

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited – Prepared by Management)**

**(Expressed in Canadian dollars)**

**December 31, 2022**

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Prepared by Management)  
(Expressed in Canadian dollars)

	Note	As at December 31, 2022 (unaudited)	As At March 31, 2022 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 2,312,446	\$ 235,455
GST receivable		113,114	85,891
Accounts receivable		289	-
Prepaid expenses and deposits		98,139	55,948
Net investment in sublease	5	46,515	56,823
<b>Total current assets</b>		<b>2,570,503</b>	<b>434,117</b>
<b>Non-current assets</b>			
Prepaid expenses and deposits		186,754	253,302
Long-term investment	4	4,000	8,000
Exploration and evaluation assets	6	10,769,379	7,191,122
Net investment in sublease	5	-	31,537
<b>Total assets</b>		<b>\$ 13,530,636</b>	<b>\$ 7,918,078</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7, 11	\$ 1,278,468	\$ 1,032,492
Flow-through premium	10	244,497	-
Short-term loans payable	8	1,227,630	7,500
Lease obligation	5	50,717	61,954
Loans payable	9	40,000	-
<b>Total current liabilities</b>		<b>2,841,312</b>	<b>1,101,946</b>
Long-term loans payable	9	-	40,000
Lease obligation – long-term	5	-	34,386
<b>Total liabilities</b>		<b>2,841,312</b>	<b>1,176,332</b>
<b>Equity</b>			
Capital stock	10	26,394,531	24,164,441
Reserves	10	2,798,408	2,294,394
Deficit		(18,503,615)	(19,717,089)
<b>Total equity</b>		<b>10,689,324</b>	<b>6,741,746</b>
<b>Total liabilities and equity</b>		<b>\$ 13,530,636</b>	<b>\$ 7,918,078</b>

**Nature and continuance of operations** (Note 1)

**Contingencies** (Note 15)

**Subsequent events** (Note 16)

**Approved and authorized on behalf of the Board on March 1, 2023:**

***“Jason Barnard”***

Director

***“Andrew Lyons”***

Director

*Jason Barnard*

*Andrew Lyons*

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

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

		For the three-month period Ended December 31,		For the nine-month period Ended December 31,	
	Note	2022	2021	2022	2021
<b>EXPENSES</b>					
Consulting		\$ 66,514	\$ 52,434	\$ 295,023	\$ 142,801
Investor relations and promotion	11	51,770	137,434	147,989	221,437
Management and director fees	11	189,000	213,179	270,569	313,379
Office and interest expense	5, 8	27,042	94,061	160,535	114,602
Professional fees		676,854	143,049	1,191,029	206,660
Share-based payments	10,11	776,916	149,200	1,316,890	149,200
Transfer agent and filing fees		22,632	28,627	51,667	44,618
Travel		3,401	8,813	22,288	20,282
<b>Loss before other items</b>		<b>(1,814,129)</b>	<b>(826,797)</b>	<b>(3,455,990)</b>	<b>(1,212,979)</b>
<b>OTHER ITEMS</b>					
Finance income on sublease	5	1,872	3,849	7,432	12,918
Foreign exchange		472	(114)	(28,105)	(2,570)
Forgiveness of debt		-	-	-	6,697
Gain on sublease		1,481	1,481	4,444	4,443
Gain on sale of property	6	3,500,000	-	3,500,000	-
Recovery of flow-through premium liability	10	464,532	-	610,845	-
Other income		-	75,000	-	75,000
Unrealized loss on long-term investment		-	-	(4,000)	-
<b>Income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 2,154,228</b>	<b>\$ (746,581)</b>	<b>\$ 634,626</b>	<b>\$ (1,116,491)</b>
<b>Basic income (loss) per common share</b>		<b>\$ 0.01</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Diluted income (loss) per common share</b>		<b>\$ 0.01</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding – pre dilution</b>		<b>197,184,096</b>	<b>163,727,870</b>	<b>189,645,891</b>	<b>159,803,173</b>
<b>Dilutive effect - options</b>		<b>3,981,592</b>	<b>-</b>	<b>5,179,924</b>	<b>-</b>
<b>Dilutive effect - warrants</b>		<b>314,262</b>	<b>-</b>	<b>592,571</b>	<b>-</b>
<b>Weighted average number of common shares outstanding – post dilution</b>		<b>201,479,950</b>	<b>163,727,870</b>	<b>195,418,386</b>	<b>159,803,173</b>

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

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
**FOR THE NINE MONTH PERIOD ENDED DECEMBER 31,**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) and comprehensive income (loss) for the period	\$ 634,626	\$ (1,116,491)
Items not involving cash:		
Share-based payments	1,316,890	149,200
Interest expense	14,990	14,075
Recovery of flow-through premium liability	(610,845)	-
Finance income on sublease	(7,432)	(12,918)
Unrealized loss on marketable securities	4,000	-
Changes in non-cash working capital items:		
GST receivable	(27,223)	(5,289)
Accounts receivable	(289)	-
Prepaid expenses and deposits	24,357	(35,715)
Accounts payable and accrued liabilities	49,573	237,560
Net cash provided by (used in) operating activities	<u>1,398,647</u>	<u>(769,578)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	(3,261,683)	(548,688)
Exploration and evaluation recoveries	100,000	-
Net cash used in investing activities	<u>(3,161,683)</u>	<u>(548,688)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placements	1,661,807	592,365
Share issue costs	(99,624)	(1,785)
Exercise of warrants	1,059,017	460,833
Exercise of options	77,750	299,500
Short-term loan received	1,145,520	-
Repayment of lease obligation	(53,720)	(53,720)
Receipt of sublease payments	49,277	49,276
Net cash provided by financing activities	<u>3,840,027</u>	<u>1,346,469</u>
<b>Change in cash for the period</b>	<b>2,076,991</b>	<b>28,203</b>
<b>Cash, beginning of the period</b>	<b><u>235,455</u></b>	<b><u>392,213</u></b>
<b>Cash, end of period</b>	<b>\$ 2,312,446</b>	<b>\$ 420,416</b>
<b>Cash received during the period for interest and taxes</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosures with respect to cash flow (Note 12)

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

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Capital stock		Subscriptions received in advance	Reserves	Deficit	Total equity
	Shares	Amount				
<b>Balance, March 31, 2021</b>	<b>155,217,334</b>	<b>\$ 20,169,728</b>	<b>\$ 40,000</b>	<b>\$ 1,140,567</b>	<b>\$ (15,600,786)</b>	<b>\$ 5,749,509</b>
Acquisition of exploration and evaluation assets	809,701	94,963	-	-	-	94,963
Private placements	4,398,324	592,365	-	-	-	592,365
Share issuance costs	-	(1,785)	-	-	-	(1,785)
Share issued – options exercised	3,750,000	563,692	-	(264,192)	-	299,500
Share issued – warrants exercised	5,311,111	500,833	(40,000)	-	-	460,833
Share issued for services	408,884	42,933	-	-	-	42,933
Share-based payments	-	-	-	149,200	-	149,200
Options cancelled	-	-	-	(24,183)	24,183	-
Loss for the period	-	-	-	-	(1,116,491)	(1,116,491)
<b>Balance, December 31, 2021</b>	<b>169,895,354</b>	<b>\$ 21,962,729</b>	<b>\$ -</b>	<b>\$ 1,001,392</b>	<b>\$ (16,693,094)</b>	<b>\$ 6,271,027</b>
<b>Balance, March 31, 2022</b>	<b>180,425,910</b>	<b>\$ 24,164,441</b>	<b>\$ -</b>	<b>\$ 2,294,394</b>	<b>\$ (19,717,089)</b>	<b>\$ 6,741,746</b>
Acquisition of exploration and evaluation assets	879,732	152,454	-	-	-	152,454
Private placements	4,887,668	1,661,807	-	-	-	1,661,807
Flow-through premium	-	(855,342)	-	-	-	(855,342)
Share issuance costs	-	(99,624)	-	-	-	(99,624)
Share issuance costs – warrants	-	(22,000)	-	22,000	-	-
Share issued – options exercised	650,000	156,278	-	(78,528)	-	77,750
Share issued – warrants exercised	10,637,489	1,059,017	-	-	-	1,059,017
Share issued – PSU redeemed	500,000	177,500	-	(177,500)	-	-
Share-based payments	-	-	-	1,316,890	-	1,316,890
Options cancelled	-	-	-	(61,600)	61,600	-
PSU cancelled	-	-	-	(517,248)	517,248	-
Income for the period	-	-	-	-	634,626	634,626
<b>Balance, December 31, 2022</b>	<b>197,980,799</b>	<b>\$ 26,394,531</b>	<b>\$ -</b>	<b>\$ 2,798,408</b>	<b>\$ (18,503,615)</b>	<b>\$ 10,689,324</b>

