

**FIRST PHOSPHATE CORP.**

**Condensed Interim Financial Statements**

**For the three months ended  
May 31, 2023 and 2022**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## FIRST PHOSPHATE CORP.

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## **FIRST PHOSPHATE CORP.**

### **MANAGEMENT'S RESPONSIBILITIES OVER 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 July 27, 2023.

"BENNETT KURTZ"  
Director

"JOHN PASSALACQUA"  
Director

**FIRST PHOSPHATE CORP.**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars) (Unaudited)**  
**AS AT**

Assets	May 31, 2023 \$	February 28, 2023 \$
<b>Current Assets</b>		
Cash (Note 5)	1,707,866	1,180,318
Restricted cash (Note 5)	35,000	35,000
Prepaid expenses (Note 6)	369,249	800,600
Other receivables	263,195	189,866
	<b>2,375,310</b>	<b>2,205,784</b>
<b>Non-Current Assets</b>		
Investments (Note 7)	83,060	83,060
Exploration and evaluation assets (Note 8)	3,667,059	3,644,234
	<b>3,750,119</b>	<b>3,727,294</b>
<b>Total Assets</b>	<b>6,125,429</b>	<b>5,933,078</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	415,462	146,658
Accrued liabilities	90,185	272,757
Flow-through share premium liability (Note 9)	170,591	91,333
	<b>676,238</b>	<b>510,748</b>
<b>Total Liabilities</b>	<b>676,238</b>	<b>510,748</b>
<b>Shareholders' Equity</b>		
Capital stock (Note 10)	18,480,596	16,923,000
Contributed surplus (Note 10)	2,962,358	2,086,279
Shares to be issued (Note 10)	-	68,257
Deficit	(15,993,763)	(13,655,206)
<b>Total Shareholders' Equity</b>	<b>5,449,191</b>	<b>5,422,330</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,125,429</b>	<b>5,933,078</b>

Nature of operations (Note 1)  
Going concern (Note 2)  
Subsequent events (Note 15)

Approved and authorized by the Board of Directors on July 27, 2023

“BENNETT KURTZ”  
Director

“JOHN PASSALACQUA”  
Director

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

**FIRST PHOSPHATE CORP.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>For the three months ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Mining exploration and metallurgy (Note 8)	1,009,872	-
Business development	487,586	-
Share based compensation (Note 10 and 11)	283,385	-
Professional fees (Note 11)	254,473	20,381
Management fees (Note 11)	144,000	-
Consulting fees (Note 11)	81,690	7,500
Regulatory and compliance expenses	76,321	3,575
General and administrative expenses	69,106	1,005
Directors' fees (Note 11)	43,200	27,500
<b>Total expenses</b>	<b>(2,449,633)</b>	<b>(59,961)</b>
<b>Other Income</b>		
Gain on amortization of flow-through share premium liability (Note 9)	107,680	-
Interest income	3,396	-
<b>Net loss and comprehensive loss</b>	<b>(2,338,557)</b>	<b>(59,961)</b>
<b>Loss per common share – basic and diluted</b>	<b>(0.05)</b>	<b>(0.10)</b>
<b>Weighted average number of common shares outstanding</b>	<b>49,149,520</b>	<b>598,718</b>

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

**FIRST PHOSPHATE CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
**For the three months ended May 31, 2023 and May 31, 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Common Shares		Contributed Surplus \$	Shares to be issued \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
<b>Balance, February 28, 2022</b>	<b>598,718</b>	<b>8,927,636</b>	<b>1,466,528</b>	-	<b>(10,466,842)</b>	<b>(72,678)</b>
Net Loss for the period	-	-	-	-	(59,961)	(59,961)
<b>Balance, May 31, 2022</b>	<b>598,718</b>	<b>8,927,636</b>	<b>1,466,528</b>	-	<b>(10,526,803)</b>	<b>(132,639)</b>
<b>Balance, February 28, 2023</b>	<b>48,318,722</b>	<b>16,923,000</b>	<b>2,086,279</b>	<b>68,257</b>	<b>(13,655,206)</b>	<b>5,422,330</b>
Units issued in private placement	3,074,592	1,754,980	584,172			2,339,152
Flow -through share premium liability		(186,938)				(186,938)
Share issuance costs		(141,138)				(141,138)
Warrants issued for finders' fees		(16,338)	16,338			-
Shares issued for acquisition of exploration and evaluation assets	27,173	22,825				22,825
Shares issued on exercise of warrants	249,863	94,205	(7,816)	(68,257)		18,132
Shares issued for finders' fees	42,857	30,000				30,000
Share based compensation			283,385			283,385
Net loss for the period					(2,338,557)	(2,338,557)
<b>Balance, May 31, 2023</b>	<b>51,713,207</b>	<b>18,480,596</b>	<b>2,962,358</b>	-	<b>(15,993,763)</b>	<b>5,449,191</b>

