

# **POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**

**Condensed Interim Consolidated Financial Statements**

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

(Unaudited - Expressed in Canadian dollars)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended May 31, 2023 and 2022**

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of POWR Lithium Corp. for the interim periods ended May 31, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Dale Matheson Carr-Hilton Labonte LLP Chartered Professional Accountants, have not performed a review of these unaudited condensed interim consolidated financial statements.

July 19, 2023

**POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	Note	May 31, 2023 \$	August 31, 2022 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		15,231	444,917
Prepaid expense	5	10,100	187,503
GST receivable		73,936	31,390
		99,267	663,810
Exploration and evaluation assets	6	1,834,720	1,834,720
<b>Total assets</b>		<b>1,933,987</b>	<b>2,498,530</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	8,10	379,486	177,814
Promissory note		-	26,222
<b>Total liabilities</b>		<b>379,486</b>	<b>204,036</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9(b)	4,314,358	3,769,004
Obligation to issue shares	4,6(a)	38,951	38,951
Reserves		1,533,588	1,173,415
Deficit		(4,332,396)	(2,686,876)
<b>Total shareholders' equity</b>		<b>1,554,501</b>	<b>2,294,494</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,933,987</b>	<b>2,498,530</b>

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors:

<u>/s/ "Marco Montecinos"</u> Director	<u>/s/ "Robert Birmingham"</u> Director
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*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
(Unaudited - Expressed in Canadian dollars, except number of shares)

		Three months ended		Nine months ended	
	Note	2023	May 31, 2022	2023	May 31, 2022
		\$	\$	\$	\$
<b>Operating expenses</b>					
Acquisition expense	4	-	-	-	1,044,609
Bank charges		44	112	1,251	227
Consulting and management fees	10	72,750	-	408,783	-
Exploration and evaluation expenditures	7,10	7,875	-	167,169	-
General and administrative		44,410	33,122	161,463	80,815
Legal and professional fees	10	22,983	83,371	178,127	319,353
Marketing		6,000	25,350	235,631	37,850
Salaries and wages	10	-	40,369	-	117,958
Share-based compensation	10	26,829	-	452,138	3,931
Transfer agent and regulatory fees		10,302	-	36,660	-
		191,193	182,324	1,641,222	1,604,743
<b>Other expenses</b>					
Foreign exchange		(265)	(1,166)	(4,298)	(930)
<b>Net loss and comprehensive loss</b>		<b>(191,458)</b>	<b>(183,490)</b>	<b>(1,645,520)</b>	<b>(1,605,673)</b>
<b>Net loss per share:</b>					
Basic and diluted		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.05)</b>	<b>(0.11)</b>
<b>Weighted average number of common shares:</b>					
Basic and diluted		32,925,628	21,043,041	31,983,053	15,247,889

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

**POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited - Expressed in Canadian dollars)

	Nine months ended May 31,	
	2023	2022
	\$	\$
<b>Operating activities:</b>		
Net loss for the period	(1,645,520)	(1,605,673)
Items not affecting cash:		
Acquisition expense	-	1,044,609
Share-based compensation	452,138	3,931
Foreign exchange	-	(336)
Changes in non-cash working capital:		
Prepaid expense	177,403	-
GST receivable	(42,546)	(11,604)
Accounts payable and accrued liabilities	201,672	151,596
<b>Cash used in operating activities</b>	<b>(856,853)</b>	<b>(417,477)</b>
<b>Investing activities:</b>		
Cash acquired from the SPA transaction	-	11,800
Payment on behalf of 1291455BC prior to the SPA Transaction	-	(59,103)
<b>Cash used in investing activities</b>	<b>-</b>	<b>(47,303)</b>
<b>Financing activities:</b>		
Proceeds from issuance of units	-	1,664,664
Proceeds from exercise of warrants	410,889	-
Proceeds from exercise of stock options	42,500	-
Repayment of the promissory note	(26,222)	-
Deposit for unit subscription	-	(119,001)
<b>Cash provided by financing activities</b>	<b>427,167</b>	<b>1,545,663</b>
Change in cash	(429,686)	1,080,883
Cash, beginning of period	444,917	156,408
<b>Cash, end of period</b>	<b>15,231</b>	<b>1,237,291</b>

