

FIRST PHOSPHATE CORP.

(formerly First Potash Corp.)

Condensed Interim Financial Statements

**For the three and six months ended
August 31, 2022 and 2021**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)

Management's Responsibility for Financial Reporting

The accompanying unaudited Condensed Interim Financial Statements of First Phosphate Corp. (the “Company”) have been prepared by and are the responsibility of the management. The unaudited Condensed Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Condensed Interim Financial Statements. Where necessary, the management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the Condensed Interim Statements of Financial Position. In the opinion of the management, the unaudited Condensed Interim Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited Condensed Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited Condensed Interim Financial Statements and (ii) the unaudited Condensed Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited Condensed Interim Financial Statements. The Board of Directors is responsible for reviewing and approving the unaudited Condensed Interim Financial Statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities. Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations and for maintaining proper standards of conduct for its activities.

Approved and authorized by the Board of Directors on October 31, 2022:

“BENNETT KURTZ”
Director

“JOHN PASSALACQUA”
Director

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
AS AT

Assets	August 31, 2022	February 28, 2022
	\$	\$
<hr/>		
Current Assets		
Cash and cash equivalents (Note 4)	698,691	-
Prepaid expenses	49,936	-
	<hr/> 748,627	<hr/> -
Non-Current Assets		
Exploration and evaluation assets (Note 5)	3,001,287	-
	<hr/> 3,001,287	<hr/> -
Total Assets	<hr/> 3,749,914	<hr/> -
<hr/>		
Liabilities and Shareholders' Equity (Deficiency)		
Current Liabilities		
Accounts payable	95,878	60,178
Accrued liabilities	45,500	12,500
	<hr/> 141,378	<hr/> 72,678
Shareholders' Equity (Deficiency)		
Capital stock (Note 6)	12,875,573	8,927,636
Contributed surplus	1,509,773	1,466,528
Deficit	(10,776,810)	(10,466,842)
Total Shareholders' Equity/(Deficiency)	<hr/> 3,608,536	<hr/> (72,678)
Total Liabilities and Shareholders' Equity	<hr/> 3,749,914	<hr/> -

Nature of operations (Note 1)

Going Concern (Note 2)

Subsequent Events (Note 10)

Approved and authorized by the Board of Directors on October 31, 2022:

“BENNETT KURTZ”
Director

“JOHN PASSALACQUA”
Director

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

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended August 31, 2022 \$	For the three months ended August 31, 2021 \$	For the six months ended August 31, 2022 \$	For the six months ended August 31, 2021 \$
Expenses				
Professional fees (Note 7)	181,555	15,893	236,935	30,105
General administrative expenses	35,761	-	36,788	-
Regulatory filing fees	28,763	5,496	32,318	8,306
Share based compensation	3,927	-	3,927	-
Total expenses	250,006	21,389	309,968	38,411
Net loss and comprehensive loss	(250,006)	(21,389)	(309,968)	(38,411)
Loss per common share – Basic and diluted	(0.02)	(0.04)	(0.04)	(0.06)
Weighted average number of common shares outstanding	16,157,990	598,718	8,560,881	598,718

The share numbers have been adjusted retroactively to reflect a consolidation of the Company's share capital on a one new share for five hundred old shares basis effective June 1, 2022 (See Note 6).

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

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the six months ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

	<u>Capital Stock</u>		Contributed Surplus \$	Deficit \$	Total \$
	Number of Shares	Amount \$			
Balance, February 28, 2021	598,718	8,927,636	1,466,528	(10,402,325)	(8,161)
Loss for the period	-	-	-	(38,411)	(38,411)
Balance, August 31, 2021	598,718	8,927,636	1,466,528	(10,440,736)	(46,572)
Balance, February 28, 2022	598,718	8,927,636	1,466,528	(10,466,842)	(72,678)
Shares issued (See note 6)	27,929,000	2,553,250	-	-	2,553,250
Share issuance costs		(135,740)	43,245	-	(92,495)
Shares issued for acquisition of property (See notes 5, 6)	6,050,000	1,512,500	-	-	1,512,500
Shares issued as finder's fee for mineral properties (See notes 5, 6)	700,000	14,000			14,000
Options issued			3,927		3,927
Options exercised	500,000	3,927	(3,927)		-
Loss for the period		-	-	(309,968)	(309,968)
Balance, August 31, 2022	35,777,718	12,875,573	1,509,773	(10,776,810)	3,608,536

The share numbers have been adjusted retroactively to reflect a consolidation of the Company's share capital on a one new share for five hundred old shares basis effective June 1, 2022 (See Note 6).

