LANCASTER RESOURCES INC.

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

For the Three and six months ended May 31, 2023 and 2022

(Unaudited)

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of Lancaster Resources Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

LANCASTER RESOURCES INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2023 (Unaudited)	November 30, 2022
ASSETS		
Current assets		
Cash	255	35,817
Marketable securities (note 3)	13,636	34,090
Amounts receivable	65,175	58,193
Prepaid expenses and deposits	4,288	1,330
Total assets	83,354	129,430
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 4 and 5)	199,252	578,259
Due to related parties (note 5)	89,351	7,713
Total current liabilities	288,603	684,488
Non-current liabilities		
Convertible debentures (note 4)	1,014,685	846,937
Total liabilities	1,303,288	1,531,425
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (note 6)	8,379,697	8,379,697
Equity reserves (note 6,8, and 9)	5,340,029	5,298,617
Reserve for convertible debentures (note 4)	42,934	42,934
Deficit	(14,982,594)	(15,123,243)
Total shareholders' equity	(1,219,934)	(1,401,995)
Total liabilities and shareholders' deficit	83,354	129,430

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 13)

Approved and authorized for issuance on behalf of the Board of Directors on July 31, 2023:

/s/ "Penny White"
Director

/s/ "Daniel Kang"
Director

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

LANCASTER RESOURCES INC.
Condensed Interim Statements of Operations
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
EXPENSES				
Consulting fees (note 5)	10,000	132,224	55,000	194,723
Depreciation	-	284	-	562
Investors Relations	-	44,236	11,250	87,129
Listing Fees	10,600	3,000	10,600	6,000
Marketing, publicity and digital media	-	118,684	-	283,427
Office and administrative	5,709	86,059	10,008	156,906
Pharmaceutical research and development	-	67,401	-	146,518
Professional fees	53,304	60,639	81,604	127,749
Share-based compensation (note 5,8 and 9)	1,086	136,513	41,412	256,494
Wages (note 5)	-	105,282	1,063	281,650
Total expenses	80,699	754,322	210,937	1,541,158
LOSS BEFORE OTHER ITEMS	(80,699)	(754,322)	(210,937)	(1,541,158)
Other Items				
Accretion expense	24,224	(41,315)	(21,643)	(77,588)
Foreign exchange gain	-	1,210	19,555	5,265
Gain on setlement of debt	-	-	422,217	
Interest expense	(21,989)	(24,441)	(48,089)	(43,191)
Unrealized loss on marketable securities	(5,844)	(81,250)	(20,454)	(125,000)
Total other items	(3,609)	(145,796)	351,586	(240,514)
NET INCOME (LOSS)	(84,308)	(900,118)	140,649	(1,781,672)
Earnings (loss) per share:				
Basic	(0.08)	(0.84)	0.12	(1.67)
Diluted	(0.08)	(0.84)	0.12	(1.67)
Weighted average shares outstanding (note 11):				
Basic	1,123,419	1,071,643	1,136,239	1,068,899
Diluted	1,123,419	1,071,643	1,137,146	1,068,899

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

LANCASTER RESOURCES INC.
Condensed Interim Statement of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital					
Date	Number of shares	Amount $	Reserve for convertible debentures $	Equity Reserves $	Deficit $	Total shareholders' equity (deficit) $
BALANCE, NOVEMBER 30, 2021	1,058,054	7,800,880	21,063	5,557,243	(13,088,891)	290,295
Restricted share units issued for services	-	-	-	14,702	-	14,702
Restricted share units vested	14,250	142,202	-	(142,202)	-	-
Fair value of stock options granted	-	-	-	141,586	-	141,586
Fair value of restricted share units granted	-	-	-	114,908	-	114,908
Issuance of convertibel debentures	-	-	30,236	31,046	-	61,282
Net loss for the period	-	-	-	-	(1,781,672)	(1,781,672)
BALANCE, May 31, 2022	1,072,305	7,943,082	51,299	5,717,283	(14,870,563)	(1,158,899)
BALANCE, NOVEMBER 30, 2022	1,206,749	8,379,697	42,934	5,298,617	(15,123,243)	(1,401,995)
Cancellation of common shares	(83,330)	-	-	-	-	-
Issuance of units debenture conversion and interest	-	-	-	-	-	-
Share-based compensation of restricted share units	-	-	-	13,334	-	13,334
Share-based compensation stock options	-	-	-	28,078	-	28,078
	-	-	-	-	140,649	140,649
BALANCE, May 31, 2023	1,123,419	8,379,697	42,934	5,340,029	(14,982,594)	(1,219,934)