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

**POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Obligation to issue shares	Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, August 31, 2021	100,001	1,437	-	564	(96,782)	(94,781)
Units issued for private placements	17,199,304	1,139,991	-	568,631	-	1,708,622
Units issued for the SPA Transaction	3,468,736	568,797	-	429,664	-	998,461
Obligation to issue shares for the SPA Transaction	-	-	38,951	-	-	38,951
Special warrants issued	-	-	-	27,500	-	27,500
Special warrants exercised	275,000	27,500	-	(27,500)	-	-
Share-based compensation	-	-	-	3,931	-	3,931
Net loss and comprehensive loss for the period	-	-	-	-	(1,605,673)	(1,605,673)
Balance, May 31, 2022	21,043,041	1,737,725	38,951	1,002,790	(1,702,455)	1,077,011
Unit issuance cost	-	(21,350)	-	-	-	(21,350)
Share issued for the purchase of Halo project	1,865,269	1,212,425	-	-	-	1,212,425
Share issued for finders' fees	118,406	76,964	-	-	-	76,964
Warrants and special warrants exercised	5,250,023	691,504	-	(106,502)	-	585,002
Stock options exercised	150,000	45,236	-	(15,236)	-	30,000
Conversion of the fully vested RSUs	50,000	26,500	-	(26,500)	-	-
Share-based compensation	-	-	-	318,863	-	318,863
Net loss and comprehensive loss for the period	-	-	-	-	(984,421)	(984,421)
Balance, August 31, 2022	28,476,739	3,769,004	38,951	1,173,415	(2,686,876)	2,294,494
Warrants exercised	4,108,889	454,408	-	(43,519)	-	410,889
Stock options exercised	290,000	64,446	-	(21,946)	-	42,500
Conversion of the fully vested RSUs	50,000	26,500	-	(26,500)	-	-
Share-based compensation	-	-	-	452,138	-	452,138
Net loss and comprehensive loss for the period	-	-	-	-	(1,645,520)	(1,645,520)
<b>Balance, May 31, 2023</b>	<b>32,925,628</b>	<b>4,314,358</b>	<b>38,951</b>	<b>1,533,588</b>	<b>(4,332,396)</b>	<b>1,554,501</b>

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

POWR Lithium Corp. (formerly Clear Sky Lithium Corp.) (the "Company") is in the business of the exploration and evaluation of mineral properties. The Company was incorporated under the Business Corporations Act of British Columbia on June 25, 2018 and changed its name from Clear Sky Lithium Corp. to POWR Lithium Corp. on January 30, 2023. The address of the Company's registered and records office is 1021 West Hastings Street, 9th floor, Vancouver, BC, V6E 0C3.

On June 13, 2022, the Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") under the ticker symbol "POWR".

On July 7, 2022, the Company's common shares commenced trading on OTC Markets Exchange (the "OTCQB") under the ticker symbol "CSKYF". As of February 3, 2023, common shares quoted on the OTCQB use the symbol "PWRLF".

On July 12, 2022, the Company's common shares commenced trading on Frankfurt Stock Exchange ("FSE") under the ticker symbol "FRA: K4A / WKN: A3DM2W". As of February 3, 2023, common shares are trading on FSE under the ticker symbol "6JX".

### **a) Going concern**

These unaudited condensed interim consolidated financial statements for the three and nine months ended May 31, 2023 and 2022 (the "financial statements") have been prepared on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the three and nine months ended May 31, 2023, the Company incurred a net loss and comprehensive loss of \$191,458 and \$1,645,520, respectively (2022 - \$183,490 and \$1,605,673, respectively) and has working capital deficiency of \$280,219, and accumulated deficit of \$4,332,396 as at May 31, 2023 (August 31, 2022 - working capital surplus of \$459,774 and \$2,686,876, respectively). The Company has no source of operating cash flows, and there is no assurance that sufficient funding (including adequate financing) will be available to conduct the required exploration and development of mineral property projects. These factors present a material uncertainty over the Company's ability to continue as a going concern.

The application of the going concern assumption is dependent on the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern. These adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

These financial statements were approved by the Board of Directors and authorized for issue on July 19, 2023.

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the years ended August 31, 2022 and 2021 (the "Annual Financial Statements"), which include the information necessary or useful to understanding the Company's business and financial statement presentation.

