



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of:
STILLWATER CRITICAL MINERALS CORP.

Opinion

We have audited the consolidated financial statements of Stillwater Critical Minerals Corp. and its subsidiaries (collectively "the Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report

Evaluation of Assessment of Impairment Indicators of Mineral Properties

As described in Note 6, the carrying value of the Company's mineral properties and related deferred costs is \$3,040,803 as at March 31, 2023. Management assesses at each reporting period-end whether there is an indication that an asset or group of assets is impaired. If such indicator exists, the asset's recoverable amount is estimated. Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash generating unit or CGU). An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Management applies significant judgement in order to assess whether indicators of impairment exist. Impairment indicators include internal and external factors, such as (i) evidence indicating that the Group's right to explore the area has expired or will expire in the near future, (ii) management does not have any plans to continue exploration expenditures, (iii) lack of evidence to support

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technical feasibility or commercial viability, and (iv) facts and circumstances that suggest that the carrying amount exceeds recoverable amount. No impairment indicators were identified by management as at March 31, 2023.

We considered this a key audit matter due to (i) the significance of the mineral properties and related deferred costs in the consolidated financial statements, (ii) the level of subjectivity required in applying audit procedures to assess the factors considered by management in its assessment of impairment indicators, and (iii) the significant auditor attention and audit effort the matter required.

Audit Response

We responded to this matter by performing procedures over management's assessment of indicators of impairment which included the following:

- Obtained, for a sample of claims, by reference to government registries, evidence to support the right to explore the area and claim expiration dates;
- Reviewed internal and external resources, such as current year exploration expenditures and planned work programs and budgets to evidence continued and planned exploration expenditures;
- Assessed the Company's market capitalization to net assets ratio at March 31, 2023; and
- Assessed whether there are facts and circumstances that could indicate that the carrying values of the exploration and evaluation assets may not be recoverable, based on evidence obtained in other areas of the audit.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Sebastian Tang.

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Chartered Professional Accountants

Vancouver, B.C.
July 28, 2023

STILLWATER CRITICAL MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2023 AND 2022
(Expressed in Canadian Dollars)

	Note	2023	2022
		\$	\$
ASSETS			
Current			
Cash		27,387	2,401,965
Accounts receivable		50,406	73,430
Prepaid expenses and deposits	4	211,148	215,787
Due from related parties	9b	773,744	613,604
Marketable securities	5, 6d	390,000	-
		1,452,685	3,304,786
Non-current			
Deposits	4	262,153	248,342
Exploration and evaluation assets	6	3,040,803	3,179,082
		4,755,641	6,732,210
LIABILITIES			
Current			
Accounts payable and accrued liabilities		260,437	311,805
Due to related party	9b	206,468	105,489
		466,905	417,294
SHAREHOLDERS' EQUITY			
Share capital	8	34,895,103	33,297,725
Share-based payment reserve	8g	2,828,222	2,174,863
Deficit		(33,434,589)	(29,157,672)
		4,288,736	6,314,916
		4,755,641	6,732,210

Nature of Operations and Going Concern – Note 1
Subsequent event – Note 8, 15

Approved on behalf of the Board:
Michael Rowley, Director
Greg Johnson, Director

STILLWATER CRITICAL MINERALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Expressed in Canadian Dollars)

	Note	<u>2023</u>	<u>2022</u>
		\$	\$
EXPENSES			
Consulting	9a	1,003,933	531,622
Exploration expenditures	7	1,585,069	5,223,289
Investor relations and corporate development		446,978	544,084
Office and administration		136,990	73,184
Professional fees		256,912	221,179
Property evaluation		-	7,965
Share-based payment expense	8g, 9a	896,481	641,020
Transfer agent, regulatory and filing fees		65,715	64,197
Travel and accommodation		95,394	7,291
		<u>(4,487,472)</u>	<u>(7,313,831)</u>
Other Items			
Other income		-	44,910
Interest income		9,858	9,829
Unrealized loss on marketable securities	5, 6d	(204,500)	-
Gain on exploration and evaluation asset	5, 6d	375,560	-
		<u>(4,306,554)</u>	<u>(7,259,092)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR			
		<u>(0.02)</u>	<u>(0.04)</u>
Basic and diluted loss per share			
		<u>174,395,126</u>	<u>161,957,851</u>
Weighted average number of shares outstanding			

STILLWATER CRITICAL MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Expressed in Canadian Dollars)

	Note	Common shares number	Share Capital \$	Share-based Payment reserve \$	Deficit \$	Total \$
Balance, March 31, 2021		147,579,312	26,628,391	1,523,297	(21,938,480)	6,213,208
Private placements, net of issuance costs	8b	14,812,500	5,036,122	396,284	-	5,432,406
Shares issued pursuant to exercise of warrants	8b	5,395,317	1,284,029	(23,655)	-	1,260,374
Shares issued pursuant to exercise of options	8b	1,824,145	349,183	(322,183)	-	27,000
Share-based payment expense	8g	-	-	641,020	-	641,020
Reclass of cancelled options	8g	-	-	(39,900)	39,900	-
Net loss and comprehensive loss		-	-	-	(7,259,092)	(7,259,092)
Balance, March 31, 2022		169,611,274	33,297,725	2,174,863	(29,157,672)	6,314,916
Shares issued pursuant to exercise of warrants	8b	6,351,871	1,369,289	(21,996)	-	1,347,293
Shares issued pursuant to exercise of options	8b	1,429,100	228,089	(191,489)	-	36,600
Share-based payment expense	8g	-	-	896,481	-	896,481
Reclass of cancelled options	8g	-	-	(29,637)	29,637	-
Net loss and comprehensive loss		-	-	-	(4,306,554)	(4,306,554)
Balance, March 31, 2023		177,392,245	34,895,103	2,828,222	(33,434,589)	4,288,736

