	\$ 20,981	\$ 3,742,314	\$ 105,000	\$ 22,077,412
Additions during the period						
Property acquisition costs						
Cash	1,500,000	-	-	-	-	1,500,000
Shares	5,600,000	-	-	-	-	5,600,000
Property exploration costs						
Assays	126,098	136,855	-	-	-	262,953
Camp	207,372	38,232	-	-	-	245,604
Drilling	765,093	-	-	-	-	765,093
Fuel	134,745	6,055	-	-	-	140,800
Field supplies and rentals	156,428	14,492	-	-	-	170,920
Geological consulting	783,430	145,659	-	-	-	929,089
Permits and license fees	5,358	-	-	7,083	-	12,441
Travel and transport	958,836	17,156	-	-	-	975,992
	10,237,360	358,449	-	7,083	-	10,602,892
Balance, August 31, 2024	\$ 10,237,360	\$ 18,567,566	\$ 20,981	\$ 3,749,397	\$ 105,000	\$ 32,680,304

Q2 Metals Corp.

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7. Share capital

Common Shares

(a) *Authorized* - Unlimited number of common shares without par value.

(b) *Issued* - As at August 31, 2024, the Company had 129,239,366 (February 29, 2024– 89,415,968) shares issued and outstanding.

Issued during the six months ended August 31, 2024:

On March 8, 2024, 25,000 share purchase warrants priced at \$0.305 were exercised for gross proceeds of \$7,625.

On June 13, 2024, 20,000,000 shares were issued for the share portion of the acquisition of the Cisco Property.

On July 31, 2024, the Company closed the first tranche of a non-brokered private placement of units of the Company by issuing 1,142,857 units of the Company at a price of \$0.35 per unit (the “FT Units”) for gross proceeds of \$400,000. Each FT Unit consisted of one flow-through common shares (each, a “FT Share”) and one half of one share purchase warrant (each, a “Warrant”). Each Warrant entitles the holder to acquire one additional non-flow-through common share at a price of \$0.50 for two years. Gross proceeds from the issuance of the FT Units will be used to incur “Canadian exploration expenses” that qualify as “flow-through critical mineral mining expenditures”, as such terms are defined in the Income Tax Act (Canada) (the “Tax Act”), on Q2’s lithium projects in Quebec that the Company will renounce to the subscribers pursuant to the Tax Act with an effective date not later than December 31, 2024. Where applicable, gross proceeds from the sale of the FT Shares from purchasers in Québec will also qualify as “Canadian exploration expense” under the Taxation Act (Québec) and qualify for inclusion in the “exploration base relating to certain Québec exploration expenses” and the “exploration base relating to certain Québec surface mining exploration expenses”, under the Taxation Act (Québec). The securities issued pursuant to this First Tranche are subject to a hold period expiring on December 1, 2024 in accordance with applicable securities laws or the Exchange Hold Period under the policies of the TSXV.

On July 31, 2024, the Company closed the first tranche of a non-brokered private placement of units of the Company by issuing 8,519,998 units of the Company at a price of \$0.25 per unit (the “NFT Units”) for gross proceeds of \$2,130,000. Each NFT Unit consisted of one non-flow-through common share of the Company and one half of one Warrant. Each Warrant entitles the holder to acquire one additional non-flow-through common share at a price of \$0.50 for two years. Proceeds from the sale of the NFT Units will be used for general working capital. The securities issued pursuant to this First Tranche are subject to a hold period expiring on December 1, 2024 in accordance with applicable securities laws or the Exchange Hold Period under the policies of the TSXV. Aggregate finders’ fees of \$23,175 and 57,600 broker warrants were paid to arm’s length finders in connection with the First Tranche closing of this non-brokered private placement, with each such broker warrant bearing the same terms as the Warrants.

On August 9, 2024, the Company closed the second and final tranche of the non-brokered private placement of units of the Company by issuing 8,506,315 units of the Company at a price of \$0.475 per unit (the “Charity Units”) for gross proceeds of \$4,040,500. Each Charity Unit consisted of one FT Share of the Company and one half of one Warrant. Gross proceeds from the issuance of the Charity Units and FT Units will be used to incur “Canadian exploration expenses” that qualify as “flow-through critical mineral mining expenditures”, as such terms are defined in the Income Tax Act (Canada) (the “Tax Act”), on Q2’s lithium projects in Quebec that the Company will renounce to the subscribers pursuant to the Tax Act with an effective date not later than December 31, 2024. Where applicable, gross proceeds from the sale of the FT Shares from purchasers in Québec will also qualify as “Canadian exploration expense” under the Taxation Act (Québec) and qualify for inclusion in the “exploration base relating to certain Québec exploration expenses” and the “exploration base relating to certain Québec surface mining exploration expenses”, under the Taxation Act (Québec). The securities issued pursuant to this final tranche are subject to a hold period expiring on December 10, 2024 in accordance with applicable securities laws or the Exchange Hold Period under the policies of the TSXV.