## **2. BASIS OF PRESENTATION (continued)**

### **b) Basis of measurement**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair value, as explained in the accounting policies in the Annual Financial Statements. In addition, these financial statements have been prepared using the accrual basis of accounting except for cashflow information. These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. References to "US\$" are United States dollars.

### **c) Basis of consolidation**

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date that control commenced until the date that control ceases.

A summary of the Company's subsidiaries included in these financial statements as at May 31, 2023 is as follows:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage ownership</b>	<b>Principal activity</b>
1291455 B.C. LTD	Canada	100%	Holding company and mineral exploration
Clear Sky Lithium Nevada Inc	US	100%	Mineral exploration

## **3. SIGNIFICANT ACCOUNTING POLICIES**

In the preparation of these financial statements, the Company used the same accounting policies as in the Annual Financial Statements.

## **4. ACQUISITION**

On December 23, 2021, the Company closed its acquisition of 1291455 B.C. LTD. ("1291455BC"), a Canada and US based mining and exploration company.

Pursuant to the terms of the share purchase agreement (the "SPA Transaction"), the Company acquired all of the issued and outstanding common shares of 1291455BC for consideration of \$1,037,412, which was satisfied by the issuance of 3,468,736 units; each unit is composed of one common share and one warrant. Each warrant is exercisable to acquire one common share at a price of \$0.10 for 36 months after the closing date. The fair value of a common share was estimated at \$0.164 per share based on the implied price from a subsequent financing on January 17, 2022 (Note 9(b)). The fair value of warrants was determined using the Black-Scholes option pricing model with the following assumptions: a share price of \$0.164, an exercise price of \$0.10, an estimated weighted average life of three years, volatility of 114%, and a risk-free interest rate of 0.94%. Pursuant to the terms of the SPA Transaction, the Company assumed the obligation to issue shares with the total fair value of \$38,951 (Note 6(a)).

As 1291455BC did not meet the definition of a business under in IFRS 3 *Business Combinations*, the SPA Transaction was accounted for as an asset acquisition under IFRS 2 *Share-based Payment*. Accordingly, the fair value of the consideration in excess of the fair value of the net liabilities assumed, was recognized as an acquisition expense.



**POWR LITHIUM CORP. (formerly Clear Sky Lithium Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2023 and 2022**  
(Unaudited - Expressed in Canadian dollars, except where noted)

#### 4. ACQUISITION (continued)

A summary of the fair values of the purchase price and net liabilities assumed as at the December 23, 2021 acquisition date is as follows:

	\$
<b>Purchase price:</b>	
Fair value of the 3,468,736 common shares issued	568,797
Fair value of the 3,468,736 warrants issued	429,664
Obligation to issue shares (Note 6(a))	38,951
	<b>1,037,412</b>
<b>Fair value of net liabilities assumed:</b>	
Cash	11,800
Exploration and evaluation asset	127,500
Accounts payable and accrued liabilities	(31,762)
Promissory note (US\$20,000)	(25,632)
Due to related parties <sup>(1)</sup>	(30,000)
Due to POWR Lithium Corp. <sup>(2)</sup>	(59,103)
	<b>(7,197)</b>
<b>Acquisition expense</b>	<b>1,044,609</b>

- (1) On March 29, 2022, the Company's subsidiary entered into a promissory note in the principal amount of \$30,000 with a former director of 1291455BC. The promissory note is without interest and due on demand at any time after 13 months following the listing of the Company's common shares on the Canadian Securities Exchange or other recognized stock exchange in Canada. The principal amount was repaid in cash on June 24, 2022.
- (2) The balance due to POWR Lithium Corp. was eliminated on consolidation.

#### 5. PREPAID EXPENSE

A summary of the Company's prepaid expense is as follows:

	May 31, 2023	August 31, 2022
	\$	\$
Consulting and management fees	-	13,125
Exploration and evaluation expenditures	262	896
Legal and professional fees	-	10,000
Marketing	-	163,482
Transfer agent and regulatory fees	9,838	-
	<b>10,100</b>	187,503

#### 6. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets activity is as follows:

	ELi Property	Halo Project	Total
	\$	\$	\$
As at August 31, 2021	-	-	-
Acquisition costs	127,500	1,630,256	1,757,756
Finder's fee shares	-	76,964	76,964
<b>As at May 31, 2023 and August 31, 2022</b>	<b>127,500</b>	<b>1,707,220</b>	<b>1,834,720</b>

## **6. EXPLORATION AND EVALUATION ASSETS (continued)**

### **a) ELi Property**

As a result of the SPA Transaction (Note 4), on December 23, 2021, the Company acquired a 100% interest in 26 unpatented mining claims situated in Eureka County and Nye County, Nevada, (the "ELi Property") with a fair value of \$127,500. The fair value on acquisition was determined based on the price that was paid by 1291455BC in an arm's length transaction prior to it being acquired by the Company.