STILLWATER CRITICAL MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Expressed in Canadian Dollars)

	Note	2023	2022
		\$	\$
Operating activities			
Net loss for the year		(4,306,554)	(7,259,092)
Items not involving cash			
Other income		-	(44,910)
Share-based payment expense	8g	896,481	641,020
Unrealized loss on marketable securities	5, 6d	204,500	-
Gain on exploration and evaluation asset	5, 6d	(225,560)	-
		<u>(3,431,133)</u>	<u>(6,662,982)</u>
Net change in non-cash working capital items	10	<u>(96,677)</u>	45,601
Cash used in operating activities		<u>(3,527,810)</u>	<u>(6,617,381)</u>
Investing activities			
Acquisition of exploration and evaluation assets		(230,661)	(229,838)
Option Payment received	6	-	20,000
		<u>(230,661)</u>	<u>(209,838)</u>
Financing activities			
Proceeds from private placement	8b	-	5,925,000
Share issue costs	8b	-	(492,594)
Proceeds on exercise of warrants	8b	1,347,293	1,260,374
Proceeds on exercise of options	8b	36,600	27,000
Cash provided by financing activities		<u>1,383,893</u>	<u>6,719,780</u>
Decrease in cash		<u>(2,374,578)</u>	<u>(107,439)</u>
Cash, beginning of the year		<u>2,401,965</u>	<u>2,509,404</u>
Cash, end of the year		<u>27,387</u>	<u>2,401,965</u>

Supplemental cash flow information (Note 10)

STILLWATER CRITICAL MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Stillwater Critical Minerals Corp. (the “Company”) is a publicly listed company on the TSX Venture exchange (“TSX-V”), incorporated under the laws of British Columbia, Canada on April 28, 2006. The Company’s principal business activities include the acquisition and exploration of mineral properties. The Company’s registered office is 904-409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. On June 13, 2022, the Company changed its name from Group Ten Metals Inc. to Stillwater Critical Minerals Corp.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve profitable operations. The Company has sustained losses from operations and has an ongoing requirement for capital investment to acquire and explore its mineral properties.

The Company incurred a net loss of \$4,306,554 for the year ended March 31, 2023 (2022 - \$7,259,092), and as of that date, had an accumulated deficit of \$33,434,589 (2022 - \$29,157,672). At March 31, 2023, the Company had a total of \$1,452,685 (2022 - \$3,304,786) in current assets and a working capital of \$985,780 (2022 - \$2,887,492) and no long-term debt.

Subsequent to March 31, 2023, the Company completed a strategic equity investment by a wholly-owned subsidiary of Glencore PLC (“Glencore”), where the Company issued 19,758,861 units at a price of \$0.25 per unit for gross proceeds of \$4,939,715 (Note 15).

While the Company has been successful in obtaining the necessary financing to cover its corporate operating costs and advance the development of its projects through the issuance of common shares and the exercise of warrants in the past, there is no assurance it will be able to raise funds in this manner in the future. There remain material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

These financial statements were approved by the board of directors on July 28, 2023.

STILLWATER CRITICAL MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the results or financial information of Stillwater Critical Minerals Corp. and its wholly-owned subsidiaries listed in the following table:

Name	Country of incorporation
Yankee Girl Resources Corp	Canada
Group Ten (USA) Inc	USA
Group Ten (Alaska) Inc	USA
1161932 BC Ltd	Canada
1326267 BC Ltd	Canada
1326271 BC Ltd	Canada

The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. All significant intercompany transactions and balances have been eliminated.

(b) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

STILLWATER CRITICAL MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

(c) Exploration and Evaluation Assets

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when received, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when received, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

(d) Related Party Transactions

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

(e) Share Capital

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. Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is

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allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

(f) Non-monetary Transactions

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

(g) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at the fair value of the goods or services received, and if it is determined that the fair value of the goods or services cannot be reliably measured, at the fair value of value of the equity instrument issued, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry or cancellation, related fair value previously recorded is transferred from share-based payment reserve to deficit.

(h) Flow-through Shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(i) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the

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calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

(j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Financial Instruments

Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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 FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement - Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Measurement - Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Consolidated Statements of Comprehensive Income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Consolidated Statements of Comprehensive Income in the period in which they arise.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance 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 loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Income, 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.

