

# **LANCASTER RESOURCES INC.**

*(formerly NeonMind BioSciences Inc.)*

## **Condensed Interim Consolidated Financial Statements**

For the Three Months Ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

(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 condensed interim consolidated financial statements have not been reviewed by the Company’s independent auditor.

**Lancaster Resources Inc.**  
(formerly NeonMind BioSciences Inc.)  
Consolidated Statements of Financial Position  
Expressed in Canadian Dollars

		June 30, 2023 (Unaudited)	March 31, 2023
	Notes	\$	\$
		<u>Restated-Note 15</u>	
Current assets:			
Cash and cash equivalents		374,357	591,599
Marketable securities	4	24,026	25,000
Amounts receivable		139,562	64,790
Prepayments and deposits	5, 7	92,951	169,632
Due from related parties	7	39,866	65,000
Total current assets		<u>670,761</u>	<u>916,021</u>
Non-current assets:			
Exploration and evaluation assets	6	<u>265,619</u>	<u>246,130</u>
Total assets		<u>936,380</u>	<u>1,162,151</u>
Current liabilities:			
Accounts payable and accrued liabilities	7	136,368	108,767
Due to related parties		<u>7,077</u>	-
Total current liabilities		<u>143,445</u>	<u>108,767</u>
Non-current liabilities:			
Convertible debentures	3	<u>865,902</u>	-
Total liabilities		<u>1,009,347</u>	<u>108,767</u>
Shareholders' equity:			
Share capital	8	3,919,741	3,275,881
Subscriptions received	8	-	70,000
Share-based equity reserves		2,034,287	1,459,209
Retained earnings		<u>(6,026,995)</u>	<u>(3,751,706)</u>
Total shareholders' equity		<u>(72,967)</u>	<u>1,053,384</u>
Total liabilities and shareholder equity		<u>936,380</u>	<u>1,162,151</u>

Nature of operations and continuance of business (Note 1)  
Subsequent event (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on August 29, 2023:

/s/ "Daniel Kang"  
Director

/s/ "Penny White"  
Director

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

**Lancaster Resources Inc.**  
(formerly NeonMind BioSciences Inc.)  
Consolidated Statements of Operations and Comprehensive Loss  
Expressed in Canadian Dollars  
Unaudited

	Notes	Three months ended June 30,	
		2023 \$	2022 \$
		Restated-Note 15	
Expenses:			
Consulting		128,775	20,000
Investor relations		21,850	-
Listing fees		30,845	-
Marketing, publicity and digital media		81,493	2,250
Office and administrative		18,160	1,064
Professional fees		28,146	15,563
Research and development		16,708	-
Share-based compensation	9	385,413	44,058
Travel and entertainment		16,189	-
Wages		28,088	54,532
Total expenses		<u>755,668</u>	<u>137,466</u>
Income before other items		(755,668)	(137,466)
Other items:			
Accretion		(9,951)	-
Foreign exchange		(499)	-
Interest expense (income)		(5,918)	-
Listing cost	3	(1,491,870)	-
Unrealized gain or loss on marketable securities		(14,610)	(57,143)
Write off of amounts receivable		(28,069)	-
Other expense (income)		(305)	-
Total other items		<u>(1,551,223)</u>	<u>(57,143)</u>
Net income from continuing operations		<u>(2,306,891)</u>	<u>(194,609)</u>
Net income from discontinued operations		-	(1,950)
Total net and comprehensive income		<u>(2,306,891)</u>	<u>(196,559)</u>
Loss per share from continuing operations, basic and diluted		(0.06)	(0.10)
Loss per share from discontinued operations, basic and diluted		-	(0.00)
Weighted average of shares outstanding, basic and diluted		40,194,622	1,900,100

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

**Lancaster Resources Inc.**  
(formerly NeonMind BioSciences Inc.)  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)  
Expressed in Canadian Dollars  
Unaudited