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

LANCASTER RESOURCES INC.
Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended May 31, 2023	2022
OPERATING ACTIVITIES		
Net Income (Loss)	140,649	(1,781,672)
Items not involving cash:		
Accretion	88,193	77,588
Depreciation	-	562
Gain on extinguishment of debt	(422,217)	-
Interest accrued on convertible debentures	79,555	43,191
Share-based compensation	41,413	256,494
Unrealized loss on marketable securities	20,454	125,000
Changes in non-cash operating working capital:		
Amounts receivable	(6,982)	(26,931)
Prepaid expenses & deposits	(2,958)	79,469
Accounts payable and accrued liabilities	(55,307)	184,230
Due to related parties	81,638	-
Net cash used in operating activities	(35,562)	(1,042,069)
FINANCING ACTIVITIES		
Proceeds of issuance of convertible debentures (net)	-	271,000
Net cash provided by financing activities	-	
CHANGE IN CASH	(35,562)	(771,069)
Cash, beginning of period	35,817	773,525
CASH, END OF PERIOD	255	2,456

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

1. Nature of Operations and Continuance of Business

LANCASTER RESOURCES INC. ("LCR" or the "Company") was incorporated under the laws of the province of British Columbia on September 18, 2019. On April 9, 2020, the Company changed its name to NeonMind BioSciences Inc. The Company was previously engaged in drug development research into potential therapeutic uses of psychedelic compounds. On December 30, 2020, the Company completed an initial public offering and the Company's common shares were listed on the Canadian Securities Exchange (the "Exchange"). On June 7, 2023, the Company changed its name to Lancaster Resources Inc. and on June 8, 2023 the Company completed a reverse takeover transaction with Lancaster Lithium Inc. ("LL"), whereby the former shareholders of LL became the shareholders of the Company, and LL became a wholly owned subsidiary of the Company and the Company changed its business from drug development to exploration of energy transition metals. On June 14, 2023, the Company's common shares resumed trading on the Exchange under the ticker symbol "LCR".

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company has recorded net income of $140,649 and used $35,562 of cash for operating activities during the six-month period ended May 31, 2023. As of May 31, 2023, the Company had an accumulated deficit of $14,982,594 and working capital deficit of $205,249. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of these adjustments could be material.

2. Significant Accounting Policies

<u>Statement of Compliance</u>

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended November 30, 2022, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

<u>Basis of Presentation</u>

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments

The preparation of these condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the carrying value of marketable securities, fair value of convertible debentures and share-based compensation, and measurement of unrecognized deferred income tax assets.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the factors that are used in determining whether the Company has significant influence over another entity, and the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. Management has assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

3. Marketable Securities

As at May 31, 2023, the Company held 97,400 shares (November 30, 2022 – 97,400) of Komo Plant Based Foods Inc. ("KPBF"). On January 30, 2023, KPBF effected a 10:1 share consolidation. All share and per share amounts in these financial statements have been retroactively adjusted for the share consolidation. Below is a summary of the Company's marketable securities as of May 31, 2023 and 2022:

	November 30, 2022 fair value	Unrealized loss	May 31, 2023 fair value
KPBF Shares	$ 34,090	$ (20,454)	$ 13,636

	November 30, 2021 fair value	Unrealized loss	May 31, 2022 fair value
KPBF YUM Shares	$ 193,750	$ (125,000)	$ 68,750

(Expressed in Canadian Dollars)