STILLWATER CRITICAL MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(I) Government Grants

Government grants related to exploration activities are recognized in profit or loss as a deduction from the related expenditure when there is reasonable assurance that the grant will be received. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

4. PREPAID EXPENSES AND DEPOSITS

	2023	2022
	\$	\$
Prepaid expenses	32,746	93,145
Deposits	440,555	370,984
	473,301	464,129
Less: non-current portion	(262,153)	(248,342)
	211,148	215,787

In June 2021, the Company re-engaged Goldspot Discoveries Corp. to continue to assist the Company in identifying preferential environments for precious and base metal mineralization on the Company's properties by utilizing its proprietary technology which includes the use of artificial intelligence. A payment of \$140,000 was made upon engagement and as at March 31, 2023 a total of \$17,358 was drawn down. The Company has engaged other consultants on the Company's Stillwater West project and made total deposits of \$377,678 during the year ended March 31, 2023 and a total of \$321,918 was drawn down.

The Company has paid \$233,188 (March 31, 2022 - \$233,188) for bonds in relation to the Company's Stillwater West project and a deposit of \$28,965 (March 31, 2022 - \$15,154) has been made in relation to a corporate credit card.

5. MARKETABLE SECURITIES

	2023	2022
	\$	\$
Beginning balance	-	-
Addition	594,500	-
Unrealized loss on marketable securities	(204,500)	-
	390,000	-

The Company's accounting policy for marketable securities is to hold the common shares at fair value through profit or loss ("FVTPL") with any unrealized gains and losses being recorded in the consolidated statement of comprehensive loss.

On September 1, 2022, and November 25, 2022, a total of 2,800,000 and 1,100,000 common shares of Heritage Mining Ltd. were received, respectively, by the Company pursuant to the Definitive Earn-In Agreement (Note 6(d)). The common shares were initially valued at \$490,000 and \$104,500 respectively. At March 31, 2023, the 3,900,000 common shares held by the Company resulted in an unrealized loss of \$204,500.

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6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation acquisition costs for the years ended March 31, 2023 and 2022 were as follows:

	Montana	Yukon	Alaska	Ontario	
	Stillwater West	Kluane Project	Duke Island	Drayton Black Lake	Total
	\$	\$	\$	\$	\$
Balance, March 31, 2021	1,702,903	774,588	102,813	388,940	2,969,244
Cash payments	61,900	-	-	-	61,900
Licenses and permits	158,842	2,438	6,658	-	167,938
Payment received	-	-	-	(20,000)	(20,000)
Balance, March 31, 2022	1,923,645	777,026	109,471	368,940	3,179,082
Cash payments	63,370	-	-	-	63,370
Licenses and permits	160,500	-	6,791	-	167,291
Shares received	-	-	-	(368,940)	(368,940)
Balance, March 31, 2023	2,147,515	777,026	116,262	-	3,040,803

a) Stillwater West (Montana, United States)

During the year ended March 31, 2021, the Company satisfied all earn-in requirements and owns 100% of the Stillwater West project. On June 26, 2017, the Company entered into an option agreement to acquire a 100% interest in the Stillwater West project from Picket Pin Resources LLC, a private entity, consisting of 282 claims in south central Montana, USA, covering approximately 22 square kilometers ("km²") in two claim groups. In consideration, the Company agreed to:

- Issue a total of 3,600,000 shares of the Company beginning with 900,000 shares within ten days of regulatory approval (issued) and 900,000 shares on or before May 31 of each of 2018 (issued), 2019 (issued - valued at \$112,500) and 2020 (issued – valued at \$216,000);
- Make United States dollars ("USD") \$40,000 in cash payments with USD\$20,000 on or before each of May 31, 2018 (paid) and 2019 (paid – CDN \$26,600);
- Make advance royalty payments until commencement of commercial production of USD\$15,000 within ten days of regulatory approval (paid), USD\$30,000 on or before May 31, 2018 (paid) and USD\$50,000 on or before May 31, 2019 (paid - CDN\$66,500) and thereafter USD\$50,000 annually (paid May 31, 2020 – CDN\$67,654, June 17, 2021 – CDN\$61,900, and June 1, 2022 – CDN\$63,370); and
- Execute a work contract for a minimum of USD\$50,000 per year for the duration of the option agreement for technical and management work, which is three years (completed).

The project is subject to a 2% Net Smelter Return royalty ("NSR") and the Company has an option to buy down the NSR to 1%.

Pursuant to further staking from November 2017 to present, the Company's land holdings at the Stillwater West project have increased to approximately 61 km² consisting of 763 claims.

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b) Kluane PGE -Ni-Cu Project (Yukon, Canada)

The Company owns a 100% interest in four platinum group and battery metals properties totaling over 255 km² in the Kluane Ultramafic Belt in southwestern Yukon. Together, these properties comprise the Kluane PGE-Ni-Cu project.

Catalyst

The Company earned its 100% interest in the Catalyst property on December 5, 2019 by completing the following commitments:

- Pay \$10,000 to Progressive Planet Solutions Inc. (“Progressive” - formerly Ashburton Ventures Inc.) on or before December 29, 2017. The agreement was amended and in lieu of the cash payment, the Company issued 200,000 common shares to Progressive (issued - valued at \$26,000); and
- Issue 300,000 common shares to Denali Resources Ltd. on or before July 31, 2019 (issued - valued at \$52,500).