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Foremost Lithium Resource & Technology Ltd. (the "Company") which was incorporated under the laws of the Province of British Columbia, is a public company listed on the Canadian Securities Exchange (the "CSE") and trades under the symbol FAT. The Company's head office is located at 2500 – 700 West Georgia Street, Vancouver, BC, V7Y 1K8. The Company's registered and records office is located at 2500 – 700 West Georgia Street, Vancouver, BC, V7Y 1K8.

On January 4, 2022, the Company changed its name to Foremost Lithium Resource & Technology Ltd.

On February 14, 2022, the Company began trading on the OTCQB Venture Market under United States under the symbol FRRSF.

The Company is an exploration company focused on the identification and development of high potential mineral opportunities in stable jurisdictions.

### Going concern of operations

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2022, the Company has had significant losses. In addition, the Company has not generated revenues from operations. The Company has financed its operations primarily through the issuance of common shares and short-term loans. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business, including potential delays to its business plans and activities, and continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These material uncertainties raise substantial doubt upon the Company's ability to continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2022, which have been prepared in accordance with IFRS. The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

**Basis of measurement**

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

**Basis of consolidation**

The condensed interim consolidated financial statements include the financial statements of Foremost Lithium Resource & Technology Ltd. and its subsidiaries, Sierra Gold & Silver Ltd. and Sequoia Gold & Silver Ltd.

Name of Subsidiary	Country of Incorporation	Principal Activity	Proportion of Ownership Interest	
			December 31, 2022	March 31, 2022
Sierra Gold & Silver Ltd.	USA	Holding Company	100%	100%
Sequoia Gold & Silver Ltd.	Canada	Holding Company	100%	100%

All intercompany balances and transactions have been eliminated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates and judgments**

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

- i) Assessment of any indicators of impairment of the carrying value of the Company’s exploration and evaluation assets;
- ii) The ability of the Company to continue as a going concern; and

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Use of estimates and judgments (cont'd...)**

- iii) Contingencies by their nature, will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company is involved in certain legal claims as described in note 15, and the likelihood or outcomes of these claims involves the exercise of significant judgement.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

**Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid holdings that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company does not currently hold any cash equivalents.

**Foreign currency translation**

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates.

The functional currency of the parent entity and Sequoia Gold & Silver Ltd. is the Canadian dollar, which is also the presentation currency of our consolidated financial statements. The functional currency of Sierra Gold & Silver Ltd. is the United States dollar.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income (loss) are translated at the average exchange rate for the period; and
- (iii) All resulting exchange differences are recognized in other comprehensive income (loss) as cumulative translation adjustments.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Foreign currency translation (cont'd...)**

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in this separate component of equity is recognized in profit or loss.

#### **Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the period the expense costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant and the grant is recognized as a reduced depreciation expense over the expected useful life of the asset.

#### **Mineral properties – exploration and evaluation assets**

##### *Pre-exploration costs*

Pre-exploration costs are expensed in the year in which they are incurred.

##### *Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of the property are capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Exploration and evaluation assets are classified as intangible assets.

The Company enters into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Mineral properties – exploration and evaluation assets (cont'd...)**

The Company accounts for mining tax credits on a cash basis and are applied as a reduction to capitalized exploration costs.

#### **Provision for environmental rehabilitation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

Decommissioning obligations:

The Company's activities may give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

#### **Contingencies**

A contingent liability is a possible obligation, and a contingent asset is a possible asset, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation that arises from past events that is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

#### **Impairment of non-financial assets**

At the end of each reporting period the carrying amounts of the Company's long-lived assets, including mineral property interests, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial asset.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest.

If the business model is not to hold the debt instrument, it is classified as fair value through profit or loss (“FVTPL”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income (“FVTOCI”).

Fair value through profit or loss (“FVTPL”) – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income (“FVTOCI”) - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost using the effective interest method if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The following table shows the classification and measurement of the Company’s financial instruments under IFRS 9:

Financial assets/liabilities	Classification and measurement
Cash	at amortized cost
Long-term investment	at FVTPL
Net investment in sublease	at amortized cost
Accounts receivable	at amortized cost
Accounts payable and accrued liabilities	at amortized cost
Lease obligation	at amortized cost
Short-term loans payable	at amortized cost
Long-term loans payable	at amortized cost

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Financial instruments (cont'd...)**

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at FVTPL are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at FVTPL are expensed as incurred.

#### **Impairment of financial assets at amortized cost**

The Company recognizes the expected credit losses (“ECL”) model on a forward-looking basis on financial assets that are measured at amortized cost, contract assets and debt instruments carried at FVTOCI.

At each reporting date, the Company measures the ECL for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the ECL for the financial asset at an amount equal to twelve month expected credit losses. The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was \$Nil as at December 31, 2022.

#### **Derecognition of financial assets and financial liabilities**

A financial asset is derecognized when the contractual right to the asset’s cash flows expire; or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company derecognizes a financial liability when its obligations are discharged, cancelled or expired.

#### **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the period ended December 31, 2022, 17,065,000 (March 31, 2022 – 11,965,000) stock options & performance stock options, 1,488,235 (March 31, 2022 – 14,067,213) warrants and 500,000 (March 31, 2022 – 12,499,996) performance share units were not included in the calculation of dilutive earnings per share as their inclusion was anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the period.

#### **Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized in share-based payment reserve over the vesting period. Consideration paid for the shares along with the fair value recorded in share-based payment reserve on the exercise of stock options is credited to capital stock. When vested options are cancelled, forfeited, or are not exercised by the expiry date, the amount previously recognized in share-based payment reserve is transferred to accumulated losses (deficit). The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

For performance share units and stock options with vesting containing a market condition, the grant date fair value is measured using the Monte Carlo model to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The expense recognized for performance-based stock-options is based on an estimation of the probability of achieving the market condition and the timing of the achieving of the market condition, which is difficult to predict. The fair value is recognized straight line over the life of the performance share units or stock options which vest based on a market condition. Upon achieving a market condition, the awards shall vest and any unvested fair value related to the vested awards will be accelerated and recognized.