	Share capital		Shares issuable	Equity Reserves	Deficit	Total
	Number of shares	Amount				
	Notes	\$				
					Restated-Note 15	
Balance at March 31 and June 30, 2022	19,000,100	900,723	-	199,330	(649,019)	451,034
Balance at March 31, 2023	38,796,861	3,275,881	70,000	1,459,209	(3,751,706)	1,053,384
Unit issued for cash	680,000	136,000	(70,000)		-	66,000
Shares issued for RTO transaction	3,036,011	379,501			-	379,501
Warrants issued and options granted for RTO transaction 3				258,023	-	258,023
Warrants exercised	300,000	45,000	-		-	45,000
Transfer of reserves for warrants exercised	-	54,680	-	(54,680)	-	-
Options exercised	100,000	15,000	-		-	15,000
Transfer of reserves for options exercised	-	13,679	-	(13,679)	-	-
Share based compensation	-	-	-	385,413	-	385,413
Net loss	-	-	-	-	(2,306,891)	(2,306,891)
Loss from dissolving subsidiaries	-	-	-	-	31,602	31,602
Balance at June 30, 2022	42,912,872	3,919,741	-	2,034,287	(6,026,995)	(72,967)

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

**Lancaster Resources Inc.**  
(formerly NeonMind BioSciences Inc.)  
Condensed Interim Consolidated Statements of Cashflows  
Expressed in Canadian Dollars  
Unaudited

	Notes	Three months ended June 30,	
		2023	2022
		\$	\$
Operating activities:			
Net Loss from continuing operations		(2,306,891)	(194,609)
Items not involving cash:			
Share-based compensation		385,413	44,058
Unrealized loss on marketable securities		14,610	57,143
Accretion and interest accrued for convertible debentures		15,752	
Acquisition loss	3	1,491,870	-
Changes in non-cash operating working capital:			
Amounts receivable		(9,505)	(1,678)
Prepaid expenses & other assets		80,969	67,873
Accounts payable and accrued liabilities		(96,075)	10,080
Due from related parties		(38,152)	(61,093)
Net cash used in operating activities - continuing operations		(462,008)	(78,226)
Net cash used in operating activities - discontinued operations		-	(1,950)
Investing activities:			
Acquisition of marketable securities		-	-
Advance for promissory note receivable		-	-
Proceeds from repayment of promissory note receivable		-	-
Mineral property option payment		(19,489)	-
Net assets acquired from RTO transaction		138,255	-
Net cash provided by (used in) investing activities		118,766	-
Financing activities:			
Proceeds from issuance of units and shares		66,000	-
Proceeds from warrants exercise		45,000	-
Proceeds from stock options exercise		15,000	-
Share issuance costs		-	-
Net cash provided by financing activities		126,000	-
Change in cash		(217,242)	(80,176)
Cash, beginning of period		591,599	289,452
Cash, end of period		374,357	209,276

Supplement cash flow disclosure (Note 11)

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

**Lancaster Resources Inc.**

(formerly NeonMind BioSciences Inc.)

Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

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**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 (“RTO”) transaction with Lancaster Lithium Inc. (“LL”) (Note 3), 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 had no revenues, incurred a net loss of \$2,306,891, and used cash of \$462,008 for continuing operations during the three months ended June 30, 2023. As at June 30, 2023, the Company has an accumulated deficit of \$6,026,995. 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 consolidated 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 those adjustments to the consolidated financial statements could be material.

**2. Significant Accounting Policies**Statement of Compliance

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated 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.

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1371432 B.C. Ltd and 1385122 BC Ltd. All intercompany balances and transactions have been eliminated on consolidation. On February 15, 2023, the Company entered into a merger agreement with Tevera Energy Corp. (“Tevera”), which was completed on March 9, 2023 culminating with the amalgamation of Tevera and the Company.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated 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.

**Lancaster Resources Inc.**

(formerly NeonMind BioSciences Inc.)

Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

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**2. Significant Accounting Policies (continued)**Significant Accounting Estimates and Judgments

The preparation of consolidated 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, recoverability of exploration and evaluation assets, fair value of 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 consolidated financial statements include:

- 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;
- the determination of whether a set of assets acquired, and liabilities assumed in an acquisition constitutes a business may require the Company to make certain judgments, considering all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of Tevera, as described in Note 15, did not constitute a business, and was accounted for as an asset acquisition transaction; and
- judgment in determining whether it is likely that the future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

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.