Certain claims on the Catalyst property are subject to a 3% NSR and the Company has an option to buy the NSR down to 1%.

The Catalyst property also includes claims previously referred to as the CKR claims.

Spy

The Company owns a 100% interest in the Spy property. The Spy claims are subject to a 3% NSR and the Company has an option to buy the NSR down to 1%.

Ultra

The Company owns a 100% interest in the Ultra property and a 100% interest in 24 additional claims adjoining the Ultra property.

The claims are subject to a 2% NSR and the Company has an option to buy the NSR down to 1%.

The Company holds a 100% interest in the Outpost property which is adjacent to and forms part of the Ultra property. As of March 31, 2020, the Company satisfied all earn-in requirements and owns 100% of the Outpost property in addition to the Pacer properties (included with the Ellen property below) by completing the below outstanding requirements:

- Complete \$30,000 of work expenditures (satisfied), make a cash payment of \$20,000 (paid) and issue 400,000 common shares of the Company on or before the first anniversary of signing (issued – valued at \$50,000); and
- Complete an additional \$105,000 of work expenditures (completed) and issue 500,000 common shares of the Company on or before the second anniversary of the acceptance of this agreement (issued - valued at \$125,000).

The claims are subject to a 2% NSR and the Company has the option to buy down the NSR to 1%.

Ellen

The Company owns a 100% interest in the Ellen property, which consists of 72 claims totaling approximately 13km² in the Yukon Territory. The Ellen property includes the adjoining Pacer NW and nearby Pacer SE claim groups, which are owned 100% by the Company and were acquired with the Outpost claims block (see Ultra property, above).

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c) Duke Island (Alaska, United States)

The Company owns a 100% interest in 31 unpatented mineral claims located on Duke Island, Alaska. The claims are subject to a 1% NSR.

d) Drayton-Black Lake (Ontario, Canada)

The Company owns 100% of a total land package of 13,773 continuous hectares of the Drayton-Black Lake properties.

Black Lake

- (i) The Company owns a 100% interest in mineral claims covering 2,430 hectares located in the Patricia Mining Division near Sioux Lookout, Ontario. The claims are subject to a 2% NSR upon commencement of commercial production. The Company has an option to buy down the NSR to 1%.
- (ii) To further consolidate claims in the Black Lake and Drayton property area, the Company acquired 100% of the below land packages through option agreements:
 - Mineral claims covering 1,224 hectares in the area between Black Lake and Drayton with no royalty obligation.
 - Mineral claims covering 441 hectares in the Black Lake area. The claims are subject to a 3% NSR upon commencement of commercial production and the Company has the option to buy the NSR down to 2%.
- (iii) The Company acquired additional claims adjoining and between the above claims by direct staking at various dates. There are no royalty interests on claims staked by the Company.

Drayton

The Company owns a 100% interest in mineral claims covering 1,983 hectares located in the Patricia Mining Division near Sioux Lookout, Ontario.

Upon commencement of commercial production, the claims are subject to a 1% NSR with no buy-down provision, and an additional 3% NSR with the Company having an option to buy the NSR down to 1.5%.

On August 19, 2021, the Company entered into a binding Letter of Intent (“LOI”) with Heritage Mining Ltd. (“Heritage”), whereby, Heritage can acquire up to a 90% interest in the Company’s Drayton-Black Lake gold properties in Ontario, Canada. The interest can be acquired by issuing a total of 7,200,000 shares, making cash payment of \$320,000, completing exploration and development work totaling \$5,000,000 on the Drayton-Black Lake properties. During the year ended March 31, 2022 the Company completed the Definitive Earn-In Agreement (the “Agreement”) contemplated within the LOI, which defines the details and timing of option payments as follows:

- (i) Heritage is required to pay a \$20,000 cash payment to the Company within three business days of executing the LOI (received), and the LOI is exclusive and binding on the parties for a period of 60 days to allow for completion of Agreement.
- (ii) Heritage shall issue 2,800,000 shares to the Company within ten business days of obtaining a public listing on a specified Canadian exchange. (The Company received 2,800,000 shares of Heritage on September 1, 2022 valued at \$490,000. As the value of the property was less than the value of the shares received, a gain of \$121,060 was recorded in the consolidated statement of loss and comprehensive loss.)
- (iii) Heritage may earn a 51% interest (the “First Option”) by completing the following on or before the third anniversary of the Agreement:

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- Issuing an additional 3,300,000 shares to the Company; (On November 25, 2022 the Company received another 1,100,000 shares valued at \$104,500 and recorded as a gain in the consolidated statement of loss and comprehensive loss);
- Completing cash payments totaling \$300,000; (On November 24, 2022 the Company received \$150,000 in cash and recorded as a gain in the consolidated statement of loss and comprehensive loss) and
- Completing exploration work totaling \$2,500,000 (Heritage has exceeded the minimum first annual commitment of \$500,000).

As at March 31, 2023 the market value of the 3,900,000 shares had reduced to a value of \$390,000 and an unrealized loss of \$204,500 was recorded in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2023.