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

**FIRST PHOSPHATE CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>For the three months ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
	\$	\$
<b>Operating Activities</b>		
Net loss for the period	(2,338,557)	(59,961)
Non-cash expense:		
Share based compensation	283,385	-
Gain on amortization of flow-through share premium liability	(107,680)	-
Changes in non-cash working capital items:		
Other receivables	(73,329)	-
Prepaid expenses	431,351	(12,263)
Accounts payable	268,804	112,398
Accrued liabilities	(182,572)	-
<b>Net cash provided by (used in) Operating Activities</b>	<b>(1,718,598)</b>	<b>40,174</b>
<b>Investing Activities</b>		
Purchase of exploration and evaluation assets	-	(37,263)
<b>Net cash used in Investing Activities</b>	<b>-</b>	<b>(37,263)</b>
<b>Financing Activities</b>		
Proceeds on the issuance of units	2,339,152	-
Share issue costs	(111,138)	-
Issuance of shares via exercise of warrants	18,132	-
<b>Net cash provided by Financing Activities</b>	<b>2,246,146</b>	<b>-</b>
<b>Net increase in cash for the period</b>	<b>527,548</b>	<b>2,911</b>
<b>Cash, beginning of the period</b>	<b>1,180,318</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>1,707,866</b>	<b>2,911</b>
<b>Supplemental cash flow information</b>		
Shares issued for finder's fees	30,000	-
Recognition of flow-through liability	186,938	-
Purchase of exploration and evaluation assets by issue of shares	22,825	-
Warrants issued for finder's fees	16,338	-

The Company paid \$nil in taxes and \$1,497 in interest for the three months ended May 31, 2023 and \$nil in taxes and interest for the three months ended May 31, 2022.

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

**FIRST PHOSPHATE CORP.**  
**Notes to the Condensed Interim Financial Statements**  
**May 31, 2023**  
(Expressed in Canadian Dollars)  
(Unaudited)

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**1. Nature of Operations**

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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. 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 phosphate concentrate for the further production of phosphoric acid for use in lithium iron phosphate (“LPF”) batteries for the electric vehicle industry.

The Company’s common shares became listed for trading on the Canadian Securities Exchange (the CSE) at the opening of market on February 22, 2023 under the symbol “PHOS” and the Company’s common shares are also listed for trading on the Frankfurt Stock Exchange under the symbol “KDO”.

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.

**2. Going Concern**

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These 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 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. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured.

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 has sufficient funds to fund its operations for the next twelve months.

These 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 as a going concern. Such adjustments could be material.



### **3. Basis of Presentation**

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#### **(a) 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, 2023 ("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, 2023. These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the annual financial statements.

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.

These financial statements were authorized for issue by the Board of Directors on July 27, 2023.

#### **(b) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

### **4. Material Accounting Policies, Estimates and Judgements**

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The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim financial statements. In addition, the preparation of the financial data requires that the Company's management to make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

In preparing the Company's unaudited condensed interim financial statements for the three months ended May 31, 2023, the Company applied the accounting policies, critical judgments and estimates disclosed in Note 3 and 4 of its audited financial statements for the year ended February 28, 2023.

**New and amended IFRS standards that are effective for the current year:**

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The International Accounting Standards Board ("IASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were applied effective March 1, 2023 and did not have a material impact on the Company's financial statements.

**Recent Accounting Pronouncements**

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date.

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date.

These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

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(Unaudited)

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On October 31, 2022, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2024 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

### **5. Cash and Restricted Cash**

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Cash includes cash held at the bank of \$1,707,866 (February 28, 2023 - \$1,180,318).