Q2 Metals Corp.

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7. Share capital (Continued)

Common Shares (Continued)

Issued during the six months ended August 31, 2024: (Continued)

On August 9, 2024, the Company also closed the second and final tranches of two non-brokered private placement of units of the Company by issuing 22,800 FT Units of the Company for gross proceeds of \$7,980 and 1,200,000 NFT Units of the Company for gross proceeds of \$300,000. Proceeds from the sale of the NFT Units will be used for general working capital. The securities issued pursuant to this final tranche are subject to a hold period expiring on December 10, 2024 in accordance with applicable securities laws or the Exchange Hold Period under the policies of the TSXV. Aggregate finders' fees of \$62,250 and 249,000 broker warrants were paid to arm's length finders in connection with the second tranche, with each such broker warrant bearing the same terms as the Warrants.

Issued during the year ended February 29, 2024:

On June 1, 2023, the Company issued 6,500,000 shares with a fair value of \$6,630,000 in connection with the acquisition of the Mia Property. See Note 6.

On December 19, 2023, the Company issued 1,400,000 shares with a fair value of \$392,000 in connection with the acquisition of the Mia Property NSR. See Note 6.

During the year ended February 29, 2024, 4,865,200 share purchase warrants priced at \$0.25 per share were exercised for gross proceeds of \$1,216,300; 675,575 share purchase warrants priced at \$0.305 per share were exercised for gross proceeds of \$206,050; 126,500 finder's warrants priced at \$0.25 were exercised for gross proceeds of \$31,625, and 100,000 stock options priced at \$0.20 were exercised for gross proceeds of \$20,000.

Warrants

	August 31, 2024		February 29, 2024	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	19,320,258	\$ 0.97	25,652,533	\$ 0.78
Issued	10,002,585	0.50		
Expired	-	-	(665,000)	0.25
Exercised	(350,000)	0.305	(5,667,275)	0.25
Balance, end of period	28,972,843	\$ 0.53	19,320,258	\$ 0.97

Q2 Metals Corp.

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7. Share capital (Continued)

Warrants (Continued)

The following table summarizes information about warrants outstanding and exercisable at August 31, 2024:

Number of Warrants	Exercise Price	Expiry Date	Number of Exercisable Warrants	Weighted Average Remaining Life (years)
5,124,425	\$0.305	December 19, 2024	5,124,425	0.30
12,908,333	**\$0.60	February 23, 2025	12,908,333	0.48
625,000	\$0.50	February 23, 2025*	625,000	0.48
312,500	\$1.25	February 23, 2025*	312,500	0.48
4,831,427	\$0.50	July 31, 2026	4,831,427	1.92
57,600	\$0.50	July 31, 2026*	57,600	1.92
4,864,558	\$0.50	August 9, 2026	4,864,558	1.94
249,000	\$0.50	August 9, 2026*	249,000	1.94
28,972,843			28,972,843	0.95

*Indicates broker warrants.

**On June 4, 2024, the TSX Venture Exchange (the “TSXV”) approved an amendment to the exercise price of an aggregate of 12,908,333 outstanding common share purchase warrants that were issued as part of the Company’s private placement that closed on February 23, 2023 (the “2023 Warrants”). The 2023 Warrants had an original exercise price of \$1.25 and the Company amended the exercise price to \$0.60. All other terms of the 2023 Warrants remain the same, including the original expiry date of February 23, 2025.

Stock Options

The Company has an Equity Incentive Plan (the “Plan”) under which it is authorized to grant options, restricted shares units, performance share units or deferred share units to directors, officers, consultants or employees of the Company. At the Company’s Annual General Meeting on November 1, 2023, the shareholders approved the Company’s equity incentive plan and set the number of common shares that may be granted under the Plan as a rolling 10% of the Company’s issued and outstanding shares at any time. A copy of the plan is available to view on SEDAR.

On May 22, 2024, the Company granted 1,500,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.31 per share until May 22, 2029. A fair value of \$433,327 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.31; dividend yield - 0%; expected volatility - 159.40%; risk free interest rate - 3.66%; and expected life - 5 years. The options vested immediately upon grant.

On March 2, 2023, the Company granted 1,250,000 stock options to directors and consultants. The options are exercisable at the price of \$0.85 per share until March 2, 2028. A fair value of \$1,038,199 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.85; dividend yield - 0%; expected volatility - 187.21%; risk free interest rate - 3.66%; and expected life - 5 years. The options vested immediately upon grant.

Q2 Metals Corp.