- (iv) Upon completion of the First Option, Heritage may earn an additional 39% ownership interest (the "Second Option") for a cumulative 90% interest by completion of the following on or before the fourth anniversary of the Agreement:
- Issuing an additional 1,100,000 shares to the Company; and
 - Completing additional exploration work totaling \$2,500,000.

In addition, the LOI provides the following:

- (i) Upon completion of the Second Option, the Company will retain a 10% free carried interest in the Drayton-Black Lake properties, with Heritage being responsible for all property costs until completion by Heritage of a positive feasibility study supported by a technical report prepared in accordance with NI 43-101 on the Property (the "FS").
- (ii) A discovery payment of \$1.00 per ounce of gold or gold equivalent shall be made on mineral resource estimates as filed from time-to-time on the Drayton-Black Lake properties and shall, in Heritage's discretion, be paid in cash or shares (or a combination thereof), capped at a maximum of \$10,000,000.
- (iii) The LOI provides for the formation of a Joint Venture ("JV") based on the then legal and beneficial ownership levels in the Property following completion of the FS. A JV may also be formed in the event Heritage does not complete the requirements of the Second Option, in which case Heritage is required to maintain minimum exploration and development expenditures of \$500,000 per annum until the completion of the FS in order to maintain status as operator of the JV. The Company maintains certain back-in rights to the property in the event that Heritage does not meet the minimum exploration requirements.
- (iv) The Company is required to complete \$300,000 of exploration work on the properties within the first year of the Agreement (completed), provided any shortfall by the Company shall reduce Heritage's obligation on a dollar-for-dollar basis.

e) Yankee Dundee (British Columbia, Canada)

Yankee Dundee consists of 26 Crown-granted mineral claims located in the Nelson Mining District near Ymir, British Columbia. On June 25, 2013, the Company closed the sale of its interests and obligations in the properties to Armex Mining Corp. ("Armex") in exchange for advance royalty payments, royalty payments, and production payments.

The remaining terms of the agreement are as follows:

- (i) Armex is to pay remaining advance royalty payments of:
- \$50,000 on or before August 28, 2015 (unpaid); and

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- \$50,000 on or before August 28, 2016 (unpaid) and annually thereafter until the commencement of commercial production.

(ii) Armex is to pay production and additional payments of:

- \$250,000 upon the commencement of commercial production;
- \$250,000 upon the first anniversary of commencement of commercial production; and
- additional production payments aggregating \$1,000,000 payable from 30% of net revenues as defined in the agreement.

Armex has the right to satisfy the production and additional payments by paying the aggregate sum of \$1,250,000 any time during the first year of commercial production.

Armex will also assume all obligations per existing underlying option agreements with respect to the Yankee Dundee claims which consist of a 1% NSR upon commencement of commercial production until the recovery of the lesser of aggregate expenditures incurred and \$5,000,000, after such time, the NSR will increase to 2.5%. At any time up to the commencement of commercial production, an option is available to purchase 1.5% of the NSR for \$500,000 and the remaining 1% for \$500,000.

The Company will also be entitled to a 2.5% NSR upon commencement of commercial production, with Armex holding the right to repurchase the royalty at any time on the basis of \$1,000,000 for each 1%. In addition, the Company retains back-in rights pursuant to the agreement by which it can re-acquire the property in the event specific production milestones are not met.

Armex disputes the overdue advance royalty payments that were payable on or before August 28, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022. As the Company believes that the financial situation of Armex has deteriorated to an extent that precludes it from completing the sale agreement, the capitalized costs relating to Yankee Dundee have been reduced to \$Nil.

7. EXPLORATION EXPENDITURES

Exploration expenditures incurred for the year ended March 31, 2023 were as follows:

	Stillwater West	Kluane Project	Duke Island	Drayton Black Lake	Total
	\$	\$	\$	\$	\$
Analysis	252,323	11,799	-	45,501	309,623
Camp	102,105	9,705	-	-	111,810
Consulting	455,312	53,254	-	24,798	533,364
Consulting, Geophysics	148,862	13,651	-	-	162,513
Drilling	167,288	-	-	-	167,288
Equipment	38,912	-	-	-	38,912
Fuel	8,672	5,133	-	-	13,805
Permitting	4,882	5,283	-	-	10,165
Transport	57,369	6,320	-	-	63,689
Transport, helicopter	172,900	34,992	-	-	207,892
	1,408,625	140,137	-	70,299	1,619,061
Less: Government Grants	-	(33,992)	-	-	(33,992)
	1,408,625	106,145	-	70,299	1,585,069

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Exploration expenditures incurred for the year ended March 31, 2022 were as follows:

	Stillwater West	Kluane Project	Duke Island	Drayton Black Lake	Total
	\$	\$	\$	\$	\$
Analysis	258,582	-	-	15,860	274,442
Camp	144,474	20	-	28,148	172,642
Consulting	1,413,352	94,596	-	255,921	1,763,869
Consulting, Geophysics	284,788	-	-	-	284,788
Drilling	1,487,713	-	-	17,301	1,505,014
Equipment	119,173	-	-	32,456	151,629
Fuel	106,342	-	-	5,795	112,137
Permitting	175	1,703	278	-	2,156
Transport	88,066	-	-	18,015	106,081
Transport, helicopter	921,046	-	-	-	921,046
	4,823,711	96,319	278	373,496	5,293,804
Less: Government Grants	-	(70,515)	-	-	(70,515)
	4,823,711	25,804	278	373,496	5,223,289

8. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Share issuance details

Subsequent to March 31, 2023, the Company completed a 9.99% strategic equity investment by a wholly-owned subsidiary of Glencore. Pursuant to the placement, the Company issued 19,758,861 units at a price of \$0.25 per unit for gross proceeds of \$4,939,715. (Note 15).