Restricted cash is comprised of a \$35,000 investment in a guaranteed investment certificate (“GIC”) (February 28, 2023 - \$35,000). The GIC is a one-year cashable term with a maturity date of October 24, 2023, earning annual interest of 3% per annum. The GIC is held as collateral for credit cards issued to officers of the Company.

### **6. Prepaid Expenses**

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Prepaid expenses include cash paid in advance to vendors amounting to \$368,990, and excess payments of \$259 made to credit cards. (February 28, 2023 - \$765,803 and \$34,797 respectively). The following table further details the expenses for which these amounts were paid in advance:

<b>Nature of expenses</b>	<b>May 31, 2023</b>	<b>February 28, 2023</b>
	<b>\$</b>	<b>\$</b>
Business development	259,232	272,215
Consulting fees	-	245,105
Mining exploration and metallurgy	81,008	139,733
General administrative expenses	3,750	78,750
Professional fees	25,000	30,000
<b>Total</b>	<b>368,990</b>	<b>765,803</b>

### **7. Investments**

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On January 10, 2023, the Company entered into an investment and licensing option agreement (“Agreement”) with Integrals Power Limited (“IPL”), a UK company, under the terms of which the Company acquired 7,386 IPL shares for £50,000 (\$83,060). Under the terms of the Agreement, IPL granted an option to acquire a license to use IPL technology in a facility of a production capacity of up to 1,000-tonnes of lithium iron phosphate (LFP) cathode active material for a further payment of £950,000 (unpaid). IPL also granted the Company another option to acquire, for an additional upfront payment of £1,000,000 (unpaid), a license to use IPL technology in a facility of a production capacity beyond 1,000-tonnes. The Company is committed to a 1.5% royalty per kilogram of LFP cathode active material sold from the facility which uses IPL technology.

### **8. Exploration and Evaluation Assets**

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The following details the changes in exploration and evaluation assets in the Saguenay Region of

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Quebec for the three months ended May 31, 2023:

	Lac`a l'Original Flagship area (a) \$	Begin - Lamarche area (b) \$	Bluesky area (c) \$	Total \$
Balance as at February 28, 2023	3,270,709	264,200	109,325	3,644,234
Acquisition costs	-	22,825	-	22,825
Balance as at May 31, 2023	3,270,709	287,025	109,325	3,667,059

The Company expenses non-acquisition exploration and evaluation expenditure to profit and loss. This is presented as mining exploration and metallurgy and consulting fees in the statement of loss and comprehensive loss. The following details such expenditure for the three months ended May 31, 2023:

	Lac`a l'Original Flagship area (a) \$	Begin - Lamarche area (b) \$	Bluesky area (c) \$	Total \$
Consulting	-	-	-	-
Survey, Drilling & Geophysics	459,391	116,448	-	575,839
Metallurgy	-	434,033	-	434,033
Total	459,391	550,481	-	1,009,872

**(a) Lac à l'Original**

The Lac à l'Original properties consist of a series of staked claims and claims acquired under various option agreements in the Saguenay-Lac-St-Jean region of Quebec. The claims are 100% owned by the Company and are free of net smelter royalties. The claims are in good standing as of May 31, 2023. This property is in the exploration stage.

**(b) Begin - Lamarche**

The Begin - Lamarche properties consist of a series of staked claims and claims acquired under various option agreements in the Saguenay-Lac-St-Jean region of Quebec. The claims are 100% owned by the Company and are free of net smelter royalties. The claims are in good standing as of May 31, 2023. This property is in the exploration stage.

On March 10, 2023, the Company added to its Begin-Lamarche area and acquired 13 mineral claims in this region of the Province of Quebec for a total consideration of \$22,825 through the issuance of 27,173 common shares. The cost has been determined based on the fair value of the shares on the date of issuance.

**FIRST PHOSPHATE CORP.**  
**Notes to the Condensed Interim Financial Statements**  
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**(c) Bluesky Area**

The Bluesky properties consist of a series of staked claims which is in the Saguenay-Lac-St-Jean region of Quebec and which are 100% owned by the Company and which are free of net smelter royalties. The claims are in good standing as of May 31, 2023. This property is in the early exploration stage.