4. Convertible Debentures

	November 29, 2021 issuance	April 8, 2022 issuance	Total
Carrying amount of liability at November 30, 2021	450,009	-	450,009
Proceeds from issue of convertible debentures	-	285,000	285,000
Convertible debentures issued to settle payables	-	109,000	109,000
Transaction costs - cash	-	(14,000)	(14,000)
Net proceeds	-	380,000	380,000
Transaction costs – non-cash	-	(3,809)	(3,809)
Amount classified as equity	-	(30,236)	(30,236)
Fair value of warrants attached to units	-	(27,238)	(27,238)
Accrued interest	37,500	5,691	43,191
Accretion	72,546	5,042	77,588
Carrying amount of liability at May 31, 2022	560,055	329,450	889,505
Carrying amount of liability at November 30, 2022	594,923	252,014	846,937
Extension of maturity	(54,804)	(11,745)	(66,549)
Reclassify accrued interest upon extension of maturity	74,707	23,809	98,516
Accrued interest	36,451	11,136	47,588
Accretion	75,042	13,151	88,193
Carrying amount of liability at February 28, 2023	726,320	288,365	1,014,685

<u>November 29, 2021 issuance (the "2021 Debentures")</u>

On November 29, 2021, the Company issued 750 convertible debenture units at a price of $1,000 per unit for gross proceeds of $750,000. Each unit consisted of a repayable note with a face value of $1,000 (the "Debentures") and 66 warrants to purchase common shares of the Company. The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year. The Company issued an aggregate of 50,000 warrants to the debenture holders.

The Debentures have a redemption date that is 24 months from the date of issuance and are convertible in full or in part, at the holders' option, into common shares of the Company at a price of $14.40 per common share, at any time prior to their redemption. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $16.80 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, the Company paid broker fees of $82,570, commission fees of $75,000, and granted 5,208 agent's options (the "Agent's Options") with a fair value of $61,993 entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at $14.40 per Agent's Option until November 29, 2023. Each Agent's Option Unit consists of one common share of the Company (each, an "Agent's Option Share") and one share purchase warrant (each, an "Agent's Option Warrant"). Each Agent's Option Warrant further entitles the holder to purchase one additional common share of the Company at a price of $16.80 for a period of 36 months from the Agent's Options issue date of November 29, 2021. The estimated fair value associated with the Agent's Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of $16.92; annualized volatility of 132%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 1.08%.

(Expressed in Canadian Dollars)

4. Convertible Debentures (continued)

April 8, 2022 issuance (the "2022 Debentures")

On April 8, 2022, the Company issued 285 convertible debenture units at a price of $1,000 per unit for gross proceeds of $285,000, and 109 convertible debenture units at a price of $1,000 per unit to settle accounts payable of $109,000. Each unit consisted of a repayable note with a face value of $1,000 (the "Debentures") and 79 warrants to purchase common shares of the Company. The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year. The Company issued an aggregate of 31,192 warrants to the debenture holders. The Debentures have a redemption date that is 24 months from the date of issuance and are convertible in full or in part, at the holders' option, into common shares of the Company at a price of $9.00 per common share, at any time prior to their redemption. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $9.60 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, the Company paid broker fees of $14,000 and granted 1,108 agent's options (the "Agent's Options") with a fair value of $3,809 entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at $9.00 per Agent's Option until April 8, 2024. Each Agent's Option Unit consists of one common share of the Company (each, an "Agent's Option Share") and one share purchase warrant (each, an "Agent's Option Warrant"). Each Agent's Option Warrant further entitles the holder to purchase one additional common share of the Company at a price of $9.60 for a period of 36 months from the Agent's Options issue date of April 8, 2022. The estimated fair value associated with the Agent's Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of $6.00; annualized volatility of 129%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 2.42%.

Extension of maturity:

During the three months ended March 31, 2023, the Company reached agreements with the registered holders of the 2021 Debentures and the 2022 Debentures. The maturity date of the remaining principal balance of the 2021 Debentures and 2022 Debentures in the total amount of $994,400 was extended to December 4, 2024. Interest will continue to accrue at 10% per annum and will be payable on the maturity date. All other terms of the convertible debentures remain unchanged.

Accrued interest:

(a) During the three and six months ended May 31, 2023, the Company accrued interest of $21,989 (2022 - $37,500) relating to the Debentures.

(a) Upon the extension of maturity, the Company reclassified accrued interest of $98,516 from accounts payable to convertible debentures.

