# VICTORY BATTERY METALS CORP.
(Formerly VICTORY RESOURCES CORPORATION)

## CONSOLIDATED FINANCIAL STATEMENTS
## (Expressed in Canadian Dollars)

## FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Victory Battery Metals Corp. (formerly Victory Resources Corporation):

### *Opinion*

We have audited the consolidated financial statements of Victory Battery Metals Corp. (formerly Victory Resources Corporation), and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended February 28, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined the matter described below to be the key audit matter to be communicated in our report.

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Assessment of the existence of impairment indicators for exploration and evaluation assets</td></tr>
<tr><td>Refer to note 6</td><td>Our approach to addressing the matter involved the following procedures, among others:</td></tr>
<tr><td>As at February 28, 2023, the carrying amount of the Company’s exploration and evaluation assets were $2,311,538.<br><br>At each reporting period, management assesses exploration and evaluation assets to determine whether there are any indicators of impairment. If any such indicators exist, the asset’s recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.<br><br>Management assesses exploration and evaluation assets for impairment based on, at minimum, the presence of any one of the following facts and circumstances:<br>(i) the period for which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, and is not expected to be renewed;<br>(ii) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;<br>(iii) the Company has decided to discontinue exploration for and evaluation of mineral resources in the specific area; and/or<br>(iv) for areas of likely development, available data indicates that the carrying amount exceeds the recoverable amount.<br><br>No impairment indicators were identified by management as at February 28, 2023.<br><br>We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments made by management in their assessment of whether there existed impairment indicators related to the exploration and evaluation assets. These factors have resulted in a high degree of subjectivity in performing audit procedures, related to the judgment applied by management.</td><td>Evaluating the judgments made by management in assessing for the presence of impairment indicators, which included the following:<br><br>• Obtained evidence to support the right to explore the area.<br>• Read the board of directors’ minutes and resolutions and observed evidence supporting the continued and planned exploration expenditures, which included evaluating results of events subsequent to year end.<br>• Assessed whether available data indicates the potential for commercially viable mineral resources and evaluated the status of agreements relating to future feasibility studies.<br>• Based on evidence obtained in other areas of the audit, we considered whether other facts and circumstances suggest that the carrying amount may exceed the recoverable amount.</td></tr>
</table>

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
June 28, 2023

**VICTORY BATTERY METALS CORP.**
**(Formerly VICTORY RESOURCES CORPORATION)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 1,156,773 | $ 918,656 |
| GST receivable | 10,711 | 10,419 |
| Prepaid expenditures | 20,215 | 114,740 |
| Loan receivable (Note 4) | - | 80,000 |
| **Total current assets** | 1,187,699 | 1,123,815 |
| **Non-current assets** | | |
| Long-term investments (Note 4) | 24,404 | 217,945 |
| Right-of-use asset (Note 5) | 80,491 | 108,899 |
| Reclamation deposits (Note 6) | 37,146 | 37,146 |
| Exploration and evaluation assets (Notes 6 and 8) | 2,311,538 | 1,224,127 |
| **Total non-current assets** | 2,453,579 | 1,588,117 |
| **Total assets** | $ 3,641,278 | $ 2,711,932 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Note 7) | $ 209,961 | $ 148,064 |
| Due to related parties (Note 8) | 18,088 | 3,500 |
| Current portion of lease liability (Note 5) | 30,672 | 30,672 |
| **Total current liabilities** | 258,721 | 182,236 |
| Lease liability (Note 5) | 60,503 | 88,285 |
| **Total liabilities** | 319,224 | 270,521 |
| **Shareholders' equity** | | |
| Share capital (Note 9) | 38,802,881 | 36,595,924 |
| Subscriptions received in advance (Note 15) | 84,800 | - |
| Share-based payment reserve (Note 9) | 1,045,651 | 1,021,151 |
| Deficit | (36,611,278) | (35,175,664) |
| **Total shareholders' equity** | 3,322,054 | 2,441,411 |
| **Total liabilities and shareholders' equity** | $ 3,641,278 | $ 2,711,932 |

**Nature of operations and going concern** (Note 1)
**Segmented information** (Note 10)
**Subsequent events** (Note 15)

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

Approved and authorized on behalf of the Board of Directors on June 28, 2023.

*"Mark Ireton"* Director *"David Lane"* Director

**VICTORY BATTERY METALS CORP.**
**(Formerly VICTORY RESOURCES CORPORATION)**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

| | | February 28, 2023 | | February 28, 2022 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Advertising and promotion | $ | 277,282 | $ | 471,343 |
| Amortization of right-of-use asset (Note 5) | | 28,408 | | 28,408 |
| Consulting | | 307,815 | | 423,950 |
| Impairment of exploration and evaluation assets (Note 6) | | - | | 375,518 |
| Interest on lease liability (Note 5) | | 5,162 | | 6,810 |
| Management and directors' fees (Note 8) | | 234,000 | | 289,900 |
| Office and administration | | 94,738 | | 110,390 |
| Professional fees (Note 8) | | 144,379 | | 145,624 |
| Realized loss on long-term investments (Note 4) | | - | | 8,727 |
| Stock-based compensation (Note 9) | | - | | 482,500 |
| Transfer agent and filing fees | | 40,434 | | 45,122 |
| Travel | | 29,855 | | 48,411 |
| Unrealized loss on long-term investments (Note 4) | | 193,541 | | 1,255,973 |
| Write off account payable | | - | | (10,145) |
| Write off loan receivable (Note 4) | | 80,000 | | - |
| **Net loss and comprehensive loss for the year** | $ | (1,435,614) | $ | (3,682,531) |
| **Basic and diluted loss per common share** | $ | (0.03) | $ | (0.12) |
| Weighted average number of common shares outstanding – basic and diluted | | 40,159,093 | | 30,626,473 |