**9. Flow-through Share Premium Liability**

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The flow-through share premium liability is as follows:

	May 31, 2023 \$	February 28, 2023 \$
Beginning balance	91,333	-
Liability incurred through flow-through shares issued	186,938	166,100
Amortization for the period	(107,680)	(74,767)
Ending Balance	<b>170,591</b>	91,333

During the three months ended May 31, 2023 the Company issued 1,869,375 flow through units (“FT”) at \$0.80 per unit for gross proceeds of \$ 1,495,500 (see Note 10(d)). The FT proceeds include a flow through premium of \$186,938, priced at \$0.10 per unit. During the year ended February 28, 2023 the Company issued 3,322,000 flow through units (“FT”) at \$0.40 per unit for gross proceeds of \$ 1,328,000. The FT proceeds include a flow through premium of \$166,100, priced at \$0.05 per unit.

As at May 31, 2023, \$1,450,271 remains to be spent on qualifying expenditures (February 28, 2023 - \$821,164).

**10. Capital Stock and Contributed Surplus**

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The authorized capital stock of the Company is an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

The Company has no preferred shares outstanding.

**FIRST PHOSPHATE CORP.**  
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**May 31, 2023**  
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(Unaudited)

	Three months ended May 31, 2023		Three months ended May 31, 2022	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, March 1	48,318,722	16,923,000	598,718	8,927,636
Issuance of shares on exercise of warrants (\$0.25 per share) (see notes (a) and (g) below)	242,720	90,633	-	-
Issuance of shares on acquisition of exploration assets (\$0.92 per share) (see (b) below)	27,173	22,825	-	-
Issuance of shares and purchase warrants in private placement (\$0.80 per unit) (see (c) below)	1,205,217	614,660	-	-
Issuance of flow-through shares and purchase warrants in private placement (\$0.40 per unit) (see (d) below)	1,869,375	1,140,320	-	-
Issue of shares for finder's fees (see (e) below)	42,857	30,000	-	-
Issuance of shares on exercise of warrants (\$0.50 per share) (see note (f) below)	7,143	3,572	-	-
Flow-through share premium liability (note 9)		(186,938)		-
Share issuance costs (see (d), (e) and (e) below)		(157,476)		-
<b>Balance, May 31</b>	<b>51,713,207</b>	<b>18,480,596</b>	<b>598,718</b>	<b>8,927,636</b>

Capital transactions are as follows:

- (a) On March 1, 2023, the Company issued 184,480 common shares and \$68,257 was reclassified from shares to be issued to capital stock. On March 9, 2023, the Company issued 53,760 common shares at \$0.25 per share, on the exercise of brokers' warrants, for total proceeds of \$13,440. The fair value of warrants on the grant date was computed as \$7,215 and was reclassified upon exercise from contributed surplus to capital stock.
- (b) On March 10, 2023, the Company issued 27,173 common shares with a fair value of \$22,825 for the purchase of 13 mineral claims in the Begin-Lamarche area (see note 8(a)).
- (c) On April 24, 2023, the Company issued 1,205,217 units at \$0.70 per unit for gross proceeds of \$843,652. Each unit consisted of one share and one half of one common share purchase warrant. Each whole warrant is exercisable for one additional share at a price of \$1.25 until April 26, 2026. The value of share capital of \$614,660 was determined using the fair market value of the shares on the date of issuance and the residual proceeds of \$228,992 were allocated to warrants. The Company paid \$22,760 as brokers' fees and issued 12,514 warrants as brokers' warrants with an exercise price of \$1.25 per share which expire on April 24, 2026. The fair value of the broker warrants was computed as \$2,900 using the Black Scholes pricing model and recorded as share issuance costs.