Year ended March 31, 2023

- (i) A total of 2,278,333 options were exercised using Share Appreciation Rights ("SARs") and 1,124,100 common shares were issued and 305,000 options were exercised for proceeds of \$36,600. The weighted average share price on the date of exercise was \$0.12.
- (ii) The Company issued 6,351,871 common shares pursuant to the exercise of share purchase warrants with a weighted average exercise price of \$0.21 per share for proceeds of \$1,347,293. The weighted average share price on the date of exercise was \$0.24.

Year ended March 31, 2022

- (i) In June 2021, the Company completed a non-brokered private placement for gross proceeds of \$5,925,000. A total of 14,812,500 units were issued at a price of \$0.40 per unit with each unit consisting of one common share and one-half share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.55 per share until June 16, 2023. The Company allocated \$296,250 of the gross proceeds to warrant reserve using the residual method. Finder's fees of \$244,764 cash and 611,911 brokers' warrants were paid and/or issued in connection with the financing. The value of the brokers' warrants was \$100,034. Additional shares issuance costs of \$244,830 were incurred.

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- (ii) The Company issued 200,000 common shares pursuant to the exercise of 200,000 stock options with a weighted average exercise price of \$0.14 per share for total gross proceeds of \$27,000. The weighted average share price on the date of exercise was \$0.39. An additional total of 2,474,333 options were exercised using Share Appreciation Rights (“SAR”) and 1,624,145 common shares were issued.
- (iii) The Company issued 5,395,317 common shares pursuant to the exercise of share purchase warrants with a weighted average exercise price of \$0.23 per share. The weighted average share price on the date of exercise was \$0.39.

c) Stock options

The Company has a Long-Term Incentive Plan whereby the Company may grant certain awards to directors, officers, employees and consultants, including restricted share units, performance share units, deferred share units, stock options and stock appreciation rights, to a maximum of a rolling 10% of the issued and outstanding share capital of the Company. The exercise price, term and vesting period of each award are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		\$
Balance, March 31, 2021	13,575,000	0.22
Granted	3,720,000	0.36
Exercised	(2,673,333)	0.16
Cancelled	(241,667)	0.36
Expired	(150,000)	0.28
Balance, March 31, 2022	14,230,000	0.27
Granted	4,686,200	0.21
Exercised	(2,583,333)	0.12
Cancelled/Forfeited	(291,667)	0.38
Balance, March 31, 2023	16,041,200	0.27
Exercisable, March 31, 2023	10,643,333	0.29

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The following stock options were outstanding as at March 31, 2023:

Expiry date	Outstanding	Exercisable	Weighted average exercise price	Weighted average remaining life (in years)
			\$	
August 23, 2023	275,000	275,000	0.18	0.40
November 23, 2023	100,000	100,000	0.15	0.65
February 28, 2024	495,000	495,000	0.20	0.92
June 14, 2024	950,000	950,000	0.15	1.21
September 18, 2024	300,000	300,000	0.18	1.47
January 29, 2025	2,275,000	2,275,000	0.255	1.84
July 10, 2025	1,270,000	1,270,000	0.215	2.28
January 12, 2026	2,170,000	2,170,000	0.40	2.79
April 13, 2026	400,000	400,000	0.38	3.04
June 16, 2026	200,000	200,000	0.40	3.21
February 2, 2027	2,920,000	1,946,667	0.36	3.85
April 25, 2027	785,000	261,666	0.36	4.07
October 25, 2027	3,901,200	-	0.175	4.57
	16,041,200	10,643,333	0.27	3.08

Subsequent to March 31, 2023, the Company granted 575,000 stock options exercisable at \$0.175, expiring on June 9, 2028.

d) Compensation options

A total of 390,000 compensation options were issued in July 2020 pursuant to a private placement. Each compensation option entitles the holder to acquire one unit at a price of \$0.20 until July 17, 2023. Each unit consists of one common share and one warrant. The warrant entitles the holder to purchase an additional common share at a price of \$0.30 until July 17, 2023. Subsequent to March 31, 2023 all the compensation options expired unexercised.