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	For the six months ended August 31 2022 \$	For the six months ended August 31 2021 \$
Operating Activities		
Loss for the period	(309,968)	(38,411)
Non-cash expense:		
Share based compensation	3,927	-
Changes in non-cash working capital items:		
Prepaid expenses	(49,936)	-
Accounts payable and accrued liabilities	(40,437)	12,230
Net cash used in Operating Activities	(396,414)	(26,181)
Investing Activities		
Purchase of exploration and evaluation assets for cash	(1,365,650)	-
Net cash used in Investing Activities	(1,365,650)	-
Financing Activities		
Issuance of common shares net of share issuance costs	2,460,755	-
Net cash provided by Financing Activities	2,460,755	-
Net change in cash for the period	698,691	(26,181)
Cash, beginning of the period	-	26,181
Cash, end of the period	698,691	-
Supplemental cash flow information		
Purchase of exploration and evaluation assets by issue of shares	1,526,500	-
Capitalized expenses for exploration and evaluation assets payable at period end	109,137	-
Warrants issued for share issuance costs	(43,245)	-
Options exercised	3,927	-

The Company paid \$nil in taxes and interest for the six months ended August 31, 2022 and \$ nil in taxes for the six months ended August 31, 2021.

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

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of Operations

First Phosphate Corp. (the “Company”) was incorporated in British Columbia on September 18, 2006. On June 29, 2022 the Company filed articles of amendment with the Province of British Columbia changing its name from First Potash Corp. to First Phosphate Corp. The address of the Company’s corporate office and registered and records office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. Since May 2022 the Company has been in the business of acquiring and exploring igneous rock phosphate mineral properties in the Saguenay Region of Quebec for the purposes of developing and producing phosphoric acid for use in lithium iron phosphate (LPF) batteries for the electric vehicle industry.

On March 26, 2021, the Alberta Securities Commission and British Columbia Securities Commission each issued an order revoking their previously issued cease trade orders in respect of the securities of the Company. The Company has not resumed trading despite revocation of the cease trade order. As such, the Company’s status is an unlisted reporting issuer.

A consolidation of the Company’s common shares on a one for five hundred basis effective June 1, 2022 has been reflected retroactively throughout these financial statements. (See Note 6)

2. Going Concern

These condensed interim financial statements have been prepared under International Financial Reporting Standards (“IFRS”) applicable to a going concern, 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. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these condensed interim financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

The Company has certain committed operational milestones over the next 12 months and based on the Company’s current forecasted operational and developmental spend, the Company will require additional funds to meet these milestones. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured.

These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

3. Basis of Presentation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended February 28, 2022 ("Annual Financial Statements"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended February 28, 2022. These unaudited interim condensed financial statements follow the same accounting policies and methods of application as the Annual Financial Statements, except as noted in Note 3(c).

These financial statements were authorized for issue by the Board of Directors on October 31, 2022.

(a) Basis of measurement

These condensed interim financial statements are presented in Canadian dollars.

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

(b) Critical accounting judgements and estimates

In preparing these condensed interim financial statements, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements except as noted in Note 3(d)

(c) Exploration and evaluation assets

Acquisition costs and exploration and evaluation expenditures are capitalized until the viability of the exploration properties is determined.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
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(Unaudited)

3. Basis of Presentation (cont'd...)

- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of the extraction of mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

The Company recognizes liabilities for constructive or legislative and regulatory obligations, including those associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of assets. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for accretion expense, representing the unwinding of the discount applied to the provision, and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the expected useful life of the asset or expensed in the period for closed sites.