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

**VICTORY BATTERY METALS CORP.**
**(Formerly VICTORY RESOURCES CORPORATION)**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (1,435,614) | $ (3,682,531) |
| Items not affecting cash: | | |
| Amortization of right-of-use asset | 28,408 | 28,408 |
| Impairment of exploration and evaluation assets | - | 375,518 |
| Realized loss on long-term investments | - | 8,727 |
| Stock-based compensation | - | 482,500 |
| Unrealized gain on foreign exchange | - | (2,571) |
| Unrealized loss on long-term investments | 193,541 | 1,255,973 |
| Write off loan receivable | 80,000 | - |
| Changes in non-cash working capital: | | |
| Prepaid expenditures | 94,525 | (14,070) |
| GST receivable | (292) | 16,405 |
| Accounts payable and accrued liabilities | 38,346 | (17,692) |
| Net cash used in operating activities | (1,001,086) | (1,549,333) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from related parties | 14,588 | (11,735) |
| Proceeds from common share issuances | 1,602,750 | 3,553,079 |
| Subscriptions received in advance | 154,800 | - |
| Share issuance costs | (72,793) | (150,577) |
| Net cash provided by financing activities | 1,699,345 | 3,390,767 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of exploration and evaluation assets | (432,360) | (965,573) |
| Purchase of reclamation bond | - | (18,414) |
| Repayment of lease liability | (27,782) | (32,851) |
| Proceeds from sale of long-term investments | - | 78,280 |
| Net cash used in investing activities | (460,142) | (938,558) |
| **Change in cash for the year** | 238,117 | 902,876 |
| **Cash, beginning of the year** | 918,656 | 15,780 |
| **Cash, end of the year** | $ 1,156,773 | $ 918,656 |
| **Supplemental cash flow information** | | |
| **Interest paid** | $ - | $ - |
| **Income taxes paid** | $ - | $ - |

**Supplemental disclosure with respect to cash flows** (Note 13)

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

## VICTORY BATTERY METALS CORP.
## (Formerly VICTORY RESOURCES CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

| | Common shares | Share capital | Subscriptions received in advance | Shares issued in advance | Share-based payment reserve | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance as at February 28, 2021** | 18,391,137 | $ 32,796,798 | $ 127,500 | $ - | $ 1,146,775 | $ (31,967,133) | $ 2,103,940 |
| Private placement | 15,056,470 | 2,914,766 | - | - | - | - | 2,914,766 |
| Share issued for stock options exercise | 1,355,000 | 455,214 | - | - | (219,839) | - | 235,375 |
| Share issued for warrants exercise | 1,792,679 | 531,523 | - | - | (1,085) | - | 530,438 |
| Share issuance costs - cash | - | (150,577) | - | - | - | - | (150,577) |
| Share issuance costs - warrants | - | (86,800) | - | - | 86,800 | - | - |
| Subscriptions received in advance (Note 9(i)) | - | - | (127,500) | - | - | - | (127,500) |
| Share issuances for property acquisition | 500,000 | 135,000 | - | - | - | - | 135,000 |
| Fair value of cancelled options | - | - | - | - | (474,000) | 474,000 | - |
| Stock-based compensation | - | - | - | - | 482,500 | - | 482,500 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (3,682,531) | (3,682,531) |
| **Balance as at February 28, 2022** | 37,095,286 | 36,595,924 | - | - | 1,021,151 | (35,175,664) | 2,441,411 |
| Private placement | 21,365,833 | 1,672,750 | - | - | - | - | 1,672,750 |
| Share issuance costs – cash | - | (72,793) | - | - | - | - | (72,793) |
| Share issuance costs – warrants | - | (24,500) | - | - | 24,500 | - | - |
| Share issuances for property acquisition | 5,833,454 | 631,500 | - | - | - | - | 631,500 |
| Subscriptions received in advance | - | - | 154,800 | - | - | - | 154,800 |
| Shares issued in advance | - | - | - | (70,000) | - | - | (70,000) |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (1,435,614) | (1,435,614) |
| **Balance as at February 28, 2023** | 64,294,573 | $ 38,802,881 | $ 154,800 | $ (70,000) | $ 1,045,651 | $ (36,611,278) | $ 3,322,054 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Victory Battery Metals Corp. (Formerly Victory Resources Corporation, ("Victory" or "the Company") is a publicly traded company (CSE: VR) incorporated under the laws of British Columbia, Canada. The Company is a junior exploration stage mining corporation with interests in North America. The Company has no plans to divest itself of its existing exploration properties, although it is currently seeking and investigating other business opportunities in the mining space.

On December 22, 2022, the Company consolidated its common shares on the basis of three (3) pre-consolidation common shares for one (1) post-consolidation common share. All shares, warrants and stock options in these consolidated financial statements are on post consolidated basis.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at February 28, 2023, the Company has a deficit of $36,611,278 (February 28, 2022 - $35,175,664). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof.

There is a material uncertainty related to these conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, proceeds from loans and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

## 2. BASIS OF PREPARATION

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these consolidated financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended February 28, 2022.