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- (d) On April 24, 2023, the Company issued 1,869,375 flow-through (“FT”) units at \$0.80 per unit for gross proceeds of \$1,495,500. Each FT unit consists of one flow-through common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one additional non-flow through share at a price of \$1.25 until April 30, 2026. The value of share capital of \$1,140,320 (before deduction of \$186,938 flow-through premium) was determined using the fair market value of the shares on the date of issuance and the residual proceeds of \$355,180 were allocated to warrants. The Company paid \$60,384 as brokers’ fees and issued 57,980 warrants as brokers’ warrants with an exercise price of \$1.25 per share which expire on April 24, 2026. The fair value of the warrants was computed as \$13,438 using Black Scholes pricing model and recorded to share issuance costs.
- (e) On April 30, 2023, the Company issued 42,857 shares as finder’s fees for the above private placements with a fair value of \$30,000. Additionally, the Company incurred legal fees of \$27,994 with respect to the above private placements.
- (f) On May 17, 2023, the Company issued 7,143 common shares at \$0.50 per share for gross proceeds of \$3,572, on the exercise of unit warrants. The fair value of warrants on the grant date was computed as \$nil, accordingly no amount was reclassified upon exercise from contributed surplus to capital stock.
- (g) On May 30, 2023, the Company issued 4,480 common shares at \$0.25 per share, on the exercise of brokers’ warrants, for total proceeds of \$1,120. The fair value of warrants on the grant date was computed as \$601 and was reclassified upon exercise from contributed surplus to capital stock.

### **Options**

The Company adopted a Stock Option Plan (the “Plan”) on August 25, 2022 (the “effective date”) under which the Company is authorized to grant stock options entitling option holders to purchase up to that number of common shares that is equal to 20% of the issued and outstanding common shares of the Company as at the effective date of the Plan. The Company is authorized to issue up to 6,836,744 options.

The Board of Directors (the “Board”) fixes the exercise price of any stock option when such stock option is granted, which shall be no lower than the exercise price permitted by the CSE. A stock option is exercisable during a period established by the Board, commencing on the date of the grant and terminating no later than ten years after the date of the grant of the award or such shorter period as the Board may determine.

Vesting conditions are determined by the Board at each grant date except in the case of stock options issued to consultants engaged in investor relations activities which vest in nine months in quarterly intervals beginning on the grant date.

The following details the changes in outstanding options for the three months ended May 31, 2023:

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	Number of Options	Weighted Average Exercise Price \$
Outstanding, March 1, 2022	400	35
Expired during the period	(400)	35
Outstanding as at May 31, 2022	-	-
Outstanding, March 1, 2023	6,225,000	0.3
Issued during the period	832,000	0.70
Cancelled during the period	(225,000)	0.35
Outstanding as at May 31, 2023	6,832,000	0.35

The following is a summary of options outstanding and exercisable as of May 31, 2023:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$	Life remaining
February 22, 2026	3,075,000	768,750	0.25	2.73
February 22, 2026	2,925,000	731,250	0.35	2.73
April 24, 2026	832,000	208,000	0.7	2.90
	<b>6,832,000</b>	<b>1,708,000</b>		

For the three months ended May 31, 2023, the Company recorded \$283,385 of share based compensation related to the vesting of options (May 31, 2022 - \$nil).

The fair value of the 832,000 options issued during the three months ended May 31, 2023 was determined based on the Black Scholes pricing model, with the following weighted average inputs:

<b>Weighted Averages</b>	
Share price	\$0.51
Dividend yield	Nil
Exercise price	\$0.70
Risk free interest rate	3.60%
Expected volatility	100%
Expected expiry	3.00

On March 31, 2023, a consultant engaged by the Company as Vice President Public and Legal Affairs of the Company resigned from service. Of the 300,000 options issued to this consultant,



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225,000 options were immediately cancelled and 75,000 have vested and are exercisable until March 31, 2024.

**Warrants**

During the three months ended May 31, 2023, the Company issued 70,494 warrants with an exercise price of \$1.25 per share as broker fees for private placements. 1,537,295 warrants were issued at an exercise price of \$1.25 per share as part of a private placements that took place during the three months ended May 31, 2023.

