

# **European Energy Metals Corp.**

**(Formerly HILO MINING LTD.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023**

*(Unaudited - Expressed in Canadian dollars)*

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of European Energy Metals Corp. (the "Company") have been prepared by and are the responsibility of management. These condensed interim financial statements for the nine months ended February 28, 2023, have not been reviewed or audited by the Company's independent auditors.

**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)

| <b>As at</b>                                      | <b>February 28, 2023</b> | <b>May 31, 2022</b> |
|---|--------------------------|---------------------|
|   | <b>\$</b>                | <b>\$</b>           |
|   | (unaudited)              | (audited)           |
| <b>ASSETS</b>                                     |                          |                     |
| CURRENT   |                          |                     |
| Cash  | 1,466,552                | 576,344             |
| Amounts receivable                                | 4,893                    | 3,129               |
| Prepays and deposits                              | 2,342                    | -                   |
|   | <u>1,473,787</u>         | <u>579,473</u>      |
| Exploration and evaluation asset (Note 7)         | 311,231                  | 236,231             |
| <b>TOTAL ASSETS</b>                               | <u>1,785,018</u>         | <u>815,704</u>      |
| <b>LIABILITIES</b>                                |                          |                     |
| CURRENT   |                          |                     |
| Accounts payable and accrued liabilities (Note 9) | 185,538                  | 78,669              |
|   | <u>185,538</u>           | <u>78,669</u>       |
| <b>SHAREHOLDERS' EQUITY</b>                       |                          |                     |
| Share capital (Note 8)                            | 1,661,006                | 855,658             |
| Reserves (Note 8)                                 | 567,581                  | 313,528             |
| Deficit   | (629,107)                | (432,151)           |
|   | <u>1,599,480</u>         | <u>737,035</u>      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>1,785,018</u>         | <u>815,704</u>      |

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on May 1, 2023

"Christos Doulis" Director

"Jeremy Poirier" Director

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

**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the nine months ended February 28, 2023 and 2022**  
(Unaudited - Expressed in Canadian dollars)

|   | Three months<br>ended<br>February 28,<br>2023 | Three months<br>ended<br>February 28,<br>2022 | Nine months<br>ended<br>February 28,<br>2023 | Nine months<br>ended<br>February 28,<br>2022 |
|---|---|---|--|--|
|   |   |   | \$   | \$   |
| <b>EXPENSES</b>   |   |   |  |  |
| Consulting fees (Note 9)  | 3,600   | 3,600   | 10,800                                       | 66,050                                       |
| Filing and transfer agent fees  | 11,718  | 21,536  | 16,176                                       | 24,661                                       |
| Investor relations  | -   | -   | -  | 880  |
| Management fee (Note 9)   | 38,281  | 35,250  | 113,534                                      | 44,250                                       |
| Office  | 4,868   | 3,866   | 12,390                                       | 3,940  |
| Professional fees (Note 9)  | 17,097  | 69,349  | 41,805                                       | 117,588                                      |
| Travel  | 2,251   | -   | 2,251  | -  |
| Share-based payments (Note 7)   | -   | 74,105  | -  | 74,105                                       |
| <b>NET LOSS AND COMPREHENSIVE<br/>LOSS</b>                                    | <b>77,815</b>                                 | <b>207,706</b>                                | <b>196,956</b>                               | <b>331,474</b>                               |
| Basic and diluted loss per share  | (0.01)  | (0.03)  | (0.03)                                       | (0.12)                                       |
| Weighted average number of<br>common shares outstanding, basic<br>and diluted | 7,875,387                                     | 7,270,564                                     | 7,473,371                                    | 2,752,769                                    |

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

**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**  
**Condensed Interim Statements of Changes in Shareholders' Equity**  
**For the nine months ended February 28, 2023 and 2022**  
(Unaudited - Expressed in Canadian dollars)