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Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

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**3. Reverse Takeover Transaction**

On June 9, 2023, the Company completed a reverse takeover transaction (the "Transaction") pursuant to which it acquired all of the issued and outstanding common shares of Lancaster Lithium Inc., a company incorporated in the province of British Columbia. Under the terms of the Transaction, the Company issued 39,476,861 common shares, 17,735,594 share purchase warrants and 3,276,000 options in exchange for of the issued and outstanding common shares, warrant and options of Lancaster Lithium. As of the date of the condensed interim consolidated financial statements, the Agreement is subject to final regulatory review and approval.

As a result of the completion of the Transaction, the former shareholders of Lancaster Lithium acquired 93% of the outstanding common shares of the Company, and, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Transaction constitutes a reverse acquisition of the Company by Lancaster Lithium and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payment and IFRS 3, Business Combinations. As the Company did not qualify as a business prior to the closing of the transaction according to the definition in IFRS 3, this reverse acquisition did not constitute a business combination; rather it was treated as an issuance of shares by Lancaster Lithium for the net assets of the Company. Accordingly, no goodwill was recorded with respect to the Transaction. The Transaction was measured at the fair value of the common shares that Lancaster Lithium would have had to issue to the shareholders of the Company, being 3,036,011 common shares with a fair value of \$379,501, fair value of 2,060,110 warrants of \$252,295 and the fair value of 47,209 stock options of the Company with a fair value of \$5,728, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Lancaster Lithium acquiring the Company. The fair value of common shares, warrants and stock options issued were estimated based on the Company's financing event which took place concurrently to the reverse takeover transaction at the price of \$0.20 per common share. These condensed interim consolidated financial statements include the accounts of the Company as at June 9, 2023 and the historical accounts of the business of Lancaster Lithium since its incorporation on July 12, 2019.

The total consideration of the common shares and the performance shares has been allocated to the fair value of the net assets acquired and liabilities assumed, as follows:

	\$
Fair value of the Company's shares (3,036,011 common shares)	379,501
Fair value of 2,060,110 warrants of the Company outstanding	252,295
Fair value of 47,209 stock options of the Company outstanding	5,728
<b>Total consideration</b>	<b>637,524</b>
Less: fair value of identifiable assets and liabilities acquired:	
Cash	138,255
Accounts receivable	65,267
Prepaid expenses	4,288
Marketable securities	13,636
Accounts payable and accrued liabilities	(123,676)
Convertible debt	(850,150)
Due to related parties	(101,965)
<b>Net liabilities</b>	<b>(854,345)</b>
<b>Listing costs</b>	<b>1,491,870</b>

The fair value of warrants and stock options of the Company was calculated using the Black-Scholes option pricing model with the following assumptions in weighted average: volatility of 306%, expected life of 2.96 years, no dividends, no forfeitures, and a risk-free rate of 4.0%.

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Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

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(Unaudited)

**4. Marketable Securities**

As at June 30, 2022, the Company owns 240,257 (March 31, 2023 - 142,758) common shares of Komo Plant Based Foods Inc. ("KPBF"), a company traded on the Canadian Stock Exchange. During the three months ended June 30, 2023, the Company recorded an unrealized loss of \$14,610 (2022 - \$57,143) based on the market price adjustment of the KPBF common shares.