The following details the changes in outstanding warrants for the three months ended May 31, 2023:

	Number of warrants	Weighted Average Exercise Price \$
Outstanding as at February 28, 2023	6,547,477	0.49
Issued during the period	1,607,789	1.20
Exercised during the period	(65,383)	0.28
Outstanding as at May 31, 2023	8,089,883	0.65

The following is a summary of warrants outstanding and exercisable as of May 31, 2023:

Expiry date	Number of warrants	Exercise price \$	Weighted average life remaining
August 23, 2024	80,640	0.25	1.23
December 31, 2025	6,401,454	0.50	2.58
April 24, 2026	1,607,789	1.25	2.90
	<b>8,089,883</b>		

Warrants issued as part of units are valued using the residual method in accordance with the Company's accounting policy, with a value of \$584,172 for the three months ended May 31, 2023 (May 31, 2022 - \$Nil) for the 1,537,295 unit warrants granted. The fair value of the 70,494 broker warrants granted was estimated to be \$16,338 at the grant date, based on the Black Scholes pricing model, with the following weighted average inputs:

<b>Weighted Averages</b>	
Share price	\$0.51
Dividend yield	Nil
Exercise price	\$1.25
Risk free interest rate	3.60%

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Expected volatility	100%
Expected expiry	3.00

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**11. Related Party Transactions**

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Related parties and related party transactions impacting the accompanying 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:

	<b>For the three months ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
	\$	\$
Share based compensation	194,472	-
Management fees	144,000	7,500
Professional Fees	65,000	-
Director's fees	43,200	27,500
Consulting Fees	30,000	-
	<u>476,672</u>	<u>35,000</u>

**Due to related parties**

	<b>May 31, 2023</b>	<b>February 28,</b>
	\$	<b>2023</b>
		\$
Accounts payable	<u>14,787</u>	<u>79,290</u>
	<u>14,787</u>	<u>79,290</u>

The accounts payable balance includes amounts payable to key management personnel for services received during the period.

## **12. 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 investments at FVTPL and restricted cash and accounts payable 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 following table sets forth the Company’s financial assets measured at fair value by levels within the fair value hierarchy:

**As at May 31, 2023**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	1,707,866	-	-	1,707,866
Investments	-	-	83,060	83,060
	<b>1,707,866</b>	<b>-</b>	<b>83,060</b>	<b>1,790,926</b>

The investments in Level 3 include the investment in privately held companies that are not quoted on an exchange. The costs approximate the fair values as there is insufficient more recent information available to measure fair value.

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 as its maximum exposure relates to cash and restricted cash balances totaling \$1,742,866.

*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 at May 31, 2023, has \$1,707,866 in cash and \$35,000 in restricted cash and

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\$505,647 in financial liabilities, which represents the Company's maximum exposure to liquidity risk.

The following are the contractual maturities of financial liabilities.

**As at May 31, 2023**

	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>Less than 1 year \$</b>	<b>1-3 years \$</b>
Accounts payable	415,462	415,462	415,462	-
Accrued liabilities	90,185	90,185	90,185	-
	<b>505,647</b>	<b>505,647</b>	<b>505,647</b>	<b>-</b>

As of May 31, 2023, the Company has sufficient working capital to satisfy its financial liabilities (Note 2).

*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 May 31, 2023 and May 31, 2022, the Company's financial instruments are primarily denominated in Canadian dollars, its significant 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. The company holds an investment in privately held companies that are not quoted on an exchange and

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therefore have minimal exposure to price risk.

*Capital management*

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the period ended May 31, 2023. The Company is not subject to externally imposed capital requirements.

**13. Segmented Information**

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The Company has one operating segment involved in the exploration of mineral properties. All of the Company's operations and long-lived assets for the period ended May 31, 2023, were in Canada.

**14. Loss per Share**

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For the three months ended May 31, 2023, basic and diluted loss per share of \$0.05 (May 31, 2022 - \$0.10) has been calculated based on the loss attributable to common shareholders of \$2,338,557 (May 31, 2022- \$59,961) and the weighted average number of common shares outstanding of 49,149,520 (May 31, 2022 – 598,718) for basic and diluted loss per share. All warrants and options were determined to be antidilutive. Thus, diluted loss per share equals basic loss per share.

**15. Subsequent Events**

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(a) Cancellation of options

On June 27, 2023, a consultant engaged by the Company as the capital markets consultant resigned from service. Of the 100,000 options issued to this consultant, 75,000 options were immediately cancelled pursuant to an option forfeiture agreement dated June 27, 2023, and 25,000 have vested and are exercisable until March 1, 2026.

(b) Issuance of shares for services

On June 27, 2023, the Company settled an amount owed for services through the issuance of 179,104 common shares of the Company.