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, March 31, 2021	39,748,201	0.27
Issued	8,018,161	0.54
Exercised	(5,395,317)	0.23
Expired	(141,520)	0.23
Balance, March 31, 2022	42,229,525	0.33
Exercised	(6,351,871)	0.21
Expired	(479,127)	0.24
Balance, March 31, 2023	35,398,527	0.35

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The following share purchase warrants were outstanding as at March 31, 2023:

Outstanding	Exercise price	Expiry date	Weighted average remaining life (in years)
	\$		
5,233,816	0.25	May 21, 2023	0.14
7,406,250	0.55	June 16, 2023	0.21
611,911	0.40	June 16, 2023	0.21
22,146,550	0.30	July 17, 2023	0.30
<u>35,398,527</u>			

Subsequent to March 31, 2023, a total of 611,911 warrants with an exercise price of \$0.40 and 511,550 with an exercise price of \$0.30 expired unexercised. A total of 5,233,816 warrants with an exercise price of \$0.25 were extended to November 21, 2023. A total of 7,406,250 warrants with an exercise price of \$0.55 were extended to June 16, 2024 and 21,635,000 warrants with an exercise price of \$0.30 were extended to January 17, 2024.

f) Restricted share units

During the year ended March 31, 2023, 635,294 Restricted Share Units (“RSUs”) (2022 – Nil) were awarded. The fair value of the RSUs, which is determined with reference to the trading price of the Company’s common shares immediately preceding the date of issuance, was determined to be \$216,000 (2022 – Nil). All RSUs will vest 12 months following the date of grant. During the year ended March 31, 2023 a total of \$201,205 was recognized as share-based payment expense.

A summary of the changes in restricted share units (RSUs) is presented below:

	Number of RSUs
Balance, March 31, 2022	-
Issued	635,294
Balance, March 31, 2023	635,294
Unvested	(635,294)
Vested, March 31, 2023	<u>-</u>

Subsequent to March 31, 2023, a total of 635,294 vested RSUs were exercised.

g) Share-based payment expense and reserve

During the year ended March 31, 2023, the Company granted 4,686,200 stock options. A total of 1,562,067 will vest 6 months following the date of grant, 1,562,067 will vest 12 months following the date of grant and 1,562,066 will vest 18 months following the date of grant.

During the year ended March 31, 2022, the Company granted 3,720,000 stock options.

During the year ended March 31, 2023, total share-based payment expense was \$896,481 (2022 - \$641,020) in respect of the vesting of previously granted stock options and newly granted options. The weighted average fair value on grant date of the options granted during the year ended March 31, 2023 was \$281,942 (2022 - \$443,445), or \$0.09 (2022 - \$0.18) per option.

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The fair value of the stock options that were granted during the years ended March 31, 2023 and 2022 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Risk free interest rate	3.37%	1.55%
Expected life in years	5	5
Expected volatility	51.8%	56.1%
Expected dividends	0.0%	0.0%

The fair value of the 611,911 broker's warrants, valued at \$100,034, that were issued during the year ended March 31, 2022 pursuant to the private placement described in Note 8(b) was calculated using the following weighted average assumptions:

	2022
Risk free interest rate	0.44%
Expected life in years	2
Expected volatility	82.9%
Expected dividends	0.0%

During the year ended March 31, 2023 the Company reclassified \$29,637 (2022 - \$39,900) from share-based payment reserve to deficit with respect to options that were cancelled during the period.

9. RELATED PARTY TRANSACTIONS

Key management personnel are the Directors and Executive Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The amounts paid by the Company for the services provided by related parties have been determined by negotiation among the parties and are reviewed and approved by the Company's Board. These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

In addition to key management personnel, the Company transacted with the following related parties during the years ended March 31, 2023 and 2022:

- TruePoint Exploration Inc. and its wholly owned subsidiary TruePoint Exploration (USA) Inc. ("TruePoint") are privately held exploration service companies that provide exploration and administrative services to the Company as well as to other exploration companies. Costs covered by TruePoint include exploration expenditures (technical work on the project such as drilling, sampling and geophysics), consulting, investor relations and corporate development costs, and other administrative costs. Michael Rowley, Director, President and CEO, and Greg Johnson, Director of the Company are minority shareholders of TruePoint; and
- MVR Consulting Inc. ("MVR"), a private company controlled by Michael Rowley, President and CEO.

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Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

a) Related Party Transactions

The Company's related party transactions for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
	\$	\$
Consulting and management fees ⁽¹⁾	379,238	407,347
Share-based payments ⁽²⁾	228,253	227,985
Exploration and administrative costs ⁽³⁾	556,648	1,102,731
	1,164,139	1,738,063

¹ Consulting fees for the years ended March 31, 2023 and 2022 consisted of fees earned by key management personnel.

² Share-based payments expense is a non-cash item that consisted exclusively of the fair value of stock options that were granted to key management personnel.

³ Transactions with TruePoint for the year ended March 31, 2023 consisted of exploration expenditures (\$239,205), consulting fees (\$10,500) and investor relations, corporate development fees (\$286,373) and other/office (\$205,093).