On November 16, 2021, the Company's subsidiary, 1291455BC, purchased a 100% interest in the ELi Property for purchase consideration comprising US\$50,000 cash and 100,000 common shares of 1291455BC with a contractual value of US\$50,000 (the "share contractual value") or US\$0.50 per share. On June 13, 2022, the Company completed the initial public offering process and was listed on CSE with the share price of \$0.25, which was lower than the share contractual value of US\$0.50. Pursuant to the agreement, an obligation to issue shares of \$38,951 was recognized in connection with this requirement (Note 4). In addition, the Company agreed to provide the seller with a gross returns mineral production royalty of 2% from the production of minerals from the ELi Property and any unpatented mining claims that the Company locates in an identified area of interest.

### **b) Halo Project**

On August 4, 2022, the Company entered into an option agreement with Halo Lithium LLC (the "Optionor") to acquire a 100% interest in 98 mineral claims located in Esmeralda and Nye Counties, Nevada, (the "Halo Project"). The option agreement requires a series of cash payments, reimbursement of expenses and share consideration as follows:

- \$319,914 (US\$250,000) cash, \$97,917 (US\$76,518) reimbursement of expenses, and 1,865,269 common shares of the Company payable within five days of the effective date of the agreement (fully paid and issued). The fair value of this first tranche of shares was measured as \$1,212,425 based on a \$0.65 per share market price on the date of issuance.
- US\$200,000 cash and 1,250,000 common shares of the Company payable on or before the August 4, 2023.
- US\$200,000 cash and 500,000 common shares of the Company payable on or before the August 4, 2024.

The claims are subject to a 1% net smelter royalty ("NSR") to the Optionor, subject to a buyback right whereby the Company is entitled to purchase one half of the NSR from the Optionor for a cash payment of US\$1,000,000 any time prior to the commencement of commercial production.

Pursuant to the Halo Project option agreement, the Company incurred finder's fees requiring the issuance of common shares ("Finder's fee shares") in separate tranches as follows:

- 118,406 common shares due within five days of the effective date of the agreement (August 9, 2022).
- 75,000 common shares and common shares equal to US\$12,000 due on August 4, 2023.
- 30,000 common shares and common shares equal to US\$12,000 due on August 4, 2024.

The fair value of the first tranche of the Finder's fee shares was measured as \$76,964 based on the \$0.65 per share market price on the date of issuance. Pursuant to the finder's fee agreement, the Company is obligated to issue the remaining 105,000 common shares, as and when the option agreement payments are made.

## **7. EXPLORATION AND EVALUATION EXPENDITURES**

A summary of the Company's exploration and evaluation expenditures for the three months ended May 31, 2023 is as follows:

	<b>ELi Property</b>	<b>Halo Project</b>	<b>Total</b>
	\$	\$	\$
Geophysics	-	7,875	7,875
	-	<b>7,875</b>	<b>7,875</b>

## 7. EXPLORATION AND EVALUATION EXPENDITURES (continued)

A summary of the Company's exploration and evaluation expenditures for the nine months ended May 31, 2023 is as follows:

	<b>ELi Property</b>	<b>Halo Project</b>	<b>Total</b>
	\$	\$	\$
Geological	59,235	7,247	66,482
Geophysics	5,443	87,414	92,857
Mining claims and maintenance	-	1,669	1,669
Permitting	-	6,161	6,161
	<b>64,678</b>	<b>102,491</b>	<b>167,169</b>

During the three and nine months ended May 31, 2022, there were no exploration and evaluation expenditures.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	<b>May 31, 2023</b>	<b>August 31, 2022</b>
	\$	\$
Accounts payables	<b>379,486</b>	169,890
Payroll liabilities	-	3,374
Accrued liabilities	-	4,550
	<b>379,486</b>	<b>177,814</b>

## 9. SHARE CAPITAL

### a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

### b) Issued share capital

As at May 31, 2023, there were 32,925,628 issued and fully paid common shares outstanding (August 31, 2022 - 28,476,739).