|   | <b>Common Shares</b>    |                  | <b>Reserves</b> | <b>Deficit</b>   | <b>Total</b>     |
|---|-------------------------|------------------|-----------------|------------------|------------------|
|   | <b>Number of Shares</b> | <b>Amount</b>    |                 |                  |                  |
|   |                         | <b>\$</b>        | <b>\$</b>       | <b>\$</b>        | <b>\$</b>        |
| <b>Balance, May 31, 2021</b>              | 1                       | 1                | -               | -                | 1                |
| Shares issued pursuant to the Arrangement | 1,499,999               | -                | 236,231         | -                | 236,231          |
| Shares issued for cash, net               | 5,772,363               | 855,657          | 3,192           | -                | 858,849          |
| Share-based payments                      | -                       | -                | 74,105          | -                | 74,105           |
| Net loss                                  | -                       | -                | -               | (331,474)        | (331,474)        |
| <b>Balance, February 28, 2022</b>         | <b>7,272,363</b>        | <b>855,658</b>   | <b>313,528</b>  | <b>(331,474)</b> | <b>837,712</b>   |
| <b>Balance, May 31, 2022</b>              | <b>7,272,364</b>        | <b>855,658</b>   | <b>313,528</b>  | <b>(432,151)</b> | <b>737,035</b>   |
| Shares issued for cash, net               | 13,718,799              | 805,348          | 254,053         | -                | 1,059,401        |
| Net loss                                  | -                       | -                | -               | (196,956)        | (196,956)        |
| <b>Balance, February 28, 2023</b>         | <b>20,991,163</b>       | <b>1,661,006</b> | <b>567,581</b>  | <b>(629,107)</b> | <b>1,599,480</b> |

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

**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**  
**Condensed Interim Statements of Cash Flows**  
**For the nine months ended February 28, 2023 and 2022**  
(Unaudited - Expressed in Canadian dollars)

| <b>Nine months ended</b>                              | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> |
|---|------------------------------|------------------------------|
| <b>Cash provided by (used in):</b>                    | <b>\$</b>                    | <b>\$</b>                    |
| <b>OPERATING ACTIVITIES</b>                           |                              |                              |
| Net loss  | (196,956)                    | (331,474)                    |
| Non-cash items  |                              |                              |
| Share-based payments                                  | -                            | 74,105                       |
| <b>Net changes in non-cash working capital items:</b> |                              |                              |
| Amounts receivable                                    | (1,764)                      | (9,593)                      |
| Prepays and deposit                                   | (2,342)                      | -                            |
| Accounts payable and accrued liabilities              | 106,869                      | 110,158                      |
| <b>Net cash used in operating activities</b>          | <b>(94,193)</b>              | <b>(156,804)</b>             |
| <b>INVESTING ACTIVITY</b>                             |                              |                              |
| Exploration and evaluation additions                  | (75,000)                     | -                            |
| <b>Net cash used by investing activity</b>            | <b>(75,000)</b>              | <b>-</b>                     |
| <b>FINANCING ACTIVITIES</b>                           |                              |                              |
| Due to former parent                                  | -                            | 71,125                       |
| Repayment to former parent                            | -                            | (71,125)                     |
| Shares issued for cash, net                           | 1,059,401                    | 858,849                      |
| <b>Net cash provided by financing activities</b>      | <b>1,059,401</b>             | <b>858,849</b>               |
| Change in cash  | 890,208                      | 702,045                      |
| Cash, beginning of period                             | 576,344                      | 1                            |
| <b>Cash, end of period</b>                            | <b>1,466,552</b>             | <b>702,046</b>               |

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

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

European Energy Metals Corp. (formerly Hilo Mining Ltd.) (the “Company”) was incorporated on February 2, 2021 under the laws of British Columbia. The Company commenced trading on the TSX Venture Exchange on April 29, 2022 under the trading symbol “HILO.V”. The address of the Company’s corporate office and its principal place of business is 503 - 905 Pender Street, Vancouver, British Columbia, Canada, V6C 1L6. The Company was incorporated as a subsidiary of Golden Independence Mining Corp. (“Golden”). On April 25, 2023, the Company changed its name to European Energy Metals Corp. and updated its trading symbol to “FIN”.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. On April 22, 2021, the Company entered into an arrangement agreement (the “Arrangement”) with its parent entity, Golden, whereby the Company will issue 1,500,000 common shares to Golden in exchange for Golden’s mining claim representing the Champ exploration property (the “Champ Property”). Under the Arrangement, Golden distributed 1,000,000 of the common shares to its shareholders and Golden held 500,000 common shares of the Company. The Company completed the Arrangement on November 12, 2021.

The Company’s unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. The Company’s ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These unaudited condensed interim financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited condensed interim financial statements.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended May 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These unaudited condensed interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 1, 2023.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

## b) Basis of presentation

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

The accounting policies set out below have been applied consistently to all years presented in these unaudited condensed interim financial statements.