#### **Share issue costs**

Share issue costs are deferred and charged directly to capital stock on completion of the related financing. If the financing is not completed, share issue costs are charged to operations. Costs directly identifiable with the raising of capital will be charged against the related capital stock.

#### **Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Valuation of equity units issued in private placements (cont'd...)**

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

**Leases**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

When the Company enters into a sublease, it determines at lease inception date whether each sublease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sublease is a financial lease: if not then it is an operational lease.

For financial leases, and when the Company acts as intermediate lessor, it recognizes a sublease receivable and derecognizes the right-of-use assets relating to the head lease that it transfers to the sub leases. Right-of-use assets and net investment in sublease receivables relating to the subleases are measured in the same way as the right-of-use assets and lease liabilities for the head lease, using the same discount rate for the actualization of future payments to be received.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**New accounting standards issued and effective**

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning on or after January 1, 2022. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these condensed interim consolidated financial statements.

- i) **Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)** - The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (example would be the allocation of the depreciation charge for property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022. The adoption of this new accounting standard had no material impact on the Company's condensed interim consolidation financial statements for the current period.

A number of new standards, and amendments to standards and interpretations, are not effective and have not been early adopted in preparing these condensed interim consolidated financial statements. The following accounting standards and amendments are effective for future periods:

- i) **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

The adoption of this new accounting standard is not expected to have a material impact on the Company's condensed interim consolidation financial statements for the current period.

**4. LONG-TERM INVESTMENT**

	December 31, 2022			March 31, 2022		
	Number of shares	Cost	Fair Value	Number of shares	Cost	Fair Value
Alchemist Mining Inc.	10,000	\$ 9,500	\$ 4,000	10,000	\$ 9,500	\$ 8,000

On August 20, 2014, the Company received 100,000 common shares of Alchemist Mining Inc. ("Alchemist"), a corporation of which the CEO is a family member of the Company's former CEO, at a fair value of \$5,500 related to the Tchentlo Lake property. Alchemist shares were initially valued at the trading price of \$0.055 per share.

On August 20, 2016, the Company received 100,000 common shares of Alchemist related to the amended Tchentlo Lake property. These shares were initially valued at the trading price of \$0.04 per share.

The Company classified the Alchemist shares as an investment at fair value through profit or loss.

Effective November 19, 2021, Alchemist Mining Inc. consolidated its common shares on a 20:1 basis.

At December 31, 2022, the Company valued the shares at \$4,000 (March 31, 2022 - \$8,000) and recorded an unrealized loss of \$4,000 (Year ended December 31, 2021 - \$Nil) from changes in the fair value.

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**5. LEASES**

For the nine month period ending December 31, 2022, interest expense on the lease obligation was \$8,097 (2021 - \$14,075). The lease term matures on September 30, 2023. The below tables show the continuity of lease obligation and the reconciliation between the undiscounted and discounted balances:

Lease obligation, March 31, 2021	\$ 150,218
Interest expense	17,749
Payments made	(71,627)
Lease obligation, March 31, 2022	96,340
Interest expense	8,097
Payments made	(53,720)
Lease obligation, December 31, 2022	50,717
Current portion	(50,717)
Non-current portion	\$ -
	December 31, 2022
Less than one year	\$ 53,720
Greater than one year	-
Total lease obligation - undiscounted	53,720
Unamortized interest	(3,003)
Total lease obligation - discounted	\$ 50,717

The weighted average incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 15%.

During the year ended March 31, 2021, the Company amended the lease agreement and recognized a loss on lease amendment of \$8,956. During the year ended March 31, 2021, the Company also recognized a gain on sublease of \$4,295.

For the period ending December 31, 2022, finance income of the net investment in sublease was \$7,432 (2021 - \$12,918). The sublease term matures on September 30, 2023. The below tables show the continuity of net investment in sublease and the reconciliation between the undiscounted and discounted balances:

Net investment in sublease, March 31, 2021	\$ 137,772
Finance income	16,290
Payments received	(65,702)
Net investment in sublease, March 31, 2022	88,360
Finance income	7,432
Payments received	(49,277)
Net investment in sublease, December 31, 2022	46,515
Current portion	(46,515)
Non-current portion	\$ -
	December 31, 2022
Less than one year	\$ 49,276
Greater than one year	-
Total net investment in sublease – undiscounted	49,276
Unamortized finance income	(2,761)
Total net investment in sublease – discounted	\$ 46,515

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**6. EXPLORATION AND EVALUATION ASSETS**

During the period ended December 31, 2022, the following exploration expenditures were incurred on the exploration and evaluation assets:

	Zoro Property	Grass River Property	Winston Property	Peg North Property	Jean Lake Property	Jol Lithium Property	Total
<b>Acquisition costs</b>							
Balance, March 31, 2022	\$ 1,909,407	\$ 40,500	\$ 1,200,586	\$ -	\$ 50,000	\$ -	\$ 3,200,493
Cash	-	-	58,150	100,000	50,000	8,000	216,150
Shares	-	-	-	100,000	50,000	2,454	152,454
Other	-	3,000	67,717	-	-	-	70,717
Balance, December 31, 2022	1,909,407	43,500	1,326,453	200,000	150,000	10,454	3,639,814
<b>Exploration costs</b>							
Balance, March 31, 2022	3,402,511	-	244,216	-	343,902	-	3,990,629
Assay	626	-	-	-	-	-	626
Geological and consulting	696,178	412,874	82,662	465,234	1,542,997	38,365	3,238,310
Exploration cost recovery	-	-	-	-	(100,000)	-	(100,000)
Balance, December 31, 2022	4,099,315	412,874	326,878	465,234	1,786,899	38,365	7,129,565
Total Balance, December 31, 2022	\$ 6,008,722	\$ 456,374	\$ 1,653,331	\$ 665,234	\$ 1,936,899	\$ 48,819	\$ 10,769,379

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the year ended March 31, 2022, the following exploration expenditures were incurred on the exploration and evaluation assets:

	Zoro Property	Grass River Property	Winston Property (as restated – Note 17)	Jean Lake Property	Total
<b>Acquisition costs</b>					
Balance, March 31, 2021	\$ 1,764,444	\$ -	\$ 1,121,057	\$ -	\$ 2,885,501
Cash	75,000	40,500	79,529	25,000	220,029
Shares	69,963	-	-	25,000	94,963
Balance, March 31, 2022	1,909,407	40,500	1,200,586	50,000	3,200,493
<b>Exploration costs</b>					
Balance, March 31, 2021	3,203,419	-	174,732	-	3,378,151
Assay	1,216	-	4,712	-	5,928
Drilling	150,633	-	-	-	150,633
Geological and consulting	47,243	-	64,772	543,902	655,917
Exploration cost recovery	-	-	-	(200,000)	(200,000)
Balance, March 31, 2022	3,402,511	-	244,216	343,902	3,990,629
Total balance, March 31, 2022	\$ 5,311,918	\$ 40,500	\$ 1,444,802	\$ 393,902	\$ 7,191,122

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Zoro Property**

Zoro I

The Company has earned a 100% interest in the Zoro I Claim in the Snow Lake area in Manitoba by paying a total of \$150,000 in cash and issuing 7,000,000 common shares (valued at \$635,000).

In addition, during the year ended March 31, 2017, the Company issued 1,000,000 common shares to an arm's length party at a fair value of \$135,000 as a finder's fee on the Zoro I option agreement.

Zoro North

The Company has earned a 100% interest in ground contiguous with its Zoro 1 near Snow Lake, Manitoba subject to a 2% NSR by paying a total of \$250,000 in cash, issuing \$250,000 in shares (2,632,803 shares issued) and incurring \$1,000,000 of exploration expenditures.