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

## 2. BASIS OF PREPARATION (cont'd…)

**Basis of Consolidation**

The consolidated financial statements include Victory Battery Metals Corp. and its wholly owned subsidiary Victory Resources (Nevada) Inc. All inter-company transactions have been eliminated.

Subsidiaries are entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. Subsidiaries are consolidated from the date on which control is obtained.

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned subsidiary.

**Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

*Valuation of stock options and compensation warrants*

The fair value of stock options and compensation warrants issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options and compensation warrants.

*Critical accounting judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

*Determination of functional currency*

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company and its subsidiary is the Canadian dollar based on the primary economic environment in which the companies operate. Such determination involves certain judgements to identify the primary economic environment of each entity.

## 2. BASIS OF PREPARATION (cont'd...)

**Use of estimates and judgments** (cont'd…)

*Carrying value and recoverability of exploration and evaluation assets*

The assessment of the potential impairment of the carrying value and recoverability of exploration and evaluation assets included in the statements of financial position is based on management's best judgment of the prospects for each property based on currently available information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rates in effect at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the period end date.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

**Financial instruments**

*Recognition*

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

*Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii) those to be measured subsequently at amortized cost.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Financial instruments** (cont'd…)

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company's financial instruments are as follows:

| Financial Instrument | Classification |
|---|---|
| Cash | FVTPL |
| Reclamation deposits | Amortized cost |
| Loan receivable | Amortized cost |
| Long-term investments | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs for all classifications of financial instruments, other than those at FVTPL, that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are recognized in profit or loss.

**Exploration and evaluation assets**

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Exploration and evaluation assets** (cont'd…)

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. If impairment is assessed, exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

Mineral exploration and evaluation expenditures are classified as intangible assets.

**Impairment of long-lived assets**

At the end of each reporting period, the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Provision for environmental rehabilitation**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

**Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect would be anti-dilutive. As such, basic loss per share is equivalent to diluted loss per share.

**Share-based payments**

Where equity-settled stock options are awarded to employees, consultants, officers and directors, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Fair value is determined on the grant date using the Black-Scholes option pricing model. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured using the market value of the Company's common shares where the share-based payment is made in shares, and the Black-Scholes option pricing model for grants of stock options or warrants. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve until exercised. Upon exercise, shares are issued from treasury and the associated amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Share-based payments (cont'd…)

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amount recorded in share-based payment reserve for unexercised share options is transferred to deficit upon expiry or cancellation of such options.

### Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations, make investments and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued, which is determined by the closing market price of the Company's common shares on the date of issuance. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments. When warrants expire they remain in share-based payment reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Share capital** (cont'd…)

Where subscriptions for common shares or units are received in advance of the Company issuing the associated common shares or units, the subscriptions are recorded as a component or shareholders' equity, and are subsequently reclassified to share capital when the common shares or units are issued.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid by the investor for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

**Leases**

*Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is equal to the lease liabilities recognized. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As such, the Company's right-of-use assets are depreciated over the following:

| | |
|---|---|
| Facilities lease | Term of the lease |

Right-of-use assets are subject to impairment assessment consistent with other long-lived assets.

*Lease liabilities*

The Company recognizes lease liabilities at the commencement date of the lease measured at the present value of lease payments to be made over the term of the lease. The lease payments are fixed. Other variable lease payments that do not depend on an index or rate are recognized as rent expense in the period the expense is incurred. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Upcoming Accounting Standards and Interpretations**

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after March 1, 2023 or later periods. The new and amended standards are not expected to have a material impact on the Company.

## 4. LOAN RECEIVABLE AND LONG-TERM INVESTMENTS

CIA Cannabis Intelligence Agency Inc. ("CIA")

During the year ended February 29, 2020, the Company entered into an LOI with CIA with respect to an equity investment. The Company advanced $80,000 to CIA by way of a secured loan bearing interest at 8% and repayable in one year. The loan was extended to be repayable by February 28, 2023. Security on the loan consists of a general security interest against the assets and undertakings of CIA. The Company has recorded this amount as a loan receivable until such time as the transaction is completed and an equity investment in CIA is received. On February 28, 2023, the Company wrote off the $80,000 loan receivable as it was determined to be uncollectible.

Jolt Health Inc. ("Jolt") (Formerly Love Pharma Inc.)

During the year ended February 29, 2020, the Company advanced $150,000 to Love Pharma Inc. for the future issuance of common shares which was recorded as a deposit. On March 20, 2020, the Company received 30,000 common shares with respect to this deposit. At February 28, 2023, the fair value of the shares was $15,000 (2022 - $60,000). An unrealized loss on long-term investments of $45,000 (2022 - $120,000) was recognized on profit or loss.

Love Hemp Group PLC ("Love Hemp") (formerly World High Life PLC)

On October 22, 2019, the Company purchased 6,666,670 convertible debenture units (the "Debentures") of Love Hemp for $1,100,000. Love Hemp is a UK CBD wellness and medicinal cannabis investment company listed on the London NEX Exchange under the symbol LIFE. The debentures pay interest of 10% annually, and are convertible into ordinary shares of Love Hemp at a price of £0.10 per share, subject to Love Hemp's right to force conversion upon 30 days' notice in the event that the Ordinary Shares trade at £0.30 or higher for a 10 day period. The debenture units consisted of a £1.00 principal amount and included 1 warrant to purchase additional ordinary shares at a price £0.15 per share for two years (6,666,670 warrants in total), subject to Love Hemp's right to accelerate the maturity date upon 30 days' notice in the event that the Ordinary Shares trade at £0.25 or higher for a 10-day period. The debentures mature two years plus one day from closing.