³ Transactions with TruePoint(USA) for the year ended March 31, 2023 consisted of services provided by the Company as follows: management services (\$137,405) and recoverable exploration expenditures (\$47,118).

b) Related Party Balances

The Company's related party balances consisted of the following:

	2023	2022
	\$	\$
Due to Related Parties		
MVR Consulting Inc.	78,750	15,750
Greg Johnson	42,500	85,000
Gregor Hamilton	35,000	-
Michael Rowley	50,218	4,739
	206,468	105,489
Due from Related Parties		
TruePoint ⁽¹⁾	773,744	563,604
Michael Rowley	-	50,000
	773,744	613,604

¹ This amount was the net of cash advances made to TruePoint to cover future exploration costs partially offset by charges from TruePoint.

Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

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c) Insider Participation in Private Placements

A summary of insider participation in the Company's private placements for the years ended March 31, 2023 and 2022 was as follows:

	Number of Units	Price	Proceeds
		\$	\$
June 2021 Private Placement			
A. Milne Consulting Corp	8,000	0.40	3,200
Gregor Hamilton	62,500	0.40	25,000
Greg Johnson	125,000	0.40	50,000
Michael Rowley	125,000	0.40	50,000
Gordon Toll	1,000,000	0.40	400,000

10. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended March 31, 2023 and 2022 consisted of the following:

	2023	2022
	\$	\$
Accounts receivable	23,024	3,465
Due to / from related parties	(59,161)	107,984
Prepaid expenses	(9,172)	(255,810)
Accounts payable and accrued liabilities	(51,368)	189,962
	(96,677)	45,601

The non-cash transactions for the year ended March 31, 2023 consisted of the following:

- (i) Issuing 1,124,100 common shares pursuant to the exercise of 2,278,333 options using SARs.
- (ii) Receiving 3,900,000 Heritage shares valued at \$594,500. The property was reduced by \$368,940 and the remaining \$225,560 was taken into the consolidated statement of loss and comprehensive loss as a gain on exploration and evaluation asset.

The non-cash transactions for the year ended March 31, 2022 consisted of the following:

- (i) issuing 611,911 broker's warrants valued at \$100,034 pursuant to the private placement noted in Note 8(b).
- (ii) issuing 1,624,145 common shares pursuant to the exercise of 2,474,333 options using SARs.

11. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, due from related parties, marketable securities, accounts payable and accrued liabilities and due to related parties. The Company has classified its financial instruments as amortized cost except marketable securities which is classified as fair value through profit and loss.

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b) Fair Value

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity.

c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk.

The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at March 31, 2023, all of the Company's financial liabilities had contractual maturities of less than 90 days.

ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risks through hedging or other currency management tools and considers the risks related to foreign currency are not significant at this time. The Company is not exposed to material currency risk.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Based on the current cash balances and expected future interest rates, the Company is not exposed to material interest rate risk.

iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash. The Company mitigates such credit risk by risk management policies that require significant cash deposits or any short-term investments be invested with Canadian chartered banks rated BBB or better. All investments must be less than one year in duration.

v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

12. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are to maintain the ability to continue as a going concern in order to support the acquisition, exploration and development of its exploration and evaluation assets.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the

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Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders.

As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended March 31, 2023.

The Company is not subject to externally imposed capital requirements.

13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2023	2022
	\$	\$
Net Loss for the year	(4,306,554)	(7,259,092)
Canadian federal and provincial income tax rates	27%	27%
Expected income tax recovery at statutory rate	(1,162,770)	(1,959,955)
Increase (decrease) due to:		
Non-deductible expenditures and other permanent differences	24,115	203,300
True up to prior year estimates	(26,075)	(67,360)
Non-taxable income	-	(12,126)
Share Issuance Cost	-	(133,000)
Losses for which no tax benefit is recorded	1,164,730	1,866,073
Income tax benefit renounced with flow-through shares	-	103,068
Income tax recovery as recorded	<u>-</u>	<u>-</u>

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following amounts:

	2023	2022
	\$	\$
Share issue costs	538,208	702,869
Exploration and evaluation assets	3,039,584	3,252,634
Marketable securities	102,250	-
Capital losses and other	48,152	48,152
Non-capital losses	22,577,186	17,927,252
Unrecognized temporary differences and non-capital losses	<u>26,305,380</u>	<u>21,930,907</u>

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

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As at March 31, 2023, the Company's unrecognized Canadian non-capital losses expire as follows:

	\$
2027	67,000
2028	556,000
2029	570,000
2030	660,000
2031	537,000
2032	467,000
2033 to 2043	<u>8,683,000</u>
	<u>11,540,000</u>

In addition, the Company has approximately CAD\$11,036,507 in United States tax losses with no expiry date.

14. SEGMENTED INFORMATION

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on location:

	<u>2023</u>	<u>2022</u>
	\$	\$
Non-current assets by geographic segment		
Canada	805,991	1,161,120
United States	<u>2,496,965</u>	<u>2,266,304</u>
	<u>3,302,956</u>	<u>3,427,424</u>

15. SUBSEQUENT EVENT

The Company completed a 9.99% strategic equity investment by a wholly-owned subsidiary of Glencore. Pursuant to the placement, the Company issued 19,758,861 units at a price of \$0.25 per unit for gross proceeds of \$4,939,715, with each unit comprising one common share and 0.70 of a common share purchase warrant. Each full warrant shall entitle Glencore to purchase one common share at an exercise price of \$0.375 exercisable for three years.