The Company can acquire an undivided fifty percent interest in the NSR, being one-half of the NSR or a 1% Net Smelter Return from by making a \$1,000,000 cash payment, together with all accrued but unpaid NSR at the time, prior to the commencement of commercial production.

During the option period, the Company will be solely responsible for carrying out and administering exploration, development and mining work on the property and for maintaining the property in good standing.

Manitoba Lithium

The Company has earned a 100% interest in all lithium-bearing pegmatite dykes on three contiguous claims in Manitoba by paying \$250,000 in cash and issuing \$250,000 in shares (2,724,674 shares issued).

The property is subject to a 2% NSR. The Company can acquire an undivided fifty percent interest in the NSR, being one-half of the NSR or a 1% Net Smelter Return from Strider Resources Limited ("Strider") by making a \$1,000,000 cash payment to Strider, together with all accrued but unpaid NSR at the time, prior to the commencement of commercial production.

During the option period, the Company is responsible for carrying out and administering exploration, development and mining work on the property and for maintaining the property in good standing.

**Grass River Property**

During the year ended March 31, 2022, the Company staked claims on the Grass River Property in the Snow Lake area of Manitoba for \$40,500. During the period ended December 31, 2022, the Company staked claims on the Grass River Property in the Snow Lake area of Manitoba for \$3,000.

**Peg North Property**

During the period ended December 31, 2022, the Company entered into an option agreement to acquire a 100% interest in the Peg North claims located in the historic Snow Lake mining district in Manitoba upon completion of the following:

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Peg North Property (cont'd...)**

- a) Cash payments of \$750,000 as follows;
  - i) Cash payment of \$100,000 on or before June 23, 2022 (paid);
  - ii) Cash payment of \$100,000 on or before June 9, 2023;
  - iii) Cash payment of \$100,000 on or before June 9, 2024;
  - iv) Cash payment of \$150,000 on or before June 9, 2025;
  - v) Cash payment of \$150,000 on or before June 9, 2026;
  - vi) Cash payment of \$150,000 on or before June 9, 2027; and
  
- b) Issuance of \$750,000 in shares of the Company as follows;
  - i) Issue \$100,000 in common shares on or before June 23, 2022 (issued 526,316 shares);
  - ii) Issue \$100,000 in common shares on or before June 9, 2023;
  - iii) Issue \$100,000 in common shares on or before June 9, 2024;
  - iv) Issue \$150,000 in common shares on or before June 9, 2025;
  - v) Issue \$150,000 in common shares on or before June 9, 2026
  - vi) Issue \$150,000 in common shares on or before June 9, 2027; and
  
- c) Incurring exploration expenditures totaling \$3,000,000 (incurred \$465,264) due on or before June 9, 2027.

The property is subject to a 2% NSR for which the Company can make a one-time \$1,500,000 payment to re-purchase 1% of the NSR once 100% interest has been achieved.

**Hidden Lake Property**

During the period ended December 31, 2022, the Company sold its 60% interest in the Hidden Lake Project in Yellowknife, NWT for \$3,500,000, which was previously written off resulting in a gain on sale of property of \$3,500,000.

**Winston Property**

During the nine-month period ended December 31, 2022, the Company amended the terms of the option agreement and acquired a 100% interest in the Winston Property by issuing a US\$75,000 promissory note (US\$25,000 paid). The promissory note is due on October 15, 2023 and is non interest bearing.

In accordance with the terms and condition of the underlying purchase agreement in order to complete the acquisition of the Ivanhoe/Emporia claims, the Company is required to pay the original owner of the claims the remaining purchase price of US\$361,375 (US\$42,000 paid). Before the remaining purchase price is paid in full, the Company is subject to a minimum monthly royalty payment based on monthly average silver price which reduces the remaining purchase price once paid. The accrued minimum monthly royalty payments outstanding as of December 31, 2022, totals US\$225,125 (March 31, 2022 - US\$207,125). The agreement also entitles the owner to a permanent production royalty of 2% of NSR.

Prior to acquiring the 100% interest, during prior fiscal years, the Company had the following option agreements which are now superseded:

During the year ended March 31, 2015, the Company entered into an option agreement with Redline Minerals Inc., Redline Mining Corporation and Southwest Land & Exploration Inc. (collectively, the "Optionors") to acquire up to an 80% interest in the Winston Property consisting of the Little Granite claims and the Ivanhoe/Emporia claims located in Sierra County, New Mexico, U.S.A.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Winston Property (cont'd...)**

During the years ended March 31, 2016 and 2017, the Company amended the option agreement with the Optionors to acquire an initial 50% interest upon completion of the following:

- a) Cash payment of non-refundable deposits of \$35,000 (paid);
- b) Cash payments of \$81,250 (paid);
- c) Cash payment of \$13,750 on or before November 15, 2014 (paid);
- d) Share issuance of 300,000 common shares of the Company on January 15, 2015 (issued);
- e) Cash payments of \$120,000 as follows:
  - vii) Cash payment of \$40,000 on or before February 28, 2016 (paid);
  - viii) Cash payment of \$40,000 on or before June 1, 2016 (paid);
  - ix) Cash payment of \$40,000 on or before June 1, 2017 (see amended terms below);
- f) Issuance of 2,500,000 common shares (1,500,000 shares issued) of the Company as follows:
  - vii) Issue 500,000 common shares on or before October 17, 2014 (issued);
  - viii) Issue 500,000 common shares on or before October 17, 2015 (issued);
  - ix) Issue 500,000 common shares on or before October 17, 2016; (issued)
  - x) Issue 500,000 common shares on or before October 17, 2017 (see amended terms below);
  - xi) Issue 500,000 common shares on or before October 17, 2018 (see amended terms below); and
- g) Incurring exploration expenditures totaling \$300,000 due on or before October 17, 2017 (see amended terms below).

The agreement was also amended to include a further option to acquire up to an additional 30% (80% in total interest).

In exchange for the amendment of the option agreement, the Company issued 100,000 common shares at a fair value of \$3,000 on February 26, 2016.

During the year ended March 31, 2017, the Company made a \$25,000 cash payment to the original vendors of the Winston Property.

During the year ended March 31, 2018, the Company's wholly owned subsidiary offered to acquire a 100% interest to the claims from the Optionors by completing the following:

- a) Cash payment of \$35,000 (paid);
- b) Issuance of 2,500,000 common shares of the Company (issued and valued at \$275,000); and
- c) Issuance of a \$50,000 non-interest-bearing promissory note which is repayable on August 24, 2017 (issued and repaid).

In accordance with the terms and condition of the underlying purchase agreement in order to complete the acquisition of the Little Granite claims, the Company is required to make the following payments:

- a) Cash payments of US \$12,000 on or before July 15, 2017 (paid)
- b) Cash payments of US \$6,000 on or before March 31, 2018 (paid);
- c) Cash payments of US \$12,000 on or before July 15, 2018 (paid);
- d) Cash payments of US \$12,000 on or before July 15, 2019 (paid);
- e) Cash payments of US \$12,000 on or before July 15, 2020 (paid);
- f) Cash payment of US \$19,000 on or before October 1, 2020 (paid);
- g) Cash payment of US \$19,000 on or before October 1, 2021 (paid);
- h) Cash payments of US \$380,000 on or before October 1, 2022 (paid US\$19,000) (see amended terms above).