On October 22, 2019, the initial fair value of the convertible debenture was determined to be the initial cost of $1,100,000, which was split between the principal note and the conversion feature being $606,498 and $493,502, respectively. Initially, $Nil was allocated to the warrants received.

On July 3, 2020, the Company converted all of the debentures and accrued interest into 7,182,138 Love Hemp shares. The Company recorded a $201,745 realized loss on the investment.

During the year ended February 28, 2020, the Company entered into a loan agreement with Love Hemp whereby the Company loaned Love Hemp $300,000 with an annual interest rate of 10% repayable by January 30, 2021. On September 30, 2020 the Company entered into a loan agreement whereby the Company loaned Love Hemp $50,000 with an annual interest rate of 10% repayable by January 30, 2021. The Company entered into a settlement agreement with Love Hemp on November 10, 2020. 9,196,950 Love Hemp common shares at £0.02 for total consideration of $314,774 (£183,749) including interest $7,840 (£4,696) were issued on November 24, 2020. During the year ended February 28, 2021 the Company recorded interest income of $60,137.

During the year ended February 28, 2022, the Company sold 881,538 shares of Love Hemp for total proceeds $77,621 and recorded a realized loss on the Love Hemp long-term investments of $8,727. During the year ended February 28, 2022, the Company recorded an unrealized loss on the Love Hemp long-term investments of $1,135,973 (2021 - $222,602).

(Expressed in Canadian Dollars)

## 4. LOAN RECEIVABLE AND LONG-TERM INVESTMENTS (cont'd...)

On February 28, 2023, the Company held 13,820,600 shares of Love Hemp with a fair value of $9,404 (2022 – 13,820,600 shares with a fair value of $157,945). During the year ended February 28, 2023, the Company recorded an unrealized loss on the Love Hemp long-term investments of $148,540 (2022 – $1,135,973).

## 5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On January 1, 2020, the Company entered into a lease agreement for office space which expires on December 31, 2025.

*Right-of-use asset*

| | | |
|---|---|---|
| Right-of-use asset, February 28, 2021 | $ | 137,307 |
| Amortization of right-of-use asset | | (28,408) |
| Right-of-use asset, February 28, 2022 | | 108,899 |
| Amortization of right-of-use asset | | (28,408) |
| Right-of-use asset, February 28, 2023 | $ | 80,491 |

*Lease liability*

| | | |
|---|---|---|
| Balance, February 28, 2021 | $ | 151,808 |
| Lease payments | | (39,284) |
| Interest | | 6,433 |
| Balance, February 28, 2022 | | 118,957 |
| Lease payments | | (32,944) |
| Interest | | 5,162 |
| Balance, February 28, 2023 | $ | 91,175 |

| | | |
|---|---|---|
| Current portion of lease liability | $ | 30,672 |
| Long-term lease liability | | 60,503 |
| Total lease liability at February 28, 2023 | $ | 91,175 |

(Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS

| | Black Diablo Property USA | Lac Simard Property, Canada | Tahlo Lake, Canada | Loner Property, USA | Smokey Lithium Property, USA | Mal-Wen Property, Canada | Stingray Property, Canada | Georgia Property, Canada | Saquenay Property, Canada | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, February 28, 2021** | $ 17,370 | $375,000 | $ - | $ 82,615 | $ - | $ 24,087 | $ - | $ - | $ - | $ 499,072 |
| Acquisition costs - cash | - | 25,000 | - | 25,000 | 221,970 | - | - | - | - | 277,970 |
| Acquisition costs - shares | - | - | - | - | 135,000 | - | - | - | - | 135,000 |
| Exploration costs | 20,106 | 20,815 | - | 261,903 | 222,507 | 162,272 | - | - | - | 687,603 |
| Impairment | - | - | - | (369,518) | - | - | - | - | - | (375,518) |
| **Balance, February 28, 2022** | 37,476 | 420,815 | - | - | 579,477 | 186,359 | - | - | - | 1,224,127 |
| Acquisition costs - cash | - | - | 3,461 | - | - | - | 117,000 | 25,000 | 10,000 | 155,461 |
| Acquisition costs - shares | - | - | - | - | - | - | 454,000 | 40,000 | 137,500 | 631,500 |
| Exploration costs | 36,771 | - | 840 | - | 245,838 | 8,915 | 715 | 6,731 | 640 | 300,450 |
| **Balance, February 28, 2023** | $ 74,247 | $420,815 | $ 4,301 | $ - | $825,315 | $195,274 | $571,715 | $ 71,731 | $148,140 | $ 2,311,538 |

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims that may be impacted by the conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties are properly registered and in good standing.

### Black Diablo Property, Nevada, USA

During the year ended February 28, 2021, the Company staked certain claims to the Black Diablo Property, located in Nevada, USA.

### Lac Simard Property, Quebec

On September 22, 2020, the Company acquired the Lac Simard Property in Quebec by issuing 1,666,667 shares at a fair value of $0.075 per share or $375,000. The Company was required to pay $25,000 in cash on acquisition however as at February 28, 2023 the amount remains unpaid and is included in accounts payable and accrued liabilities. Both the amount and date of payment are being renegotiated currently.