(d) Share based payment transactions

The Company measures the cost of equity settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires judgment to determine the appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life, stock price, risk-free interest rates, volatility, and dividend yield. As the Company's common shares are not publicly traded, the volatility assumption requires additional judgment. The Company considers actual and expected volatility of comparable companies of similar size and industry that are publicly traded. Other valuation models are used when required.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash held at the bank and in trust of \$ 678,691 (February 28, 2022 - \$ nil and guaranteed investment certificates (GICs) of \$ 20,000 (February 28, 2022 - \$ nil). The GIC is a one year cashable term with a maturity date of August 19, 2023.

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
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(Unaudited)

5. Exploration and Evaluation Assets

The following details the changes in exploration and evaluation assets in the Saguenay Region of Quebec for the six months ended August 31, 2022:

	Lac`a l'Original (Mooselake) (a) \$	Lac Perigny claims (b) \$	Begin - Lamarche claims (c) \$	Other claims (d) \$	Total \$
Balance as at February 28, 2022	-	-	-	-	-
Acquisition costs	2,570,000	10,000	12,500	168,383	2,760,883
Camp	12,097	-	-	-	12,097
Consulting	191,313	-	-	-	191,313
Surveying and geophysics	36,994	-	-	-	36,994
Balance as at August 31, 2022	2,810,404	10,000	12,500	168,383	3,001,287

Purchase of Mineral Property and Claims

(a) Lac `a l'Original (Mooselake)

On June 17, 2022, the Company entered into an option agreement (the "Agreement"), which was subsequently amended, with an arm's length TSX Venture Exchange listed company (the "Optionor"), which provides the Company the right to acquire a 100% legal and beneficial interest, subject to an existing 1% NSR royalty, in a phosphate exploration property in the Province of Quebec. Pursuant to the Agreement, the Company is to acquire the interest in the Property by paying a total cash consideration of \$1,491,000 as follows:

- (i) \$191,000 on June 17, 2022, which payment was made,
- (ii) \$300,000 on or before July 7, 2022, which payment was made
- (iii) \$100,000 on or before July 25 2022 (as amended), which payment was made
- (iv) \$400,000 on or before August 25, 2022 (as amended), which payment was made
- (v) \$250,000 on or before September 14, 2022 (as amended) (See note 10)
- (vi) \$250,000 by issuing a non interest bearing promissory note with maturity date of February 17, 2023, on or before September 14, 2022. (as amended) (See note 10)

Further, as per the agreement, the company has issued 6,000,000 shares at \$0.25 per share for total value of \$1,500,000.

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Notes to the Condensed Interim Financial Statements
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5. Exploration and Evaluation Assets (cont'd...)

The Payment Shares will be subject to a voluntary resale restriction from the date of issuance of the applicable Payment Shares, with 10% of such Payment Shares being released on March 31, 2023 and 15% of such Payment Shares being released every three months thereafter.

The Company purchased a 1% NSR royalty relating to the above property for \$50,000 (paid). Further, the Company issued 700,000 shares at \$0.02 per share as finder's fees for the mineral property.

The Company has incurred and capitalized \$240,404 in camp, consulting, surveying and geophysics expenses in the property during the six months ended August 31, 2022.

Further as per the agreement, the Company is committed to issue additional shares if FPC has more than 85,000,000 Shares issued and outstanding on a Fully Diluted Basis at the time of completing the CSE Listing. The number of additional shares to be issued to the optionor equal to: (a) 8.95% multiplied by; (b) the number of issued and outstanding Shares on a Fully Diluted Basis at the time of completing the CSE Listing; (c) minus 6,000,000.

The Company also purchased two mineral claims in the Province of Quebec in the proximity of the Lac`a l'Original (Mooselake) property for \$15,000.

(b) Lac Perigny claims

The Company entered into another option agreement with 2 individuals, to acquire 11 mineral claims in the Province of Quebec in the proximity of the Lac`a l'Original (Mooselake) property. An initial payment of \$10,000 was made to secure the option, and an additional \$80,000 in cash or common shares of the Company, at the option of the Company, is to be paid on or before March 17, 2023. (See Note 10)

(c) Begin - Lamarche claims

On July 27, 2022, the Company entered into an agreement with two individuals to purchase 24 mining claims in the Province of Quebec for a total consideration of \$222,500 of which \$12,500 payment has been made by issuing 50,000 shares at \$0.25 per share as at August 31, 2022. (See Note 10)

(d) Other claims

Further, the Company has incurred \$168,383 in claim staking during the six months ended August 31, 2022 of which 10 mining claims of value \$688 were disposed as consideration for services rendered to sellers of Begin - LaMarche claims.