March 31, 2023			June 30, 2023		March 31, 2022			June 30, 2022	
fair value	Additions	Unrealized loss	fair value		fair value	Additions	Unrealized loss	fair value	
\$	\$	\$	\$		\$	\$	\$	\$	
25,000	13,636	(14,610)	24,026		114,286	-	(57,143)	57,143	

**5. Prepaid Expenses and Deposits**

	June 30, 2023	March 31, 2023
	\$	\$
Prepaid services	9,251	129,766
Deposits	83,700	39,866
	92,951	169,632

**6. Exploration and Evaluation Assets**

	Alkali Flat Lithium Project \$
Acquisition costs:	
Balance, March 31 and June 30, 2022	-
Balance, March 31 and June 30, 2023	137,030
Exploration costs:	
Balance, March 31 and June 30, 2022	-
Balance, March 31, 2023	109,100
Additions	19,489
Balance, June 30, 2023	128,589
Carrying values:	
March 31, 2023	246,130
June 30, 2023	265,619

On November 17, 2022, the Company entered into an option purchase agreement (the "Option Agreement") with Majuba Mining Ltd. ("Majuba"), pursuant to which the Company was granted the exclusive right and option to acquire, subject to the reservation of 1.5% net production royalty, a 100% interest in the Alkali Flat Lithium Project located near Lordsburg in Hidalgo County, New Mexico. To earn its interest in the Option Agreement, the Company must pay an aggregate of US\$2,975,000 to Majuba as follows:

- US\$25,000 within 18 business days of acquisition (paid);
- US\$50,000 within 90 calendar days of acquisition (paid);
- US\$150,000 on or before the second anniversary of acquisition;
- US\$1,000,000 on or before the third anniversary of acquisition; and
- US\$1,750,000 on or before the fourth anniversary of acquisition.

**Lancaster Resources Inc.**

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Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**7. Related Party Transactions**

During the three months ended June 30, 2023 and 2022, compensation of key management personnel were as follows:

	Three months ended June 30,	
	2023	2022
	\$	\$
Consulting fees	92,000	15,000
Share-based compensation	77,669	23,516
Wages and benefits	28,088	54,532
	197,757	93,048

As at June 30, 2023, Better Plant Sciences Inc. ("Better Plant") held a \$39,866 (2022 - \$62,969) deposit from the Company, which is included in due from related parties. The Company had a shared services agreement with Better Plant for back office and general support services, and the two companies share a common CFO. The agreement was terminated in March 2023. During the three months ended June 30, 2023, the Company incurred \$nil (2022 - \$17,813) operating expenses to Better Plant.

As at June 30, 2023, the Company owed \$6,261 (2022 - \$1,877) to officers and directors which is included in due to related parties. These amounts are unsecured and non-interest bearing.

**8. Share Capital**

Authorized: unlimited number of common shares without par value.

**Three months ended June 30, 2023**

On April 4, 2023, the Company completed a non-brokered private placement offering of units (each, a "Unit") at a price of \$0.20 per Unit. Each Unit consists of one common share of the Company and one nontransferable common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to acquire an additional common share in the capital of the Company an exercise price of \$0.40 per Warrant Share for a period of 36 months from the issuance date. Subscriptions of \$70,000 received during a previous period was applied to this offering.

On June 9, 2023, the Company issued 3,036,011 common shares in an RTO transaction (Note 3).

On June 19, 2023, the Company issued 300,000 commons shares for the exercise of the same number of broker warrants at \$0.15 per common share for total proceeds of \$45,000. Warrants reserves in the amount of \$54,680 were reclassified to share capital.

On June 27, 2023, the Company issued 100,000 common shares for the exercise of the same number of stock options at \$0.15 per commons share for total proceeds of \$15,000. Equity reverses in the amount of \$13,679 was reclassified to share capital.

**Three months ended June 30, 2022**

There were no share capital activities during the three months ended June 30, 2022.

**Lancaster Resources Inc.**

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Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**9. Share Purchase Warrants**

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

	Number of warrants	Weight average exercise price
Balance, March 31, 2022	13,828,238	\$ 0.38
Issued	3,227,355	\$ 0.42
Balance, March 31, 2023	17,055,593	\$ 0.45
Issued	2,740,110	\$ 0.12
Exercised	(300,000)	\$ 0.00
Balance, June 30, 2023	19,495,703	\$ 0.45