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Jean Lake Property**

On July 30, 2021, the Company entered into an option agreement with Mount Morgan Resources Ltd. to acquire a 100% interest in Jean Lake lithium-gold project located in Manitoba.

The option agreement provides for the Company to earn a 100% interest over 4 years by cash payments and share issuances to Mount Morgan Resources Ltd. and exploration expenditures as follows:

- i) \$25,000 cash (paid) and common shares of the Company having a value of \$25,000 (250,000 shares issued) on or before August 1, 2021;
- ii) \$50,000 cash (paid), \$50,000 in common shares (335,235 shares issued) and \$50,000 exploration expenditures (incurred) on or before August 1, 2022;
- iii) \$50,000 cash, \$50,000 in common shares and \$50,000 (further) exploration expenditures (incurred) on or before August 1, 2023;
- iv) \$50,000 cash, \$50,000 in common shares and \$50,000 (further) exploration expenditures (incurred) on or before August 1, 2024;
- v) \$75,000 cash, \$75,000 in common shares and \$50,000 (further) exploration expenditures (incurred) on or before August 1, 2025.

Once the Company earns the interest, the Company will grant a 2% NSR to Mount Morgan Resources Ltd. The NSR may be reduced to 1% by the Company's payment of \$1,000,000 to the NSR holder.

During the year ended March 31, 2022, the Company entered into an agreement with Manitoba Government to receive a grant of \$300,000 for drill program on Jean Lake and Zoro Lithium properties and received \$200,000 during the year ended March 31, 2022 and \$100,000 during the period ended December 31, 2022.

**Jol Lithium Property**

During the period ended December 31, 2022, the Company entered into an agreement and acquired a 100% interest in the MB3530 claim in the Snow Lake area in Manitoba. To earn the interest, the Company paid \$8,000 and issued 18,181 common shares. The property is subject to a 2% NSR.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payables and accrued liabilities for the Company are broken down as follows:

	Note	December 31, 2022	March 31, 2022
Trade payables		\$ 625,620	\$ 603,002
Royalty payables		304,896	261,685
Accrued liabilities		194,634	68,778
Due to related parties	11	153,318	99,027
<b>Total</b>		<b>\$ 1,278,468</b>	<b>\$ 1,032,492</b>

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**8. SHORT-TERM LOANS PAYABLE**

	December 31, 2022	March 31, 2022
Loan payable on demand, unsecured with no interest and no fixed term	\$ 2,500	\$ 2,500
Loan payable on demand, unsecured with 10% interest per annum and no fixed term	5,000	5,000
Loan payable on May 10, 2023 secured with 8.35% interest per annum	1,152,413	-
US \$50,000 promissory note (Note 6)	67,717	-
	<u>\$ 1,227,630</u>	<u>\$ 7,500</u>

During the period ended December 31, 2022, the Company entered into a loan agreement with a related party to borrow \$1,145,520, inclusive of a prior advance of \$145,520 (“Initial Advance”) included in short-term loans payable owing to a director of the Company. The loan accrues interest at a rate of 8.35%, payable monthly, and matures on May 10, 2023. The loan is secured against all goods of the Company. The Company paid an aggregate of \$56,000 in interest during the period ended December 31, 2022.

**9. LOANS PAYABLE**

During the year ended March 31, 2021, the Company received a loan of \$40,000 for the Canada Emergency Business Account to provide emergency support to business due to the impact of COVID-19. The loan is non-interest bearing until December 31, 2023, after which it will incur interest at 5% per annum. If the principal of \$30,000 is fully repaid on or before December 31, 2023, the remaining \$10,000 will be forgiven.

**10. CAPITAL STOCK AND RESERVES****a) Authorized capital stock:**

As at December 31, 2022, the authorized capital stock of the Company was:

- i) Unlimited number of common shares without par value.
- ii) All issued shares are fully paid.

**b) Issued capital stock:**

During the period ended December 31, 2022, the Company:

- issued 650,000 common shares upon exercise of options for gross proceeds of \$77,750, resulting in a reallocation of share-based reserves of \$78,528 from reserves to share capital. The weighted average share price on the date of the option exercises was \$0.24.
- issued 10,637,489 common shares upon exercise of warrants for gross proceeds of \$1,059,017.
- issued 526,316 common shares at a value of \$100,000 as part of the acquisition payments for the Peg North Option Agreement (see note 6).
- issued 18,181 common shares at a value of \$2,454 as part of the acquisition payments for the Jol Lithium Option Agreement (see note 6).
- closed a non-brokered private placement of 4,887,668 flow-through common shares at \$0.34 per common shares for gross proceeds of \$1,661,807. Cash finder’s fees of \$99,624 were paid on the financings and the Company issued 288,235 share purchase finders warrants. Each finders warrant entitles the holder to purchase one common share at a price of \$0.20 for a two-year period. A value of \$855,342 was attributed to the flow-through premium liability in connection with the financing. As at December 31, 2022, the Company has fulfilled \$1,186,784 of the flow-through exploration commitments.

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**10. CAPITAL STOCK AND RESERVES (cont'd...)**

**b) Issued capital stock: (cont'd...)**

- issued 335,235 common shares at a value of \$50,000 as part of the acquisition payments for the Jean Lake Option Agreement (see note 6).
- issued 500,000 common shares valued at \$177,500 pursuant to PSU redemption to a related party.

During the year ended March 31, 2022, the Company:

- issued 9,335,000 common shares upon exercise of options for gross proceeds of \$850,575. The weighted average share price on the date of the option exercises was \$0.24.
- issued 7,756,667 common shares upon exercise of warrants for gross proceeds of \$741,889.
- closed a non-brokered private placement of 2,008,324 units at \$0.17 per unit for gross proceeds of \$341,415. Each unit consists of one common share and one share purchase warrant. The warrant entitles the holder to purchase one additional common share for a period of 18 months at a price of \$0.25 per share.
- issued 250,000 common shares at a value of \$25,000 as part of the acquisition payments for the Jean Lake Option Agreement (see note 6).
- issued 559,701 common shares at a value of \$69,963 as part of the acquisition payments for the Zoro North Option Agreement (see note 6).
- closed a non-brokered private placement of 2,390,000 units at \$0.105 per unit for gross proceeds of \$250,950. Each unit consists of one common share and one share purchase warrant. The warrant entitles the holder to purchase one additional common share for a period of 24 months at a price of \$0.13 per share.
- issued 408,884 common shares valued at \$42,933 to settle \$42,933 of services with a non-related party.
- reinstated 200,000 options previously forfeited.
- issued 1,000,000 common shares valued at \$380,000 to settle \$279,644 of debt with a non-related party and recorded \$100,356 as loss on the settlement.
- issued 1,500,000 common shares valued at \$532,500 pursuant to PSU redemption to a related party.

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****c) Stock options:**

The Company follows the policies of the Canadian Securities Exchange under which it is authorized to grant options to executive officers and directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the day before the date of grant. The options can be granted for a maximum term of ten years.

The options shall be subject to such vesting requirements, if any, as may be determined by the Board from time to time provided that options granted to consultants performing "investor relation activities" must vest in stages over 12 months with no more than ¼ of the options granted vesting in any six month period.