During the nine months ended May 31, 2023, the Company had the following share capital transactions:

- The Company issued 4,108,889 common shares pursuant to the exercise of outstanding warrants for cash proceeds of \$410,889. In connection with the exercised warrants, \$43,519 was transferred from reserves to share capital.
- The Company issued 290,000 common shares pursuant to the exercise of outstanding stock options for cash proceeds of \$42,500. In connection with the exercised stock options, \$21,946 was transferred from reserves to share capital.
- On February 21, 2023, the Company issued 50,000 common shares pursuant to the conversion of 50,000 restricted share units.

During the year ended August 31, 2022, the Company completed the following transactions:

- The Company issued 50,000 common shares pursuant to the conversion of 50,000 restricted share units.
- The Company issued 150,000 common shares pursuant to the exercise of stock options for cash proceeds of \$30,000. In connection with the exercised stock options, \$15,236 was transferred from reserves to share capital.
- The Company issued 5,250,023 common shares pursuant to the exercise of outstanding warrants for cash proceeds of \$585,002. In connection with the exercised warrants, \$106,502 was transferred from reserves to share capital.
- On August 9, 2022, the Company issued 1,865,269 and 118,406 common shares as consideration for the Halo Project mineral property option and related finder's fee respectively (Note 6(b)).
- On February 16, 2022, the Company issued 275,000 common shares pursuant to the exercise of 275,000 special warrants (Note 9(c)).

## 9. SHARE CAPITAL (continued)

- On January 17, 2022, the Company issued 5,933,200 units at a price of \$0.25 for gross proceeds of \$1,483,300. Each unit consists of one common share of the Company and one warrant, with each warrant entitling the holder thereof to purchase one post-consolidation common share of the Company at a price of \$0.40 per share for a period of thirty-six months from the issuance date. The warrants were valued using a Black-Scholes option pricing model with the following assumptions: a share price on the issue date of \$0.25, an exercise price of \$0.40, estimated weighted average life of three years, volatility of 114%, and a risk-free interest rate of 0.94%. Applying the relative fair value approach, each common share has a \$0.164 fair value, and each warrant has a \$0.086 fair value (Note 4). As a result, the fair value of share capital on the date of issuance was \$972,097 and the fair value allocated to the warrant reserve was \$511,203. The Company incurred total share issuance costs of \$13,450.
- On December 23, 2021, the Company completed the SPA Transaction with the shareholders of 1291455BC, whereby the Company purchased all the outstanding shares of 1291455BC in exchange for the issuance of 3,468,736 units, each unit comprised of one post-consolidation common share and one warrant (Note 4).
- On December 22, 2021, the Company consolidated its common shares on a 2:1 basis. Shares outstanding of 22,732,200 were consolidated into 11,366,104 shares. As a result, all information relating to basic and diluted loss per share, issued and outstanding common shares, and per share amounts in these financial statements have been adjusted retrospectively to reflect the share consolidation.
- On September 28, 2021, the Company issued 11,266,104 units at a price of \$0.02 for gross proceeds of \$225,322. Each unit consists of one common share of the Company and one warrant, with each warrant entitling the holder thereof to purchase one common share of the Company at a price of \$0.10 per share for a period of thirty-six months from the issuance date. Applying the relative fair value method, each common share has a fair value of \$0.015 and each warrant has a fair value of \$0.005, using the Black-Scholes option pricing model with the following assumptions for the warrants: expected life of three years, a risk-free interest rate of 0.64%, expected volatility of 114% and 0% expected dividend yield. As a result, the fair value of share capital on the date of issuance was \$167,894 and the fair value allocated to the warrant reserve was \$57,428. The company incurred total share issuance costs of \$7,900.