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7. Share capital (Continued)

Stock Options (Continued)

	August 31, 2024		February 29, 2024	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of period	7,154,285	\$ 0.39	6,004,285	\$ 0.29
Exercised	(81,428)	0.26	(100,000)	0.20
Issued	1,500,000	0.31	1,250,000	0.85
Balance, end of period	8,572,857	\$ 0.38	7,154,285	\$ 0.39

The following table summarizes the stock options outstanding and exercisable at August 31, 2024:

Number of Options	Exercise Price	Expiry Date	Number of Exercisable Options	Weighted Average Remaining Life (years)
172,857	\$0.35	September 9, 2025	172,857	1.03
3,350,000	\$0.20	December 7, 2026	3,350,000	2.27
2,300,000	\$0.42	January 10, 2028	2,300,000	3.36
1,250,000	\$0.85	March 2, 2028	1,250,000	3.50
1,500,000	\$0.31	May 22, 2029	1,500,000	4.73
8,572,857			8,572,857	3.15

8. Basic and diluted net loss per share

The calculation of basic and diluted loss per share for the six months ended August 31, 2024, was based on the loss attributable to common shareholders of \$728,658 (August 31, 2023 - \$1,132,218) and the weighted average number of common shares outstanding of 166,207,545 (August 31, 2023 – 64,977,054). Outstanding warrants and stock options have been excluded from the calculation of diluted income per share for the periods presented as their effect would be anti-dilutive.

9. Related party balances and transactions

During the six months ended August 31, 2024 and 2023, the Company incurred the following:

	2024	2023
Key management compensation* - cash	\$ 272,502	\$ 191,000
Compensation – share-based compensation	\$ 259,996	\$ 581,392

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

Officers and directors of the Company and companies controlled by such individuals were owed \$28,479 as at August 31, 2024 (February 29, 2024 – \$1,374) for services rendered and for expenses incurred in the ordinary course of business. The amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Q2 Metals Corp.

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10. Loan payable

As part of the acquisition of Big Hill, the Company assumed a balance payable from an intercompany loan from the former owner of the property in the amount of AU\$30,499 (February 29, 2024 – AU\$30,499). The balance was non-interest bearing and no terms of repayment were set. During the year ended February 29, 2024, the loan was repaid in full.

11. Commitments

The Company engaged Venture Liquidity Providers Inc. (“VLP”) to provide market-making services. The market making service is undertaken by VLP through a registered broker, W.D.Latimer Co. Ltd. in compliance with TSX-V policies. VLP will buy and sell shares of the Company on the TSX-V for the purpose of maintaining an orderly trading market or providing liquidity in the Company’s shares. The term of the agreement is for one year and may be terminated by either party immediately upon receiving written notice. In consideration, the Company will pay VLP \$60,000 plus GST per annum. Following the initial term, the agreement will automatically renew for successive additional 12-month terms. The Company and VLP are unrelated and unaffiliated entities.

12. Liability and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On February 23, 2023, the Company issued 6,250,000 common shares on a “flow-through” basis at a price of \$1.04 per Share for gross proceeds of \$6,500,000. A flow-through share liability of \$1,562,500 was recognized at the date of issuance based on the premium value of the flow-through share at the time of issuance. At August 31, 2024, the Company has incurred \$6,500,000 in qualified expenditures.

On February 23, 2023, the Company issued 1,350,000 common shares on a “flow-through” basis at a price of \$0.50 per Share for gross proceeds of \$1,012,500. A flow-through share liability of \$nil was recognized at the date of issuance based on the flow-through shares being issued at a price below market at the time of issuance. At August 31, 2024, the Company has incurred \$1,012,500 in qualified expenditures.

On July 31, 2024 and August 9, 2024, the Company issued 1,142,857 and 22,800 common shares respectively on a “flow-through” basis at a price of \$0.35 per Share for gross proceeds of \$407,980. A flow-through share liability of \$91,429 was recognized at the date of issuance based on the flow-through shares being issued at a price below market at the time of issuance. At August 31, 2024, the Company has incurred \$407,980 in qualified expenditures.

On August 9, 2024, the Company issued 8,506,315 common shares on a “flow-through” basis at a price of \$0.475 per Share for gross proceeds of \$4,040,500. A flow-through share liability of \$1,063,289 was recognized at the date of issuance based on the flow-through shares being issued at a price above market at the time of issuance. At August 31, 2024, the Company has incurred \$913,024 in qualified expenditures.

13. Subsequent events

Subsequent to the six months ended August 31, 2024, 2,211,924 share purchase warrants priced at \$0.305, 723,334 share purchase warrants priced at \$0.60, 50,000 stock options priced at \$0.20, 20,000 stock options priced at \$0.35 and 100,000 stock options priced at \$0.42 were exercised for total gross proceeds of \$1,182,637.