During the period ended December 31, 2022, the Company:

- granted 1,000,000 stock options to a consultant of the Company. The options are exercisable at \$0.255 per option for three years with an estimated fair value of \$198,300 and vest immediately.
- granted 400,000 stock options to a consultant of the Company. The options are exercisable at \$0.275 per option for three years with an estimated fair value of \$83,200 and vest immediately.
- granted 3,100,000 stock options to a consultant of the Company. The options are exercisable at \$0.18 per option for three years with an estimated fair value of \$395,600 and vest immediately.
- granted 1,550,000 stock options to a consultant of the Company. The options are exercisable at \$0.19 per option for three years with an estimated fair value of \$208,600 and vest immediately.
- cancelled 300,000 stock options, resulting in a reallocation of share-based reserves of \$61,600 from reserves to deficit.

During the year ended March 31, 2022, the Company:

- granted 250,000 stock options to consultants of the Company. The options are exercisable at \$0.105 per option for five years with an estimated fair value of \$21,500 and vest immediately.
- granted 500,000 stock options to consultants of the Company. The options are exercisable at \$0.15 per option for five years with an estimated fair value of \$66,100 and vest immediately.
- granted 300,000 stock options to consultants of the Company. The options are exercisable at \$0.25 per option for five years with an estimated fair value of \$61,600 and vest immediately.
- granted 5,500,000 stock options to consultants of the Company. The options are exercisable at \$0.285 per option for one year with an estimated fair value of \$666,100 and vest immediately.
- granted 500,000 stock options to a consultant of the Company. The options are exercisable at \$0.41 per option for five years with an estimated fair value of \$163,700 and vest immediately.
- granted 1,000,000 stock options to a consultant of the Company. The options are exercisable at \$0.35 per option for five years with an estimated fair value of \$285,300 and vest immediately.
- granted 750,000 stock options to a consultant of the Company. The options are exercisable at \$0.33 per option for two years with an estimated fair value of \$150,400 and vest immediately.

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****c) Stock options: (cont'd...)**

- granted 200,000 stock options to a consultant of the Company. The options are exercisable at \$0.31 per option for three years with an estimated fair value of \$46,600 and will vest 100% on December 8, 2022. For the year ended March 31, 2022, the Company recorded \$3,897 as share-based compensation. For the period ended December 31, 2022, the Company recorded \$42,702 as share-based compensation.

Stock option transactions for the period ended December 31, 2022 are summarized as follows:

Expiry Date	Exercise Price	Balance March 31, 2022	Granted	Exercised	Forfeited/Expired	Balance December 31, 2022	Exercisable
January 4, 2023	\$0.285	5,250,000	-	-	-	5,250,000*	5,250,000
March 1, 2024	\$0.330	750,000	-	-	-	750,000	750,000
March 8, 2025	\$0.310	200,000	-	-	-	200,000	200,000
September 2, 2025	\$0.255	-	1,000,000	-	-	1,000,000	1,000,000
September 6, 2025	\$0.275	-	400,000	-	-	400,000	400,000
November 20, 2025	\$0.080	400,000	-	(100,000)	-	300,000	300,000
December 2, 2025	\$0.180	-	3,100,000	-	-	3,100,000	3,100,000
December 13, 2025	\$0.190	-	1,550,000	-	-	1,550,000	1,550,000
January 15, 2026	\$0.145	2,065,000	-	(300,000)	-	1,765,000	1,765,000
October 21, 2026	\$0.105	250,000	-	(250,000)	-	-	-
November 1, 2026	\$0.150	500,000	-	-	-	500,000	500,000
December 3, 2026	\$0.250	300,000	-	-	(300,000)	-	-
January 17, 2027	\$0.410	500,000	-	-	-	500,000	500,000
February 16, 2027	\$0.350	1,000,000	-	-	-	1,000,000	1,000,000
<b>Total</b>		<b>11,215,000</b>	<b>6,050,000</b>	<b>(650,000)</b>	<b>(300,000)</b>	<b>16,315,000</b>	<b>16,315,000</b>
<b>Weighted average exercise price</b>		<b>\$0.26</b>	<b>\$0.20</b>	<b>\$0.12</b>	<b>\$0.25</b>	<b>\$0.24</b>	<b>\$0.24</b>
<b>Weighted average remaining life (years)</b>						<b>1.99</b>	

\*expired subsequently

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the period ended December 31, 2022	For the year ended March 31, 2022
Fair value per option	\$0.12	\$0.15
Exercise price	\$0.20	\$0.29
Expected life (years)	3.00	2.26
Interest rate	3.49%	1.16%
Annualized volatility (based on historical volatility)	118%	114%
Dividend yield	0.00%	0.00%

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****c) Stock options: (cont'd...)**

Stock option transactions for the year ended March 31, 2022 are summarized as follows:

Expiry Date	Exercise Price	Balance March 31, 2021	Granted	Exercised	Forfeited/ Expired	Balance March 31, 2022	Exercisable
June 27, 2021	\$0.100	250,000	-	-	(250,000)	-	-
January 4, 2023	\$0.285	-	5,500,000	(250,000)	-	5,250,000	5,250,000
January 17, 2024	\$0.120	-	200,000	(200,000)	-	-	-
March 1, 2024	\$0.330	-	750,000	-	-	750,000	750,000
March 8, 2025	\$0.310	-	200,000	-	-	200,000	-
June 12, 2025	\$0.070	1,950,000	-	(1,950,000)	-	-	-
November 20, 2025	\$0.080	6,350,000	-	(5,950,000)	-	400,000	400,000
January 15, 2026	\$0.145	3,050,000	-	(985,000)	-	2,065,000	2,065,000
October 21, 2026	\$0.105	-	250,000	-	-	250,000	250,000
November 1, 2026	\$0.150	-	500,000	-	-	500,000	500,000
December 3, 2026	\$0.250	-	300,000	-	-	300,000	300,000
January 17, 2027	\$0.410	-	500,000	-	-	500,000	500,000
February 16, 2027	\$0.350	-	1,000,000	-	-	1,000,000	1,000,000
<b>Total</b>		<b>11,600,000</b>	<b>9,200,000</b>	<b>(9,335,000)</b>	<b>(250,000)</b>	<b>11,215,000</b>	<b>11,015,000</b>
Weighted average exercise price		\$0.10	\$0.29	\$0.09	\$0.10	\$0.26	\$0.25
Weighted average remaining life (years)						2.45	

**d) Performance Stock Options:**

During the year ended March 31, 2022, the Company granted 750,000 performance-based stock options to a consultant of the Company. The options are exercisable at \$0.285 per option for two years with an estimated fair value of \$126,297 and will vest 100% when the closing share price is \$0.50 or higher for 3 consecutive trading days. For the year ended March 31, 2022, the Company recorded \$Nil as share-based compensation as the fair value will be recorded on a straight-line basis over the life of the performance-based stock option as it was issued on March 31, 2022. For the period ended December 31, 2022, the Company recorded \$47,361 as share-based compensation.

Expiry Date	Exercise Price	Balance March 31, 2022	Granted	Exercised	Forfeited/ Expired	Balance December 31, 2022	Exercisable
March 31, 2024	\$0.285	750,000	-	-	-	750,000	-
<b>Total</b>		<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>	<b>-</b>
Weighted average exercise price		\$0.285	-	-	-	\$0.285	-
Weighted average remaining life (years)						1.25	

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****d) Performance Stock Options: (cont'd...)**

For performance-based stock options with a market condition, a Monte Carlo simulation model is used to determine the fair value. The Monte Carlo model utilizes multiple input variables that determine the probability of satisfying the market conditions stipulated in the award. The expense recognized for performance-based options is based on an estimation of the probability of achieving the market condition and the timing of the achieving of the market condition, which is difficult to predict. The following assumptions were used at the time of grant:

	For the period ended December 31, 2022	For the year ended March 31, 2022
Market target price	\$0.50	\$0.50
Share price	\$0.265	\$0.30
Expected life (years)	3	2
Interest rate	2.39%	2.27%
Annualized volatility (based on historical volatility)	107.5%	111.2%

**e) Performance Share Units: (“PSU”)**

Effective January 17, 2022, amended September 7, 2022, the Company’s board of directors adopted a performance-based share unit plan (the “PSU Plan”) which reserved a fixed aggregate of 17,169,535 common shares (being 10% of the Company’s then issued and outstanding common shares”) for issuance upon the redemption of performance-based share award units (each a “PSU”). Under the terms of the PSU Plan, the Company is required to obtain shareholder approval for the PSU Plan within 3 years after its adoption, and at least every three years thereafter. Any PSUs issued are subject to a four month hold from date of issue.