### c) Warrants

A summary of the Company's warrants activity is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, August 31, 2021	100,000	0.10
Granted	20,943,040	0.18
Exercised	(5,525,023)	0.11
Balance, August 31, 2022	15,518,017	0.21
Exercised	(4,108,889)	0.14
<b>Balance, May 31, 2023</b>	<b>11,409,128</b>	<b>0.25</b>

A summary of the Company's outstanding warrants as at May 31, 2023 is as follows:

	Number of warrants	Weighted average exercise price	Weighted average contractual remaining life
Expiry date	#	\$	Years
September 28, 2024	2,931,692	0.10	1.33
December 23, 2024	2,744,236	0.10	1.56
January 17, 2025	5,733,200	0.40	1.63
	<b>11,409,128</b>	<b>0.25</b>	<b>1.54</b>

## 9. SHARE CAPITAL (continued)

On October 15, 2021, the Company issued 275,000 special warrants at the price of \$0.10 per special warrant. The proceeds of \$27,500 were received during the year ended August 31, 2021. Each special warrant, upon exercise, entitles the holder to receive one common share of the Company for no additional consideration. The special warrants will, if not exercised earlier, be deemed to be exercisable on the earlier of (i) the fifth business day after the date on which the Company obtains a receipt from the applicable securities commission in Canada for the final prospectus qualifying the distribution of the Company's shares to be issued upon the exercise or deemed exercise of the special warrants, and (ii) February 16, 2022. The warrants were exercised and converted to 275,000 common shares on February 16, 2022 (Note 9(b)).

### d) Stock options

The Company established a stock option plan (the "Option Plan") for the benefit of full-time and part-time employees, officers, directors, and consultants of the Company and its affiliates. The maximum number of shares available under the Option Plan is limited to 10% of the issued common shares of the Company and are exercisable within a maximum of ten years. The Board of Directors has the exclusive power over the granting of stock options, the exercise price, the term, and their vesting and cancellation provisions.

During the three and nine months ended May 31, 2023, the Company recorded share-based compensation expense of \$nil and \$322,437, respectively (2022 - \$nil and \$3,931, respectively) related to the vesting of stock options.

A summary of the Company's stock options activity is as follows:

	Number of stock options	Weighted average exercise price
	#	\$
Balance, August 31, 2021	-	-
Granted	2,240,000	0.24
Exercised	(150,000)	0.20
Balance, August 31, 2022	2,090,000	0.24
Granted	1,350,000	0.33
Exercised	(290,000)	0.33
<b>Balance, May 31, 2023</b>	<b>3,150,000</b>	<b>0.33</b>

On January 10, 2023, the Company granted 1,300,000 stock options to certain directors, officers, and consultants of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.435. All the stock options vested and were exercisable upon issuance. The stock options expire on January 10, 2025. The fair value of the options was determined to be \$306,021 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, a risk-free interest rate of 3.95%, expected volatility of 114%, and 0% expected dividend yield.

On October 25, 2022, the Company granted 50,000 fully vested stock options to a director of the Company. The exercise price of the options is \$0.55 with an expiry date of October 25, 2024. The fair value of the options was determined to be \$16,415 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, a risk-free interest rate of 4.14%, expected volatility of 114%, and 0% expected dividend yield.

On August 18, 2022, the Company granted 150,000 fully vested options to an officer of the Company. The exercise price of the options is \$0.53 with an expiry date of August 18, 2024. The fair value of the options was determined to be \$47,216 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, a risk-free interest rate of 3.40%, expected volatility of 114%, and 0% expected dividend yield.

On June 30, 2022, the Company granted 190,000 irrevocable options to consultants of the Company. Each option entitles the holder to purchase one common share at an exercise price of \$0.25. All the options were vested and exercisable upon issuance. The options expire on June 30, 2024. The options expire on June 30, 2024. The fair value of the options was determined to be \$28,150 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, a risk-free interest rate of 3.09%, expected volatility of 114% and 0% expected dividend yield.

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**9. SHARE CAPITAL (continued)**

On June 13, 2022, the Company granted 1,400,000 fully vested options to officers, directors, and consultants of the Company. The exercise price of the options is \$0.25 with an expiry date of June 13, 2024. The fair value of the options was determined to be \$207,796 using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, a risk-free interest rate of 3.35%, expected volatility of 114%, and 0% expected dividend yield.

On September 28, 2021, the Company granted 500,000 irrevocable common share options to a service provider and a former officer from the Company. Each option entitles the holder to purchase one common share at an exercise price of \$0.10. All the options were vested and exercisable upon issuance. The options expire on September 28, 2024. The fair value of the options was determined to be \$3,931 using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years, a risk-free interest rate of 0.64%, expected volatility of 114% and 0% expected dividend yield.