5. Related Party Transactions

The compensation of key management personnel and related parties were as follows:

	Three months ended May 31,		Six months ended May 31,	
	2023	2022	2023	2022
Consulting fees	$ 10,000	$ 113,124	$ 55,000	$ 172,248
Debt forgiveness	-	-	(62,120)	-
Share-based compensation	851	137,542	40,615	308,239
Wages expense	-	100,833	-	268,333
	$ 10,851	$ 351,499	$ 33,495	$ 748,820

(Expressed in Canadian Dollars)

5. Related Party Transactions (continued)

As at May 31, 2023, the Company owed $3,321 (November 30, 2022 - $7,713) to Better Plant Sciences Inc. ("Better Plant"), a company with common officers and directors, which is included in due to related parties. The balance is unsecured, non-interest bearing, and due on demand. During the six months ended May 31, 2023, the Company incurred $20,417 (2022 – $77,920) operating expenses from Better Plant including accounting and administrative fees under an operating agreement dated August 30, 2020.

As at May 31, 2023, the Company owed $86,130 (November 30, 2022 - $nil) to Lancaster Lithium Inc., a company sharing a common CFO with the Company. The amount is included in due to related parties. The amount owing is unsecured, non-interest bearing, and due on demand.

As at May 31, 2023, the Company owed $20,750 (November 30, 2022 - $15,000) to a company controlled by the CFO of the Company, which is included in accounts payable and accrued liabilities

As at May 31, 2023, the Company owed $25,000 (November 30, 2022 - $20,000) to the former CEO of the Company, which is included in accounts payable and accrued liabilities.

6. Share Capital

Authorized: unlimited number of common shares without par value.

On April 18, 2022, the Company effected a 4:1 share consolidation and on January 24, 2023, the Company effected a 30:1 share consolidation. All share and per share amounts in these condensed interim financial statements have been retroactively adjusted for the share consolidations.

During the three and six months ended May 31, 2023, the Company completed the following transactions:

(a) The Company cancelled 83,330 common shares which were previously issued to an officer of the Company pursuant to the Company's RSU plan.

During the three and six months ended May 31, 2022, the Company completed the following transactions:

(b) During the six months ended May 31, 2022, the Company issued 427,506 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $142,202 was transferred from equity reserves to share capital upon conversion.

7. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, November 30, 2021	1,130,825	$ 30.00
Issued	32,300	9.60
Expired	(1,037,283)	29.70
Balance, November 30, 2022	125,842	$ 15.00
Expired	(38,324)	17.39
Balance, May 31, 2023	87,518	$ 14.14

(Expressed in Canadian Dollars)

7. Share Purchase Warrants (continued)

As at May 31, 2023, the following share purchase warrants were outstanding:

Number of warrants		Exercise price	Expiry date
5,209	$	16.80	November 29, 2023
1,108	$	9.60	April 8, 2024
50,004	$	16.80	November 29, 2024
31,197	$	9.60	April 8, 2025
87,518			

8. Stock Options

On January 13, 2020, the Company adopted an incentive stock option plan, which was replaced by an amended and restated incentive stock option plan on September 9, 2020. Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees, and consultants of the Company. The terms of the granted stock options as well as the vesting conditions are at the sole discretion of the directors. The following table summarizes the continuity of the Company's stock options:

	Number of options		Weighted average exercise price
Outstanding, November 30, 2021	162,103	$	24.00
Granted	169,959		3.04
Expired/cancelled	(134,353)		25.41
Outstanding, November 30, 2022	197,709	$	5.55
Expired/cancelled	(150,500)		5.89
Outstanding, May 31, 2023	47,209	$	4.49
Exercisable, May 31, 2023	47,209	$	4.49

Additional information regarding stock options outstanding and exercisable as at May 31, 2023, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
	39,376	39,376	4.17
	7,833	7,833	0.77
	47,209	47.209	4.94

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the three and six months ended May 31, 2023, the Company recognized share-based compensation expense relating to stock options of $851 and $41,412 respectively (2022 –$136,513 and $256,494) in equity reserves, of which $$1,086 and $25,430 (2022 - $234,439) pertains to directors and officers of the Company. The weighted average fair value of options granted during the three and six months ended May 31, 2023, was $nil (2022 - $5.98) per option. Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2023	2022
Risk-free interest rate	3.48%	1.64%
Expected volatility	200%	124%
Expected life (years)	4.41	4.52

As at May 31, 2023, there was $59 (November 30, 2022 - $37,295) of unrecognized share-based compensation related to unvested stock options.