### Tahlo Lake Property, British Columbia

On November 15, 2022, the Company staked the Tahlo Lake property in British Columbia. The Tahlo Lake Property currently consists of 735 hectares.

**6. EXPLORATION AND EVALUATION ASSETS** (cont'd…)

**Loner Property, Nevada, USA**

On December 1, 2020, the Company entered into an option agreement to acquire the right to acquire an 80% interest in the Loner Property, located in the USA. To acquire the right, the Company paid $26,318 (US$20,000), a Bond and Permit Payment of $15,682, and paid staking fees of $5,240, and must make the following payments:

i) US$20,000 on or before May 8, 2021 (paid);
ii) US$40,000 on or before December 8, 2021;
iii) US$60,000 on or before December 8, 2022;
iv) US$100,000 on or before December 8, 2023;
v) US$160,000 on or before December 8, 2024.

During the year ended February 28, 2021, the Company also paid $20,922 of staking and permit fees to add to the land package.

During the year ended February 28, 2022, the Company abandoned the Loner property and terminated its option agreement. The Company wrote down the carrying value to $Nil in accordance with level 3 of the fair value hierarchy.

**Smokey Lithium Property, Nevada, USA**

On April 14, 2021, the Company acquired the Smokey Lithium Project, located in Esmeralda County, Nevada for cash consideration of $221,970 (USD$178,500) and by issuing 500,000 common shares at a fair value of $135,000. The property is subject to a net smelter return royalty equal to 2% on revenues derived from the sale of lithium and other ores extracted from the property. The Company has the right to buy one half (1%) of the royalty at any time for $1,000,000 in cash. The Company has further agreed to pay the vendor $1,000,000 in cash or common shares in 4 staged payments (90-day intervals), upon completion of a positive feasibility study. The Company has the option to purchase an additional 350 claims for consideration of $200 per claim and the issuance of 500,000 common shares.

**Mal-Wen Property, British Columbia**

The Company owns 100% of certain claims to the Mal-Wen property.

**Stingray Nickel Property, Quebec**

During the year ended February 28, 2023, the Company issued 4,766,666 shares (valued at $454,000) and paid $117,000 pursuant to a mining claims purchase agreement to acquire a 100% of the rights, title and interest in the Stingray Nickel Project in Quebec.

(Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

**Georgia Lithium Property, Ontario**

On April 11, 2022, the Company entered into an option agreement to earn a 100% interest in the Georgia Lithium Property located in Ontario, Canada. To earn the interest the Company must:

i) pay $25,000 on signing (paid);
ii) issue $40,000 worth of common shares of the Company (issued 233,454 common shares);
iii) pay $25,000 on or before April 11, 2023 (not paid and the vendor has agreed to monthly installments of $5,000 per month commencing July 15, 2023);
iv) issue $40,000 worth of common shares of the Company on or before April 11, 2023 (issued subsequent to year end 610,603 common shares);
v) pay $100,000 on or before April 11, 2024;
vi) issue $75,000 worth of common shares of the Company on or before April 11, 2024;
vii) pay $100,000 on or before April 11, 2025; and
viii) issue $175,000 worth of common shares of the Company on or before April 11, 2025.

The Company is required to incur aggregate expenditures of $750,000 on or before April 11, 2025 as follows:

i) $100,000 on or before April 11, 2023;
ii) $250,000 on or before April 11, 2024; and
iii) $400,000 on or before April 11, 2025.

The agreement is subject to a 2% NSR. The Company will have the right to purchase 1% of the NSR at any time for $1,100,000. The Company will have the right to purchase an additional 0.5% of the NSR for $1,000,000.

The $25,000 first anniversary payment due April 11, 2023 has not been paid and the optionor has agreed to monthly installments of $5,000 per month commencing June 28, 2023.

**Saguenay Nickel Property, Quebec**

On April 11, 2022, the Company acquired a 100% interest in the Saguenay Nickel Project in Saguenay, Quebec by paying $10,000 and issuing 833,333 shares (valued at $137,500).

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| Trade payables | $ 127,461 | $ 68,064 |
| Accrued liabilities | 82,500 | 80,000 |
| Total | $ 209,961 | $ 148,064 |

All trade payables and accrued liabilities for the Company are expected to fall due within the next 12 months.

(Expressed in Canadian Dollars)

## 8. RELATED PARTY TRANSACTIONS

**Management compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

Key management personnel compensation during the year ended February 28, 2023 and 2022 was as follows:

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| Management and directors' fees | $ 234,000 | $ 289,900 |
| Share-based compensation | - | 140,793 |
| Service fees, included in exploration and evaluation assets | - | 131,850 |
| Accounting and professional fees, included in professional fees | - | 14,400 |
| | $ 234,000 | $ 576,943 |

The amounts due to the related parties are as follows:

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| Due to directors and officers | $ - | $ 3,500 |
| Due to a company with common directors | 18,088 | - |
| | $ 18,088 | $ 3,500 |

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

## 9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

a) Authorized share capital:

As at February 28, 2023, the Company has unlimited authorized common shares without par value.

b) Issued share capital:

During the year ended February 28, 2023, the Company:

i) issued 833,333 shares pursuant to an option agreement to acquire a 100% interest in the Saguenay Nickel Project in Quebec (Note 6).

ii) issued 233,454 shares pursuant to an option agreement on the Georgia Lithium property (Note 6).

iii) issued 4,766,667 shares pursuant to an option agreement to acquire a 100% interest in the Stingray Nickel Project in Quebec (Note 6).