	Number of PSUs Outstanding	Number of PSUs Vested	Weighted Average Grant Date Fair Value	Share-based payment reserve
Balance at March 31, 2021	-	-	\$ -	\$ -
PSUs granted	13,999,996	-	0.297	1,063,622
PSUs vested	-	2,500,000	0.355	-
PSUs redeemed	(1,500,000)	(1,500,000)	0.355	(532,500)
Balance at March 31, 2022	12,499,996	1,000,000	0.290	531,122
PSUs granted	8,000,004	-	0.190	-
PSUs vesting through the period	-	-	0.290	341,127
PSUs redeemed	(500,000)	(500,000)	0.355	(177,500)
PSUs forfeited/cancelled	(19,500,000)	-	0.297	(517,249)
Balance at December 31, 2022	500,000	500,000	\$ 0.355	\$ 177,500

On January 31, 2022, the Company granted 13,999,996 PSUs fair valued at \$4,156,210, to certain directors and officers under the Company’s PSU Plan. Of the 13,999,996 PSUs granted, 2,500,000 PSUs vested and became redeemable by the holders, and the remaining 11,499,996 PSUs will vest and become redeemable only upon the achievement of certain closing price milestones ranging between \$0.50 and \$1.75 which will expire on January 31, 2025.

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****d) Performance Share Units: (cont'd...)**

Of the 13,999,996 PSUs granted, 2,500,000 PSUs vested during the year ended March 31, 2022 and the remaining unvested PSUs are expensed straight line over 3 years. During the year ended March 31, 2022, the Company recognized share-based payment expense of \$1,063,622. Of the 2,500,000 PSUs that vested, 1,500,000 were converted to common shares during the year-ended March 31, 2022. During the period ended December 31, 2022, the Company recognized share-based payment expense of \$135,395.

During the period ended December 31, 2022, the Company granted 2,000,000 PSUs fair valued at \$387,379, to a director under the Company's PSU Plan. The PSUs will vest and become redeemable only upon the achievement of certain closing price milestones ranging between \$0.50 and \$1.75 which were to expire on April 12, 2025. During the period ended December 31, 2022, the Company recognized share-based payment expense of \$60,495.

During the period ended December 31, 2022, the Company modified 6,999,996 unvested PSUs from earlier grants. The modified PSUs are fair valued at \$638,584 and will vest and become redeemable upon the occurrence of certain capital market liquidity events, with the balance vesting on the achievement of certain closing price milestones ranging between \$0.39 and \$1.36. The Company recognized \$78,205 in share-based compensation expense.

During the period ended December 31, 2022, the Company granted 6,000,004 PSUs fair valued at \$1,288,898, to directors under the Company's PSU Plan. The PSUs will vest and become redeemable upon the occurrence of certain capital market liquidity events, with the balance vesting on the achievement of certain closing price milestones ranging between \$0.39 and \$1.36. The Company recognized \$67,032 in share-based compensation expense.

During the period ended December 31, 2022, 19,500,000 unvested PSUs were cancelled. Upon cancellation \$517,248 of previously recognized share-based compensation expense was reversed from reserves directly to deficit.

**f) Unit warrants:**

A continuity of the unit warrants granted is as follows:

Expiry Date	Exercise Price	Balance March 31, 2022	Granted	Exercised	Cancelled/ Expired	Balance December 31, 2022
August 28, 2022	\$0.075	2,688,889	-	(2,688,889)	-	-
August 28, 2022	\$0.10	6,080,000	-	(6,080,000)	-	-
October 29, 2022	\$0.25	1,808,324	-	(178,600)	(1,629,724)	-
December 15, 2022	\$0.10	1,100,000	-	(500,000)	(600,000)	-
December 2, 2023	\$0.13	2,390,000	-	(1,190,000)	-	1,200,000
<b>Total</b>		<b>14,067,213</b>	<b>-</b>	<b>(10,637,489)</b>	<b>(2,229,724)</b>	<b>1,200,000</b>
Weighted average exercise price		\$0.12	-	\$0.10	\$0.21	\$0.13
Weighted average remaining life (years)						0.92

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**10. CAPITAL STOCK AND RESERVES (cont'd...)****f) Unit warrants: (cont'd...)**

During the year ended March 31, 2022, the Company issued 4,398,324 unit warrants in connection with private placement financings. Based on the residual method, no value was allocated to the unit warrants issued. A continuity of the unit warrants granted is as follows:

Expiry Date	Exercise Price	Balance March 31, 2021	Granted	Exercised	Cancelled/Expired	Balance March 31, 2022
August 28, 2022	\$0.075	5,240,000	-	(2,551,111)	-	2,688,889
August 28, 2022	\$0.10	7,285,556	-	(1,205,556)	-	6,080,000
December 15, 2022	\$0.10	4,900,000	-	(3,800,000)	-	1,100,000
October 29, 2022	\$0.25	-	2,008,324	(200,000)	-	1,808,324
December 2, 2023	\$0.13	-	2,390,000	-	-	2,390,000
<b>Total</b>		<b>17,425,556</b>	<b>4,398,324</b>	<b>(7,756,667)</b>	<b>-</b>	<b>14,067,213</b>

Weighted average exercise price	\$0.09	\$0.18	\$0.10	\$0.00	\$0.12
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Weighted average remaining life (years)	0.67
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**g) Agent warrants:**

During the period ended December 31, 2022, the Company issued 288,235 agent warrants in connection with private placement financings. A continuity of the unit warrants granted is as follows:

Expiry Date	Exercise Price	Balance March 31, 2022	Granted	Exercised	Cancelled/Expired	Balance December 31, 2022
July 19, 2024	\$0.200	-	288,235	-	-	288,235
<b>Total</b>		<b>-</b>	<b>288,235</b>	<b>-</b>	<b>-</b>	<b>288,235</b>

Weighted average exercise price	-	\$0.20	-	-	\$0.20
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Weighted average remaining life (years)	1.55
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**10. CAPITAL STOCK AND RESERVES (cont'd...)****g) Agent warrants: (cont'd...)**

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the period ended December 31, 2022	For the year ended March 31, 2022
Fair value per option	\$0.14	-
Exercise price	\$0.20	-
Expected life (years)	2.00	-
Interest rate	3.30%	-
Annualized volatility (based on historical volatility)	120%	-
Dividend yield	0.00%	-

**h) Reserves:**

Reserves comprise of share-based payments, warrant reserves and PSU reserves.