6. Capital Stock and Reserves

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at February 28, 2022 and August 31, 2021, the Company had 598,718 common shares outstanding (after giving retroactive effect to the June 1, 2022 consolidation of the 299,357,691 outstanding common shares on a one for five hundred basis)

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
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6. Capital Stock and Reserves (cont'd...)

The Company has no preferred shares outstanding.

Common Shares	As at August 31, 2022		As at February 28, 2022	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Founder's shares	598,718	8,927,636	598,718	8,927,636
Issuance of shares in private placement (\$0.02 per share) (see note (a) below)	19,300,000	386,000	-	-
Issuance of shares as finder's fees for mineral properties (see note (a) below)	700,000	14,000	-	-
Issuance of shares on exercise of stock options (\$0.02 per share) (see note (b) below)	500,000	10,000	-	-
Options exercised (see note (b) below)		3,927	-	-
Issuance of shares on acquisition of exploration assets (\$0.25 per share) (see note (c) below)	6,050,000	1,512,500	-	-
Issuance of shares in private placement (\$0.25 per share) (see notes (b) and (d) below)	8,629,000	2,157,250	-	-
Share issuance costs (see notes (b) and (d) below)		(135,740)		-
	35,777,718	12,875,573	598,718	8,927,636

- (a) On June 28, 2022, the Company issued 19,300,000 common shares at \$0.02 per share for gross proceeds of \$386,000. Legal fees of \$11,655 have been incurred by the Company relating to the private placement and has been recorded as share issuance costs. Also, 700,000 shares at \$0.02 per share for total value of \$14,000 were issued as finder's fee for mineral properties on the same date.
- (b) On July 11, 2022, 500,000 options were exercised at the exercise price of \$0.02 per share for gross proceeds of \$10,000.
- (c) On August 23, 2022, the Company issued 7,035,000 shares at \$0.25 per share for gross proceeds of \$1,758,750. As broker's fee for the private placement, the Company made cash disbursements of \$67,560 and recorded as share issuance costs.

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

6. Capital Stock and Reserves (cont'd...)

- (d) The Company also issued 6,050,000 common shares at \$0.25 per share under purchase agreements for exploration assets with a fair value of 1,512,500 on August 23, 2022.
- (e) On August 31, 2022, the Company issued 1,594,000 shares at \$ 0.25 per share for gross proceeds of \$398,500. The Company made cash disbursements of \$13,280 as broker's fee and recorded as share issuance costs. On the same date, the company issued 323,360 warrants as broker's fee for the private placements. The fair value of warrants was estimated as \$43,245 and recorded as share issuance costs.

Options

During the six months ended August 31, 2022, the Company issued 500,000 options at an exercise price of \$0.02 per share, which were exercised during the period. As at August 31, 2022, there were no options outstanding and exercisable. As at February 28, 2021, there were 4,650 options outstanding with a weighted average exercise price of \$35 per option. The Company did not have any option activity during the six months ended August 31, 2021.

	Number of Options	Weighted Average Exercise Price \$
Outstanding, February 28, 2022	400	35
Issued during the period	500,000	0.02
Expired during the period	(400)	35
Exercised during the period	(500,000)	0.02
Outstanding as at August 31, 2022	-	-

The fair value of options was estimated to be \$3,927 at the grant date, based on Black Scholes pricing model, using the following assumptions:

	Options granted on July 4, 2022
Number issued	500,000
Share price	\$0.02
Expected dividend yield	Nil
Exercise price	\$0.02
Risk-free interest rate	3.15%
Expected volatility	100%
Expected forfeiture rate	0%

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Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
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(Unaudited)

6. Capital Stock and Reserves (cont'd...)

Warrants

During the six months ended August 31, 2022, the Company issued 323,360 warrants at exercise price of \$0.25 per share as broker fees for private placements. As at February 28, 2021, there were 124,224 warrants outstanding with weighted average exercise price of \$0.32. The Company did not have any warrant activity during the six months ended August 31, 2021.