**9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE** (cont'd...)

iv) completed a non-brokered private placement of 2,608,333 units at $0.066 per unit for gross proceeds of $172,500. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.15 per share, with an expiry date of November 7, 2024. Unit warrants were valued at $Nil using the residual value method. The Company incurred cash finder fees of $3,520 and issued 53,333 finder's warrants with a fair value of $3,100 using the Black-Scholes option pricing model. The warrants have the same terms as those in the private placement unit.

v) completed a non-brokered private placement of 18,757,500 units at $0.08 per unit for gross proceeds of $1,500,600. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.12 per share, with an expiry date of February 13, 2025 for 5,600,000 warrants, February 16, 2025 for 4,550,000 warrants and February 22, 2025 for 8,607,500 warrants. Unit warrants were valued at $Nil using the residual value method. The Company incurred cash finder fees of $30,880 and issued 386,000 finder's warrants with a fair value of $21,400 using the Black-Scholes option pricing model. The warrants have the same terms as those in the private placement unit.

During the year ended February 28, 2022, the Company:

i) completed a non-brokered private placement of 2,768,000 units at $0.225 per unit for gross proceeds of $622,800. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.24 per share, with an expiry date of March 9, 2023. Unit warrants were valued at $Nil using the residual value method. The Company incurred cash finder fees of $28,464 and issued 126,507 finder's warrants with a fair value of $14,400 using the Black-Scholes option pricing model. The warrants have the same terms as those in the private placement unit. During the year ended February 28, 2021, the Company received $127,500 of funds towards the placement.

ii) completed a non-brokered private placement of 5,874,864 units at $0.21 per unit for gross proceeds of $1,233,721. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.30 per share, with an expiry date of May 15, 2023. Unit warrants were valued at $Nil using the residual value method. The Company incurred cash finder fees of $67,649 and issued 322,140 finder's warrants with a fair value of $36,200 using the Black-Scholes option pricing model. The warrants have the same terms as those in the private placement unit.

iii) issued 500,000 shares relating to Smokey Lithium Property (Note 6).

iv) completed a non-brokered private placement of 6,413,605 units at $0.165 per unit for gross proceeds of $1,058,245. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.21 per share, with an expiry date of November 4, 2023. Unit warrants were valued at $Nil using the residual value method. The Company incurred cash finder fees of $54,464 and issued 330,085 finder's warrants with a fair value of $36,200 using the Black-Scholes option pricing model. The warrants have the same terms as those in the private placement unit.

v) issued 1,355,000 common shares upon the exercise of stock options for total proceeds of $237,375. The Company reallocated $219,839 from reserves to share capital.

vi) issued 1,792,679 common shares upon the exercise of warrants for total proceeds of $530,438. The Company reallocated $1,085 from reserves to share capital.

(Expressed in Canadian Dollars)

## 9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd…)

c) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

No stock options were granted during the year ended February 28, 2023.

During the year ended February 28, 2022, the Company:

i) granted 548,333 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of $0.225 per option for a period of five years. The options vested immediately on grant and the Company recorded stock-based compensation of $91,700 relating to the fair value of the options, calculated using the Black-Scholes option pricing model.

ii) granted 1,133,333 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of $0.30 per option for a period of five years. The options vested immediately on grant and the Company recorded stock-based compensation of $249,700 relating to the fair value of the options, adjusted for the fair value of replacement options, calculated using the Black-Scholes option pricing model.

iii) granted 900,000 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of $0.21 per option for a period of five years. The options vested immediately on grant and the Company recorded stock-based compensation of $141,100 relating to the fair value of the options, calculated using the Black-Scholes option pricing model.

A summary of stock options is presented as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding and exercisable, February 28, 2021 | 1,730,666 | $ 0.352 |
| Granted | 2,581,667 | $ 0.252 |
| Cancelled/expired | (414,000) | $ 0.945 |
| Exercised | (1,355,000) | $ 0.174 |
| Outstanding and exercisable, February 28, 2023 and 2022 | 2,543,333 | $ 0.249 |

The weighted average fair value of exercised options at the date of exercise during the year ended February 28, 2023 was $Nil (2022 - $0.39).

(Expressed in Canadian Dollars)

**9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE** (cont'd...)

At February 28, 2023 the following stock options were outstanding and exercisable:

| Expiry Date | Number of Options | | Exercise Price |
|---|---|---|---|
| December 14, 2025 | 200,000* | $ | 0.162 |
| March 10, 2026 | 343,333** | $ | 0.225 |
| March 25, 2026 | 1,133,333** | $ | 0.300 |
| November 4, 2026 | 866,667** | $ | 0.210 |
| Total: | 2,543,333 | $ | 0.249 |

*133,333 options cancelled subsequent to year-end
**cancelled subsequent to year-end

At February 28, 2023, the weighted remaining life of the stock options was 3.25 years (2022 - 4.25 years).