A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the nine months ended May 31, 2023 and 2022 is as follows:

Expected life	2 - 3 years
Dividend yield	0%
Volatility rate	114%
Risk-free interest rate	0.64% - 4.14%

The expected life in years represents the period of time the options granted are expected to be outstanding. The volatility rate is based on comparable companies with a historical volatility. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

A summary of the Company's outstanding and exercisable stock options as at May 31, 2023, is as follows:

<b>Expiry date</b>	<b>Outstanding and exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>\$</b>	<b>Years</b>
September 28, 2024	300,000	0.10	1.33
June 13, 2024	1,210,000	0.25	1.04
June 30, 2024	140,000	0.25	1.08
August 18, 2024	150,000	0.53	1.22
October 25, 2024	50,000	0.55	1.40
January 10, 2025	1,300,000	0.44	1.61
	<b>3,150,000</b>	<b>0.33</b>	<b>1.32</b>

**e) Restricted share units**

Each restricted share unit ("RSU") is comprised of one common share of the Company.

On September 23, 2022, the Company granted 200,000 RSUs to a consultant of the Company at a price of \$0.49. These 200,000 RSUs vest in five equal instalments of 40,000 RSUs on September 23, 2022, and at the end of each six-month period thereafter. The fair value of the RSU is the market price at the date of grant of \$0.49.

On August 18, 2022, the Company granted 250,000 RSUs to an officer of the Company at a price of \$0.53. These 250,000 RSUs vest in five equal instalments of 50,000 RSUs on August 18, 2022, and at the end of each six-month period thereafter. The fair value of the RSU is the market price at the date of grant of \$0.53.

During the three and nine months ended May 31, 2023, the Company recorded share-based compensation expense of \$26,829 and \$129,701, respectively (2022 - \$nil and \$nil, respectively) related to the vesting of these RSUs.

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**9. SHARE CAPITAL (continued)**

A summary of the Company's RSUs activity is as follows:

	Number of RSUs	Weighted average exercise price
	#	\$
Balance, August 31, 2021	-	-
Granted	250,000	0.53
Converted	(50,000)	0.53
Balance, August 31, 2022	200,000	0.53
Granted	200,000	0.49
Converted	(50,000)	0.53
<b>Balance, May 31, 2023</b>	<b>350,000</b>	<b>0.51</b>

The weighted average contractual life remaining of RSU's outstanding as at May 31, 2023 is 1.26 years.

**10. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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 management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A summary of the Company's related party transactions is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting and management fees	37,500	-	112,500	-
Exploration and evaluation expenditures	-	-	14,494	-
Legal and professional fees	20,500	21,412	77,388	88,630
Salaries and wages	-	37,500	-	112,500
Share-based compensation	13,984	-	113,490	1,965
	<b>71,984</b>	<b>58,912</b>	<b>317,872</b>	<b>203,095</b>

A summary of the Company's balances due to related parties is as follows:

	May 31, 2023	August 31, 2022
	\$	\$
Accounts payable and accrued liabilities	26,250	19,654

Accounts payable and accrued liabilities as at May 31, 2023 and August 31, 2022 were non-interest bearing and due within 90 days of period end.

## **11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

Company's financial instruments consist of cash, accounts payables and accrued liabilities, and promissory note. The carrying values of these financial instruments approximate their respective fair values due to the term of these instruments. The Company did not have any financial instruments measured at fair value.

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

### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. The Company's cash is exposed to credit risk. The Company reduces its credit risk by placing cash with financial institutions of high credit worthiness.

### **b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required.

At May 31, 2023, the Company had cash of \$15,231 (August 31, 2022 - \$444,917) and accounts payable and accrued liabilities of \$379,486 (August 31, 2022 - \$177,814) with contractual maturities of less than one year. The Company did not have sufficient cash to meet its current liabilities as at May 31, 2023. The Company is exposed to liquidity risk as at May 31, 2023, and will require additional financing to fund future operations.

### **c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not significantly exposed to market risk.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. A summary of the Company's carrying amounts of the foreign currency denominated monetary assets is as follows:

	<b>May 31, 2023</b>	<b>August 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Promissory note	-	26,222

As at May 31, 2023, the Company had no exposure to foreign currency risk as the promissory note of \$26,222 was repaid on October 27, 2022.



## **12. CAPITAL MANAGEMENT**

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain its ability to continue as a going concern.

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. 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 and consultants to sustain future development of the business.

The Company's properties are in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the interim period ending May 31, 2023. The Company is not subject to any external covenants.