## c) Significant accounting policies

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the year ending May 31, 2022.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Critical accounting estimates*

- The inputs used in valuing share-based payments.
  - The Company uses the fair-value method of accounting for share-based payments (related to incentive stock options and compensation warrants granted, modified or settled). Under this method compensation costs attributable to option awards granted are measured at fair value at the issue or grant date and are expensed over the vesting period. In determining the fair value for share-based payments, the Company uses option pricing models and makes estimates of the expected volatility of the stock, the expected life and risk-free rate. The expected volatility is based on historical volatility of the Company's stock over a period commensurate with the expected life of the option. Changes to these estimates could result in the fair value of share-based payments expense being less than or greater than the amount recorded.



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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)***Significant accounting judgments*

- The determination of categories of financial assets and financial liabilities
  - The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.
- The evaluation of the Company's ability to continue as a going concern.
  - The Company's management has made an assessment of the Company's ability to continue as a going concern. Factors considered by management are disclosed in Note 1.
- Exploration and evaluation assets
  - The Company is required to review the carrying value of its exploration and evaluation properties at each reporting date for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is charged to the statements of comprehensive loss.
  - Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices on potential reserves.
- Share Capital
  - The Company's common shares, and any future offerings of share warrants and options are classified as equity instruments. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.
  - Share-based payments to employees are measured at fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended February 28, 2023 and have not been applied in preparing these condensed interim financial statements nor does the Company expect these amendments to have a significant effect on its condensed interim financial statements.

**5. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, reserves and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

**6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK***Fair value*

As at February 28, 2023, the Company's financial instruments consist of cash and accounts payable.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
- Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).
- Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair value of cash is based on Level 1 inputs. There are no Level 2 or Level 3 financial instruments.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's condensed interim statement of financial position at February 28, 2023 as follows:

| Fair Value Measurements Using | Level 1   | Level 2 | Level 3 | Total     |
|-------------------------------|-----------|---------|---------|-----------|
|                               | \$        | \$      | \$      | \$        |
| Cash                          | 1,466,552 | -       | -       | 1,466,552 |

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk, the Company places its cash with high quality financial institutions.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements  
For the nine months ended February 28, 2023 and 2022  
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**6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)***Liquidity risk*

The Company manages liquidity risk through the management of its capital structure, as outlined in Note 5. The Company monitors its ability to meet its short-term exploration and administrative expenditure requirements by raising additional funds through share issuances when required.

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk.

**7. EXPLORATION AND EVALUATION ASSET**

Expenditures related to the acquisition and exploration of mineral properties consisted of:

|   | Champ Property |
|---|----------------|
|   | \$             |
| Acquisition Costs:                          |                |
| Balance, May 31, 2021                       | -              |
| Shares issued pursuant to the Arrangement   | 236,231        |
| Balance, May 31, 2022 and February 28, 2023 | 236,231        |
| Exploration Costs:                          |                |
| Balance, May 31, 2021 and May 31, 2022      | -              |
| Surveying                                   | 75,000         |
| Balance, February 28, 2023                  | 75,000         |
| Total, May 31, 2022                         | 236,231        |
| Total, February 28, 2023                    | 311,231        |

Pursuant to an option agreement (the "Agreement") dated August 24, 2017, Golden was granted an option to acquire a 100% undivided interest in the Champ Property located in the Greenwood Mining District of British Columbia. In accordance with the Agreement, Golden acquired a 100% undivided interest in the Champ Property by issuing a total of 300,000 common shares of Golden and making a payment of \$10,000.

The optionor retains a 2% net smelter return royalty on the Champ Property. Golden has the right to purchase the first 1% of the royalty for \$1,000,000 and the remaining 1% for \$1,000,000 at any time during the five-year period starting from the date of commencement of commercial production.

Prior to the closing of the Arrangement (Note 1) with the Company's parent, Golden, the Company and Golden entered into an Asset Purchase Agreement pursuant to which the Company acquired Golden's interest in the Champ Project in exchange for the issuance of 1,500,000 common shares of the Company. The fair value of the Champ Property was determined to be \$236,231 at the date of the transaction.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements  
For the nine months ended February 28, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

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**8. SHARE CAPITAL**

## a) Authorized

The Company's authorized capital consists of an unlimited number of common shares without par value.