The following weighted average assumptions were used for the Black-Scholes option pricing model of the stock options:

| | Year ended February 28, 2023 | Year ended February 28, 2022 |
|---|---|---|
| Share price | - | $ 0.24 |
| Exercise price | - | 0.25 |
| Risk-free interest rate | - | 1.16% |
| Expected life of the stock options | - | 4.91 years |
| Expected annualized volatility | - | 100% |
| Expected dividend rate | - | 0.00% |

d) <u>Warrants:</u>

A summary of warrants is presented as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding, February 28, 2021 | 16,406,203 | $ | 0.74 |
| Issued | 15,835,201 | | 0.24 |
| Expired | (5,775,319) | | 1.48 |
| Exercised | (1,792,679) | | 0.30 |
| Outstanding, February 28, 2022 | 24,673,406 | | 0.29 |
| Issued | 21,805,167 | | 0.13 |
| Expired | (8,754,464) | | 0.31 |
| Outstanding, February 28, 2023 | 37,724,109 | $ | 0.18 |

The weighted average fair value of exercised options at the date of exercise during the year ended February 28, 2023 was $Nil (2022 - $0.15).

(Expressed in Canadian Dollars)

**9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE** (cont'd...)

At February 28, 2023, the following warrants were outstanding and exercisable:

| Expiry date | Number of Warrants Outstanding | | Exercise Price |
|---|---|---|---|
| March 8, 2023 | 2,660,167* | $ | 0.24 |
| March 8, 2023 – agent warrants | 111,573* | | 0.24 |
| May 14, 2023 | 5,841,531* | | 0.30 |
| May 14, 2023– agent warrants | 266,426* | | 0.30 |
| November 4, 2023 | 6,413,605 | | 0.21 |
| November 4, 2023– agent warrants | 330,085 | | 0.21 |
| November 7, 2024 | 2,608,334 | | 0.15 |
| November 7, 2024– agent warrants | 53,333 | | 0.15 |
| November 12, 2023 | 295,556 | | 0.15 |
| February 13, 2025 | 5,600,000 | | 0.12 |
| February 16, 2025 | 4,550,000 | | 0.12 |
| February 16, 2025– agent warrants | 354,000 | | 0.12 |
| February 22, 2025 | 8,607,500 | | 0.12 |
| February 22, 2025– agent warrants | 32,000 | | 0.12 |
| Total outstanding and exercisable: | 37,724,109 | $ | 0.18 |

*expired unexercised subsequent to February 28, 2023.

The following weighted average assumptions were used for the Black-Scholes option pricing model of the agent warrants:

| | Year ended February 28, 2023 | Year ended February 28, 2022 |
|---|---|---|
| Share price | $0.11 | $0.07 |
| Exercise price | $0.12 | $0.08 |
| Risk-free interest rate | 4.20% | 0.22% |
| Expected life of warrants | 2 years | 2 years |
| Expected annualized volatility | 100% | 100% |
| Expected dividend rate | 0.00% | 0.00% |

At February 28, 2023, the weighted remaining life of the warrants was 1.29 years (2022 - 1.06 years).

**10. SEGMENTED INFORMATION**

During the years ended February 28, 2023 and 2022, the Company operated in two reportable operating segments within the geographic locations of Canada and the USA. The segments being administrative and investing activities, and the acquisition, evaluation and exploration of mineral properties. Segment information is as follows:

(Expressed in Canadian Dollars)

## 10. SEGMENTED INFORMATION (cont'd...)

| | As at February 28, 2023 | As at February 28, 2022 |
|---|---|---|
| Administrative and investing | | |
| Long-term investments - Canada | $ 24,404 | $ 217,945 |
| Right-of-use asset - Canada | 80,491 | 108,899 |
| Acquisition, exploration and development of mineral properties | | |
| Reclamation deposits - USA | 37,146 | 37,146 |
| Exploration and evaluation assets - USA | 899,562 | 616,953 |
| Exploration and evaluation assets - Canada | 1,411,976 | 607,174 |
| Total non-current assets | $ 2,453,579 | $ 1,588,117 |

| | Year Ended February 28, 2023 | Year Ended February 28, 2022 |
|---|---|---|
| Loss from operations for the year | | |
| Administrative and investing - Canada | $ (1,435,631) | $ (3,307,013) |
| Acquisition, development and exploration of mineral properties - USA | - | (369,518) |
| Acquisition, development and exploration of mineral properties - Canada | - | (6,000) |
| | $ (1,435,631) | $ (3,682,531) |

## 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

*Fair values*

The Company's financial instruments consist of cash, loan receivable, reclamation deposits, long-term investments, accounts payable and accrued liabilities and due to related parties. Cash and long-term investments are carried at fair value. The fair values of loan receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties approximate their carrying amounts due to their current nature. Reclamation deposits are non-interest-bearing, have no maturity date and carrying amounts approximate fair value.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

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

(Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS** (cont'd...)

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

| | Balance | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| *As at February 28, 2023* | | | | |
| Cash | $ 1,156,773 | $ 1,156,773 | $ - | $ - |
| Long-term investments | 24,404 | 24,404 | - | - |
| *As at February 28, 2022* | | | | |
| Cash | $ 918,656 | $ 918,656 | $ - | $ - |
| Long-term investments | 217,945 | 217,945 | - | - |

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risks associated with loan receivable and reclamation deposits are monitored by management, and are adjusted for expected credit losses if or when the associated financial instrument is deemed to be impaired. On February 28, 2023, the Company wrote off the $80,000 loan receivable as it was determined to be uncollectible. The Company's maximum exposure to credit risk is equal to the carrying value of cash, loan receivable, and reclamation deposits. The Company's management of credit risk has not changed materially from that of the prior year.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at February 28 2023, the Company had a cash balance of $1,156,773 (2022 - $918,656) to settle current liabilities of $258,721 (2022 - $182,236). All of the Company's trade accounts payable and amounts due to related parties have contractual maturities of 30 days or are due on demand and accounts payable are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors, or liquidation of long-term investments to generate sufficient capital to meet its short-term business requirements. The Company's management of liquidity risk has not changed materially from that of the prior year.