**11. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and companies controlled by them. The remuneration of directors and other members of key management personnel during the nine month period ended December 31, 2022 as follows:

For the period ended December 31, 2022 Paid or accrued to:	Management and director fees	Investor relation fees	Share- based payments	Total
<b><u>Key management personnel:</u></b> Current and former directors, officers and companies controlled by them	\$ 270,569	\$ 66,530	\$ 736,726	\$ 1,073,825

For the period ended December 31, 2021 Paid or accrued to:	Management fees	Share-based payments	Total
<b><u>Key management personnel:</u></b> Current and former directors, officers and companies controlled by them	\$ 313,379	\$ -	\$ 313,379

Short term related party loan payable (Note 8).

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	As at December 31, 2022	As at March 31, 2022
Current and former directors, officers and companies controlled by them	\$ 156,647	\$ 99,027

The amounts due are unsecured, non-interest bearing, and have no specific terms of repayment.

**12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

During the period ended December 31, 2022, significant non-cash investing and financing transactions included:

- a) included in accounts payable and accrued liabilities is \$738,624 related to exploration and evaluation assets.
- b) included in shore-term loans payable is \$67,717 related to exploration and evaluation assets.
- c) issued 879,732 common shares with a fair value of \$152,454 for the acquisition of exploration and evaluation assets.
- d) issuance of 650,000 common shares upon exercise of options resulting in a reallocation of share-based reserves of \$78,528 from reserves to share capital.
- e) issued 500,000 common shares pursuant to PSU redemption resulting in a reallocation of share-based reserves of \$177,500 from reserves to share capital.
- f) issued 288,235 share purchase finders warrants valued at \$22,000.
- g) cancelled 300,000 options resulting in a reallocation of share-based reserves \$61,600 from reserves to deficit.
- h) cancelled 19,500,000 PSU resulting in a reallocation of share-based reserves \$517,248 from reserves to deficit.

During the period ended December 31, 2021, significant non-cash investing and financing transactions included:

- a) included in accounts payable and accrued liabilities is \$424,915 related to exploration and evaluation assets.
- b) issuance of 3,750,000 common shares upon exercise of options resulting in a reallocation of share-based reserves of \$264,191 from reserves to share capital.
- c) issued 809,701 common shares with a fair value of \$94,963 for the acquisition of exploration and evaluation assets.
- d) issued 408,884 common shares with a fair value of \$42,933 for the services.

**13. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	December 31, 2022	March 31, 2022
Exploration and evaluation assets		
Canada	\$ 9,116,048	\$ 5,746,320
United States	1,653,331	1,444,802
	\$ 10,769,379	\$ 7,191,122

**14. FINANCIAL RISK MANAGEMENT**

**Capital management**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. capital stock, reserves and deficit).

#### **14. FINANCIAL RISK MANAGEMENT (cont'd...)**

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged from fiscal year 2022.

##### **Fair value**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

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

The fair value of the Company's long-term investment constitutes a Level 1 fair value measurement.

The carrying value of cash, accounts payable and accrued liabilities, accounts receivable, current portion of net investment in sublease, lease obligation and short-term loans payable approximate their fair value because of the short-term nature of these instruments.

##### **Financial risk factors**

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

###### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and net investment in sublease. The Company limits its exposure to credit loss by placing its cash with major Canadian financial institutions and monitors the incoming sublease monthly payments to ensure they are current.

###### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$2,312,446 (March 31, 2022 – \$235,455) to settle current liabilities of \$2,841,312 (March 31, 2022 - \$1,101,946). All of the Company's financial liabilities except lease obligation and loan payable have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company is exposed to liquidity risk and is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

###### *Market risk*

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

**14. FINANCIAL RISK MANAGEMENT (cont'd...)**

**Financial risk factors (cont'd...)**

a) Interest rate risk

The Company has cash balances and no variable interest-bearing debt. The Company's cash does not have significant exposure to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities, and option agreement payments that are denominated in a foreign currency. There is a risk in the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and lithium, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**15. CONTINGENCIES**

During the year ended March 31, 2022, the Company filed a claim against certain previous directors of the Company for wrongful transfer of funds in the amount of \$157,185 for alleged deferred compensation to these directors. As a result of the claim against the Company, alleging that they are entitled to the compensation that had been garnished, and are also entitled to termination or change of control clauses as per their alleged management agreements. The amounts were garnished and later released as part of the settlement agreement detailed below.

The previous directors have also filed a counter claim against the Company, alleging that they are entitled to the compensation that has been garnished and being held in escrow, and are also entitled to termination or change of control clauses as per their alleged management agreements. The alleged management agreements would entitle each of the two directors to 12 months compensation in lieu of notice to termination without cause or 24 months of compensation if their agreements were terminated and within 6 months of a change of control of the Company, which includes a change in power to elect a majority of the board of directors or otherwise direct the management of the Company through proxies, voting agreements, or otherwise. Per the counter claim, the management agreement containing these clauses had allegedly been executed during the year prior to their dismissal and the change in control.

Subsequent to December 31, 2022, the Company reached an agreement to settle the claim and counterclaim by the release of the funds held in court to the defendants and a nominal payment which has been made.

During the period ended December 31, 2022, the Company received correspondence from legal counsel to a former officer and alleging the former officer was in an employment relationship with the Company and the Company failed to pay him wages and severance, claiming damages from alleged wrongful dismissal, bad faith damages and related claims. The claim also alleged that the Company did not have the legal right to cancel 6,500,000 outstanding PSU's. The Company has made an assessment on the validity of the claims and, at this time, the probability and amounts of any potential loss resulting from such claims is not determinable and no amounts have been accrued for any potential liability resulting from this in these condensed interim consolidated financial statements.

**FOREMOST LITHIUM RESOURCE & TECHNOLOGY LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
December 31, 2022

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**15. CONTINGENCIES (cont'd...)**

During the period ended December 31, 2022, the Company received correspondence from legal counsel to a former officer of the Company alleging the former officer was in an employment relationship with the Company and the Company failed to pay him wages and severance alleging he has been subject to inappropriate conduct in the course of his alleged employment. The claim also alleged that the Company did not have the legal right to cancel 3,500,000 outstanding PSU's. The Company has made an assessment on the validity of the claims and, at this time, the probability and amounts of any potential loss resulting from such claims is not determinable and no amounts have been accrued for any potential liability resulting from this in these condensed interim consolidated financial statements.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses our potential liability by analyzing our litigation and regulatory matters using available information. The Company develops our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

**16. SUBSEQUENT EVENTS**

Subsequent to the period ended December 31, 2022:

- i) 500,000 outstanding vested PSUs were redeemed.
- ii) entered into an agreement with Manitoba Government to receive a grant of \$300,000 for drill program on Jean Lake and Zoro Lithium properties.

**17. PRIOR YEAR RESTATEMENT**

During the year ended March 31, 2022, management determined that there was an error pertaining to exploration and evaluation assets and accounts payable and accrued liabilities. This error was the result of the under accrual of payments required on the Company's Winston mineral property (see note 6). The comparatives of the Company for the year ended March 31, 2021 have therefore been restated.

Effects of these adjustments on the consolidated statement of financial position as at March 31, 2021 are as follows:

	March 31, 2021 as originally presented	Adjustments	March 31, 2021 restated
Exploration and evaluation assets	\$ 6,032,097	\$ 231,555	\$ 6,263,652
Accounts payable and accrued liabilities	\$ 745,792	\$ 231,555	\$ 977,347

The correction of errors did not have an impact on total cash used in operating activities, total cash from financing activities and total cash used in investing activities for the year ended March 31, 2021.

There was no change to loss and comprehensive loss or basic and diluted loss per common share for the year ended March 31, 2021 as a result of this restatement.