On April 22, 2022, the Company entered into an escrow agreement with various security holders and an escrow agent. As of February 28, 2023, 1,738,964 (May 31, 2022 - 2,086,756) shares were held in escrow.

## b) Issued and outstanding

During the nine months ended February 28, 2023 and the year ended May 31, 2022 the following share issuances occurred:

- On February 24, 2023, the Company issued 12,800,000 common shares for gross proceeds of \$1,152,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each warrant is exercisable for one additional common share at an exercise price of \$0.15 for a period of 18 months. The Company incurred cash finder's fees of \$64,316 and has issued 918,799 finder's units with a fair value of \$8,101. The Company issued 918,799 brokers' warrants with an exercise price of \$0.15 and maturity 18 months after the grant date.
- On November 12, 2021, the Company completed the Arrangement (Note 1) and issued 1,500,000 common shares.
- During November and December 2021, the Company issued 5,772,363 common shares for gross proceeds of \$865,854. The Company incurred cash finder's fees of \$7,005. The Company issued 47,299 brokers' warrants with an exercise price of \$0.30 and maturity two years after the grant date with a fair value of \$3,192.

## c) Stock options

Stock option transactions and the number of stock options outstanding are summarized below:

|   | Number of<br>Options | Weighted Average<br>Exercise Price (\$) |
|---|----------------------|---|
| Balance, May 31, 2021                       | -                    | -                                       |
| Granted                                     | 550,000              | 0.15                                    |
| Balance, May 31, 2022 and February 28, 2023 | 550,000              | 0.15                                    |

Additional information regarding stock options outstanding is as follows:

| Expiry Date                | Exercise<br>Price (\$) | Number of<br>Options Issued<br>and Exercisable |
|----------------------------|------------------------|--|
| February 1, 2027           | 0.15                   | 550,000  |
| Balance, February 28, 2023 |                        | 550,000  |

The weighted average remaining life of the stock options as of February 28, 2023 is 3.84 (May 31, 2021 - 4.68) years.

**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements  
For the nine months ended February 28, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

**8. SHARE CAPITAL** (continued)

During the nine months ended February 28, 2023 and the year ended May 31, 2022, the following stock option grants occurred:

- On February 1, 2022, the Company granted 550,000 stock options with a maturity date of February 1, 2027 and an exercise price of \$0.15 to certain directors, officers and consultants of the Company. The stock options had a fair value of \$74,105 and vested immediately.

The stock options were valued using the following Black-Scholes option pricing model using the following assumptions:

|                                    | May 31, 2022 |
|------------------------------------|--------------|
| Share price                        | \$0.15       |
| Risk-free interest rate            | 1.65%        |
| Dividend yield                     | 0%           |
| Expected volatility <sup>(1)</sup> | 144.56%      |
| Expected life (years)              | 5            |
| Forfeiture rate                    | 0%           |

<sup>(1)</sup> The expected volatility is based on the historical share prices of comparable companies.

## d) Brokers' warrants

Brokers' warrants transactions and the number of brokers' warrants outstanding are summarized below:

|                           | Number of Warrants | Weighted Average Exercise Price (\$) |
|---------------------------|--------------------|--------------------------------------|
| Balance, May 31, 2021     | -                  | -                                    |
| Granted                   | 47,299             | 0.30                                 |
| Balance, May 31, 2022     | 47,299             | 0.30                                 |
| Granted                   | 918,799            | 0.15                                 |
| Balance February 28, 2023 | 966,098            | 0.16                                 |

Additional information regarding brokers' warrants outstanding is as follows:

| Expiry Date                | Exercise Price (\$) | Number of Warrants Issued and Exercisable |
|----------------------------|---------------------|---|
| November 17, 2023          | 0.30                | 46,699                                    |
| December 17, 2023          | 0.30                | 600                                       |
| August 24, 2024            | 0.15                | 918,799                                   |
| Balance, February 28, 2023 |                     | 966,098                                   |

The weighted average remaining life of the brokers' warrants as of February 28, 2023 is 1.37 (May 31, 2021 – 1.46) years.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

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For the nine months ended February 28, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

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**8. SHARE CAPITAL (continued)**

The brokers' warrants were valued using the following Black-Scholes option pricing model using the following assumptions:

|                                       | February 24,<br>2023 |
|---------------------------------------|----------------------|
| Discount Rate – Bond Equivalent Yield | 4.32%                |
| Dividend yield                        | 0%                   |
| Expected volatility <sup>(1)</sup>    | 184.55%              |
| Expected life (years)                 | 1.5                  |
| Forfeiture rate                       | 0%                   |

(1) The expected volatility is based on the historical share prices of a comparable company.