**11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS** (cont'd...)

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

a) Interest rate risk

As at February 28, 2023, the Company did not hold any material interest bearing financial assets or liabilities with variable interest rates, and therefore has no significant interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. There is currently minimal interest rate risk.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has foreign currency exposure with respect to the investments in Jolt Health and Love Hemp, which are denominated in British Pounds and US dollars. A 5% change in the value of the British Pound and US dollar with respect to the Canadian Dollar would impact profit or loss by approximately $1,000.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration of the properties is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

The recoverability of the Company's investments in Jolt Health and Love Hemp are directly tied to the market price of those companies' common shares. A 5% change in the value of the Jolt Health and Love Hemp common shares would impact profit or loss by approximately $1,000.

**12. CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the evaluation and exploration of its mineral properties, maximize the return on its investments to support the evaluation and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which totaled $3,322,054 at February 28, 2023 (2022 - $2,441,411).

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 its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

(Expressed in Canadian Dollars)

## 12. CAPITAL RISK MANAGEMENT (cont'd...)

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements.

The Company's approach to capital management did not change during the year ended February 28, 2023.

## 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not require the use of cash are excluded from the consolidated statement of cash flows. For the year ended February 28, 2023, this includes:

i) shares issued for exploration and evaluation asset acquisitions of $631,500 (2022 - $135,000).
ii) $23,551 (2022 - $Nil) in accounts payable that related to exploration and evaluation assets

## 14. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's income (loss) before income taxes. The components of these differences are as follows:

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| Loss before taxes for the year | $ (1,435,613) | $ (3,682,531) |
| Expected income tax recovery | $ (388,000) | $ (994,000) |
| Difference in tax rates in other jurisdictions, foreign exchange rates and other | 26,000 | (3,000) |
| Non-deductible items | 2,000 | 131,000 |
| Share issuance costs | (64,000) | (64,000) |
| Adjustment to prior year provision versus statutory tax returns | 140,000 | (132,000) |
| Change in tax benefits not recognized | 284,000 | 1,062,000 |
| Deferred income tax expense (recovery) | $ - | $ - |

(Expressed in Canadian Dollars)

**14. INCOME TAXES** (cont'd...)

The significant components of the Company's unrecognized deductible temporary differences are as follows. Deferred income tax assets have not been recorded in respect of these amounts.

| | February 28, 2023 | February 28, 2022 |
|---|---|---|
| Non-capital losses | $ 4,967,000 | $ 4,620,000 |
| Allowable capital losses | 556,000 | 544,000 |
| Long-term investments | 287,000 | 271,000 |
| Property and equipment | 51,000 | 51,000 |
| Exploration and evaluation assets | 1,850,000 | 1,933,000 |
| Investment tax credits | 24,000 | 24,000 |
| Share issuance costs | 80,000 | 88,000 |
| | $ 7,815,000 | $ 7,531,000 |

The Company has non-capital losses of $18,396,000 (2022 – $17,110,000) which may be available to offset future taxable income for income tax purposes. Non-capital losses expire as follows:

| Year of expiry | Non-capital losses |
|---|---|
| 2028 | $ 93,000 |
| 2029 | 182,000 |
| 2030 | 378,000 |
| 3031 | 854,000 |
| 2032 | 1,273,000 |
| 2033 | 1,927,000 |
| 2034 | 1,291,000 |
| 2035 | 1,313,000 |
| 2036 | 1,089,000 |
| 2037 | 968,000 |
| 2038 | 1,064,000 |
| 2039 | 1,247,000 |
| 2040 | 1,687,000 |
| 2041 | 2,014,000 |
| 2042 | 1,736,000 |
| 2042 | 1,280,000 |
| | $ 18,396,000 |

In addition, the Company has approximately $9,162,000 of unclaimed resource expenses and allowable capital losses of approximately $2,060,000 for Canadian tax purposes which may be carried forward indefinitely.

## 15. SUBSEQUENT EVENTS

Subsequent to the year ended February 28, 2023, the Company:

i) completed a non-brokered private placement of 3,440,000 units at $0.08 per unit for gross proceeds of $275,200 and private placement of 1,250,000 flow-through units at $0.12 per unit for gross proceeds of $150,000, of which $84,800 was received during the year ended February 28, 2023. Each unit consists of one common share and one warrant. Each warrant entitles the Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of $0.15 per share, with an expiry date of two years from issuance. The Company incurred cash finder fees of $8,800 and issued 100,000 finder's warrants. The warrants have the same terms as those in the private placement unit.

ii) entered into an agreement for payment of indebtedness in the aggregate total of $65,000 through conversion of such debt into common shares of the Company. Pursuant to the agreement, the Company issued an aggregate of 1,000,000 shares at a fair value of $0.065 per share.

iii) completed a non-brokered private placement of 6,000,000 units at $0.05 per unit for gross proceeds of $300,000. Each unit consists of one common share and one warrant. Each warrant entitles the Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of $0.07 per share, with an expiry date of two years from issuance.

iv) cancelled 2,476,665 options (Note 9).

v) issued 610,603 shares pursuant to an option agreement on the Georgia Lithium property (Note 6).