As at June 30, 2023, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date	Weighted average exercise price
300,000	\$ 0.15	November 16, 2023	\$ 0.00
6,000,000	\$ 0.30	November 16, 2023	\$ 0.09
5,209	\$ 16.80	November 29, 2023	\$ 0.00
1,108	\$ 9.60	April 8, 2024	\$ 0.00
50,004	\$ 16.80	November 29, 2024	\$ 0.04
31,197	\$ 9.60	April 8, 2025	\$ 0.02
122,000	\$ 0.20	February 6, 2026	\$ 0.00
1,525,000	\$ 0.40	February 6, 2026	\$ 0.03
450,000	\$ 0.40	March 24, 2026	\$ 0.01
897,668	\$ 0.18	March 31, 2026	\$ 0.01
7,460,925	\$ 0.50	March 31, 2026	\$ 0.19
1,972,592	\$ 0.40	June 9, 2026	\$ 0.04
680,000	\$ 0.40	April 3, 2027	\$ 0.01
<u>19,495,703</u>			<u>\$ 0.45</u>

**10. Stock Options**

On October 16, 2021, the Company adopted an incentive stock option plan. 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.

**Lancaster Resources Inc.**

(formerly NeonMind BioSciences Inc.)

Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**10. Stock Options (continued)**

The following tables summarizes the information of the Company's stock options:

Expiry date	Exercise price	Outstanding	Exercisable
January 13, 2025	\$ 12.00	3,333	3,333
January 22, 2025	\$ 12.00	3,333	3,333
February 4, 2025	\$ 12.00	833	833
April 27, 2025	\$ 12.00	334	334
October 26, 2026	\$ 0.15	960,000	960,000
February 4, 2027	\$ 0.15	126,000	126,000
December 8, 2027	\$ 0.20	1,050,000	1,050,000
September 13, 2027	\$ 0.20	800,000	800,000
March 17, 2028	\$ 0.20	240,000	240,000
June 7, 2027	\$ 3.00	23,334	23,334
September 28, 2027	\$ 3.00	16,042	16,042
June 9, 2028	\$ 0.20	1,380,000	1,380,000
June 27, 2028	\$ 0.23	600,000	600,000
		5,203,209	5,203,209

	Number of options	Weighted average exercise price
Outstanding, March 31, 2022	2,752,000	\$ -
Granted	2,750,000	\$ 0.20
Expired	(1,426,000)	\$ 0.15
Cancelled	(800,000)	\$ 0.11
Outstanding, March 31, 2023	3,276,000	\$ 0.18
Exercisable, March 31, 2023	1,790,400	\$ 0.19
Granted	2,027,209	\$ 0.12
Expired	(100,000)	\$ 0.00
Cancelled	-	\$ -
Outstanding, June 30, 2023	5,203,209	\$ 0.11
Exercisable, June 30, 2023	5,203,209	\$ 0.11

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$ 0.15 \$ 0.25	5,156,000	5,156,000	3.59
\$ 3.00 \$ 12.00	47,209	47,209	0.03
	5,203,209	5,203,209	2.46

**Lancaster Resources Inc.**

(formerly NeonMind BioSciences Inc.)

Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**10. Stock Options (continued)**

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the three months ended June 30, 2023, the Company recognized share-based compensation expense relating to stock options of \$385,423 (2022 - \$44,058) in share-based equity reserves, of which \$157,757 (2022 - \$93,048) relates to directors and officers of the Company. The weighted average fair value of options granted during the three months ended June 30, 2023, was \$0.18 (2022 - \$0.03) per share. 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	3.62%	3.09%
Dividend yield	0%	0%
Expected volatility	150%	150%
Expected life (years)	4.99	4.85

As at June, 2023, there was \$nil (2022- \$111,023) of unrecognized share-based compensation related to unvested stock options.