**9. RELATED PARTY BALANCES AND TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the year ended May 31, 2022, as disclosed in Notes 1 and 7, pursuant to an Arrangement with the Company's parent entity, Golden, the Company acquired a 100% interest in the option agreement representing the Champ Property. The Company also incurred consulting fees of \$60,000 from Golden, the Company's former parent, for work related to the transaction. During the year ended May 31, 2022, the Company paid an additional \$11,125 to Golden for other expense reimbursements related to the Arrangement.

Key management personnel include those persons having 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.

During the nine months ended February 28, 2023, the Company incurred key management compensation of \$113,534 (2022 - \$44,250) related to management fees and \$nil (2022 - \$74,105) related to share-based payments. In addition, the Company incurred professional fees of \$6,682 (2022 - \$14,285) from a company that employs the Chief Financial Officer and \$6,857 (2022 - \$3,047) related to office rent paid from a company related to the Chief Operation Office. At February 28, 2023, \$146,216 (May 31, 2022 - \$117,282) related to management fees and professional fees payable to related parties remained in accounts payable and accrued liabilities.

The amounts payables are non-interest-bearing, unsecured, due on demand and have no fixed terms of repayment.

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**European Energy Metals Corp. (formerly Hilo Mining Ltd.)**

Notes to the Condensed Interim Financial Statements

For the nine months ended February 28, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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**10. SUBSEQUENT EVENTS**Restricted Share Units

On March 6, 2023, the Company granted 800,000 Restricted Share Units ("RSU's") to certain directors, officers and consultants of the Company all will vest in one year from the grant date.

Earn-in Agreement

On March 20, 2023, the Company entered into a definitive earn-in agreement (the "Earn-In Agreement") with Capella Minerals Limited ("Capella") to earn up to an 80% interest in a portfolio of lithium (lithium-cesium-tantalum, or "LCT") and rare-earth element ("REE") pegmatite reservations held by Capella in central Finland (the "Property").

Terms of the Earn-In Agreement:

- The Company has the option to earn a 51% interest in the Property (the "Initial Option") by
  - (i) making a cash payment of \$100,000 (paid subsequently) and issuing 100,000 common shares (issued subsequently) to Capella upon receiving TSX Venture Exchange approval of the Earn-In Agreement;
  - (ii) completing \$500,000 in expenditures on the Property and issuing 150,000 common shares to Capella on before the first anniversary of the Earn-In Agreement; and
  - (iii) completing an additional \$500,000 in expenditures on the Property, paying \$100,000 in cash and issuing 250,000 common shares to Capella on or before the second anniversary of the Earn-In Agreement. Upon exercise of the Initial Option, the Company will become the operator of the Property.
  
- Following exercise of the Initial Option, the Company will have a further option to earn an additional 29% interest in the Property (the "Final Option") by
  - (i) completing \$500,000 in expenditures on the Property, paying \$150,000 in cash and issuing 750,000 common shares to Capella on or before the third anniversary of the Earn-In Agreement; and
  - (ii) completing \$1,000,000 in expenditures on the Property, paying \$150,000 in cash and issuing 750,000 common shares to Capella on or before the fourth anniversary of the Earn-In Agreement.
  
- If, on the date of the exercise of the Final Option, the Property hosts a mineral resource equal or greater than 10 million metric tons with a minimum average grade of 1.0% Lithium Oxide (Li<sub>2</sub>O) the Company will make a bonus cash payment of \$500,000 and issue 1,000,000 common shares to Capella. The parties have the option to form a joint venture upon exercise of the Initial Option or to defer the joint venture formation until the exercise of the Final Option.

Technical Committee

On April 14, 2023, the Company has formed a technical committee (the "Technical Committee") to review and consider an exploration program for its Finnish lithium project. The Technical Committee is comprised of two representatives of the Company, Jeremy Poirier and Tim Henneberry, and one representative of Capella, Eric Roth.