	Number of warrants	Weighted Average Exercise Price \$
Outstanding as at February 28, 2022	124,224	0.32
Issued during tranche 1	270,240	0.25
Issued during tranche 2	53,120	0.25
Cancelled during the period	(124,224)	0.32
Outstanding as at August 31, 2022	323,360	0.25

The following is a summary of warrants outstanding as at August 31, 2022:

Expiry date	Number of warrants	Weighted Average fair value	Weighted Average life remaining
August 23, 2024	270,240	36,134	1.98
August 31, 2024	53,120	7,111	2

The fair value of warrants was estimated to be \$43,245 at the grant date, based on Black Scholes pricing model, using the following assumptions:

	Warrants issued on August 23, 2022	Warrants issued on August 31, 2022
Number issued	270,240	53,120
Share price	\$0.25	\$0.25
Expected dividend yield	Nil	Nil
Exercise price	\$0.25	\$0.25
Risk-free interest rate	3%	3.02%
Expected volatility	100%	100%

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Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian Dollars)
(Unaudited)

7. Related Party Transactions

Related parties and related party transactions impacting the accompanying condensed interim financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

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.

Key management personnel compensation is comprised of:

	For the six months ended	
	August 31,	August 31,
	2022	2021
	\$	\$
Professional fees	108,500	9,625
Share based compensation	3,927	-
	<u>112,427</u>	<u>9,625</u>

Due to related parties

	August 31,	August 31,
	2022	2021
Accounts payable	<u>\$ 7,500</u>	<u>\$ 58,617</u>

8. Financial Instruments and Capital Risk Management

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents as FVTPL and accounts payable and accrued liabilities at amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents and accounts payable.

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8. Financial Instruments and Capital Risk Management (cont'd...)

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company as of August 31, 2022, has \$698,691 in cash and cash equivalents and \$141,378 in current liabilities and represents the Company's maximum exposure to liquidity risk.

Historically, the Company's sole sources of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) 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 market interest rates.

The risk that the Company will realize a loss as a result of a change in the interest rate is low, as the Company have no investments or liabilities with variable interest rates.

(b) Foreign currency risk

As at August 31, 2022 and February 28, 2022, the Company's expenditures are in Canadian dollars, and any future equity raised is expected to be in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

(c) Price risk

Price risk is related to equity and commodity price risks. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As the Company holds no equity or commodity related investments or assets, the Company has no exposure to price risk.

The Company has not started extraction process and has not generated any revenue. As a result is not exposed to risks due to changes in phosphate prices but that may impact future operations.

FIRST PHOSPHATE CORP. (formerly First Potash Corp.)
Notes to the Condensed Interim Financial Statements
For the six months ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

8. Financial Instruments and Capital Risk Management (cont'd...)

Capital management

The Company manages the capital structure and adjusts 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, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

9. Segmented information

The Company has one operating segment involved in the exploration of mineral properties. All of the Company's activities for the six months ended August 31, 2022 were in Canada.

10. Subsequent Events

Stock Options

On September 13, 2022, the Company granted options to purchase 2,600,000 common shares at \$0.25 per share to consultants of which 1,800,000 options were issued to directors of the Company. The option vesting period is as follows: (i) 650,000 options on the date on which the Company's common shares commence trading on a stock exchange in Canada (the "Listing"), and (ii) 650,000 each vest in six, twelve and eighteen months after the listing. The options expire three years from the date of the listing.

Purchase of Mining claims

The Company made a payment of \$250,000 in cash and issued a promissory note for \$250,000 on September 13, 2022 with respect to the Lac `a l'Original (Mooselake) option agreement and amendments (Note 5).

The Company made a payment of \$80,000 on September 12, 2022 with respect to the Lac Perigny claims (Note 5).

The Company made payments of \$105,000 each on September 1, 2022 and September 12, 2022 with respect to the Begin - Lamarche claims (Note 5).

On September 12, 2022, the Company entered into an agreement to purchase 7 mining claims (the Lac Marie claims) in the Province of Quebec and paid \$ 14,000 in cash and issued 28,000 common shares.

On September 12, 2022, the Company purchased 20 mining claims (the Brochet claims) and issued 140,000 common shares in payment.

On September 12, 2022, the Company purchased 3 mining claims (the Perron claims) and paid \$10,000 in cash and issued 20,000 common shares.