(Expressed in Canadian Dollars)

9. Restricted Share Units

On April 16, 2020, the Company adopted a restricted share unit plan, which was replaced by an amended and restated restricted share unit plan on April 27, 2020, September 9, 2020, and November 3, 2020. Pursuant to the Company's restricted share unit plan, directors may, from time to time, authorize the issuance of restricted share units to directors, officers, employees, and consultants of the Company. The terms of the granted restricted share units as well as the vesting conditions are at the sole discretion of the directors.

On April 18, 2022, the Company effected a 4:1 share consolidation and on January 24, 2023, the Company effected a 30:1 share consolidation. Figures in the tables below have been retroactively adjusted for the share consolidation.

	Number of Restricted share units
Balance, November 30, 2021	54,167
Granted	121,750
Cancelled	(30,000)
Vested	(137,583)
Balance, November 30, 2022	8,334
Cancelled	(8,334)
Balance, May 31, 2023	-

Share-based compensation expense relating to restricted share units was determined using the fair value of common shares of the Company on the date of grant. During the three and six months ended May 31, 2023, the Company recognized share-based compensation expense relating to restricted share units of $13,333 (2022 - $114,908) in equity reserves, $12,450 (2022 - $73,800) of which pertains to directors and officers of the Company. During the three and six months ended May 31, 2023, the Company granted restricted share units with a fair value of $nil (2022 - $14,702) in exchange for consulting services. During the three and six months ended May 31, 2023, the Company cancelled 8,334 (2022 – nil) unvested restricted share units with a fair value of $13,333 (2022 - $nil). The weighted average fair value of restricted share units granted during the three and six months ended May 31, 2023, was $nil (2022 - $8.40) per share.

As at May 31, 2023, there was $nil (November 30, 2022 - $115,386) of unrecognized share-based compensation related to unvested restricted share units.

10. Debt Settlements

During the period ended May 31, 2023, the Company paid $27,032 (US$20,000) to settle accounts payable owed to a non-related party of $400,982 (US$296,672), resulting in a gain on settlement of debt of $373,950 and settled $33,900 of amounts owed to a former employee of the Company for $6,780, which will be settled with common shares of the Company, resulting in a gain on settlement of debt of $27,120.

11. Capital Management

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and share capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

12. Financial Instruments and Risk Management

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the statement of financial position as at May 31, 2023, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, May 31, 2023
Marketable securities	$ 13,636	$ –	$ –	$ 13,636

The fair values of other financial instruments, including cash, accounts payable and accrued liabilities, and amount due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company's credit risk is primarily attributable to cash. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada and has no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

Price Risk

The Company is exposed to price risk with respect to its marketable securities, which consists of common shares held in publicly-traded companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

13. Subsequent Events

a) After obtaining all necessary approvals, the Company completed a reverse merger transaction via a three-cornered amalgamation between the Company, Lancaster Lithium, and Subco on June 9, 2023. In this process, the Company acquired 100% of the issued and outstanding Lancaster Lithium common shares in exchange for common shares of the Company on a 1:1 basis. The outstanding warrants and options of Lancaster Lithium were exchanged into warrants and options of the Company on an identical basis. Upon closing the Transaction, the company resulting from the amalgamation of Lancaster Lithium and Subco became a wholly owned subsidiary of the Company, and the Company changed its name to Lancaster Resources Inc. and continues to advance the Lancaster Lithium exploration and development strategy.

b) The Company issued Conversion of principal amount of $49,600 and accrued interest of $129,196 into 893,942 units of the Company, through a non-brokered private placement, at $0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at $0.40 per share for a period of 36 months from the time of issuance.

c) The Company issued 26,650 units to settle debts of $53,730, through a non-brokered private placement, at $0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at $0.40 per share for a period of 36 months from the time of issuance.

d) The Company completed a non-brokered private placement issuing 750,000 units at $0.20 per unit for gross proceeds of $150,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at $0.40 per share for a period of 36 months from the time of issuance. The Company pays a cash commission equal to 8% of the gross proceeds and issued broker warrants equal to 8% of the units issued in the private placement. Each broker warrant is exercisable into one share OF THE Company at $0.20 per share for a period of 36 months from the closing date.

e) The Company granted 1,380,000 stock options to various officers, advisors and consultants with an exercise price of $0.20. All these options vested immediately, expire in five years and are subject to a four month and a day hold period.