**11. Supplemental Cash Flow Disclosures**

Non-cash investing and financing activities		
Assets acquired and liabilities assume through RTO	(830,549)	-
Share issuance for RTO transaction	968,804	-

**12. 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.

**13. Financial Instruments and Risk Management**Fair Values

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

	Fair Value Measurements Using			Balance, March 31, 2023
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Marketable securities	\$ 24,026	\$ -	\$ -	\$ 24,026

**Lancaster Resources Inc.**

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Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

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**13. Financial Instruments and Risk Management (continued)**Fair Values (continued)

The fair values of other financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities, and amounts due from and 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 and cash equivalents. 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. All of the Company's obligations are due within one year. 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 commodity prices and publicly-traded market prices for marketable securities. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**14. Discontinued Operations**

During the three months ended June 30, 2023, management made the decision to cease the development of nut milk products as the Company's principal business changed to acquire, explore, and develop mineral properties. As a result, the nut milk development operating unit met the criteria to be classified as discontinued operations as of August 10, 2022, the date on which the Company changed its name to Lancaster Minerals Inc., and therefore, the results of operations of this unit have been classified as discontinued operations on the consolidated statements of operations.

**Lancaster Resources Inc.**

(formerly NeonMind BioSciences Inc.)

Notes to the Consolidated Financial Statements for the Three Months Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**14. Discontinued Operations (continued)**

Net loss from discontinued operations:

	Three months ended June 30,	
	2023	2022
	\$	\$
Rent expense	-	1,950
Income from discontinued operations	-	(1,950)

Cash flows from discontinued operations:

	Three months ended June 30,	
	2023	2022
	\$	\$
Cash from operating activities	-	(1,950)

**15. Restatement**

The condensed interim consolidated financial statements as at June 30, 2023 and for the three months ended June 30, 2023 have been restated to correct the calculation of listing costs relating to the RTO. The impact of the restatement resulted in a decrease in the net and comprehensive loss of the Company of \$462,202 for the three months ended June 30, 2023, which was also reflected in the Company's Statements of Financial Position and Statements of Equity. There was no impact to the Company's Statement of Cash Flows.

The impact of the restatement on the condensed interim statement of operations and comprehensive loss is as follows:

	Previously reported \$	Adjustment \$	Restated \$
Other items:			
Listing Cost	(1,954,072)	462,202	(1,491,870)
Net loss from continuing operations	(2,769,093)	462,202	(2,306,891)
Total net and comprehensive income	(2,769,093)	462,202	(2,306,891)

**16. Subsequent Event**

On August 29, 2023, the Company entered into a definitive agreement (the "Option Agreement") with Bounty Gold Corp., Last Resort Resources Ltd., and Jason LeBlanc (the "Optionors") for the exclusive right and option to acquire one hundred percent (100%) of the right, title and interest of the Optionors in and to the Trains Taiga Lithium Project, located in Quebec, Canada pursuant to the following terms:

Exclusive Acquisition Right

The Optionors grant the Company the exclusive right to acquire 100% ownership of the Property, free of any charges or claims except for the NSR Royalty.



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(Unaudited)

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**16. Subsequent Event (continued)**

Conditions for Option Exercise

Payment of \$115,000 to be made in cash and shares, distributed as follows:

- Within 10 Business Days: \$37,000, consisting of \$10,000 in cash and \$27,000 in shares.
- First Anniversary: \$26,000, either all in cash or half in shares and half in cash.
- Second Anniversary: \$26,000, either all in cash or half in shares and half in cash.
- Third Anniversary: \$26,000, either all in cash or half in shares and half in cash.

Milestone Payments

Initial Milestone: \$50,000 if exploration finds at least 10 contiguous meters of lithium-bearing spodumene with an average grade of 1.0% Li<sub>2</sub>O or greater.

Additional Milestones: \$1,000,000 for each filed mineral resource estimate that shows a deposit exceeding five million metric tonnes with an average grade of 1.0% Li<sub>2</sub>O or greater.

NSR Royalty

There is a 2% net smelter returns royalty due to the Optionors of the returns generated from products mined and extracted from the property.

The Company has the ability to decrease the royalty to a 1.0% net smelter returns royalty on the property by making a collective payment of \$1,000,000 to the Optionors.

During the option period, the Property will be held in escrow by the Company. If the option is terminated for any reason, the Property must be transferred back to the Optionors.

Once all conditions are met, the Company gains 100% ownership of the Property.