MADORO METALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED FEBRUARY 28, 2023

EXPRESSED IN CANADIAN DOLLARS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Madoro Metals Corp.

Opinion

We have audited the accompanying consolidated financial statements of Madoro Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of operations 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 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 audit 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since inception, has working capital of $608,567 at February 28, 2023 and, as of that date, the Company's total deficit was $7,357,818. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of the current year. 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.

The following KAM required significant auditor attention in performing the audit:

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $1,066,343 as of February 28, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluated management's assessment of impairment indicators.
- Evaluated the intent for the E&E Assets through discussion and communication with management.
- Reviewed the Company's recent expenditure activity.
- Assessed compliance with agreements and expenditure requirements including reviewing agreements and vouching cash payments on a test basis.
- Obtained, on a test basis, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 Consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada　　　　Chartered Professional Accountants

June 13, 2023

MADORO METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Notes		Year ended		
			February 28, 2023		February 28, 2022
ASSETS					
Current assets					
Cash and cash equivalents	4	**$**	**520,001**	$	559,078
Amounts receivable	5		**5,545**		2,425
Marketable securities	6		**146,725**		204,825
Prepaid expenses and deposits			**18,022**		16,732
Total current assets			**690,293**		783,060
Non-current assets					
Equipment	7		**30**		43
Exploration and evaluation assets	8, 10, 13		**1,066,343**		920,772
Total non-current assets			**1,066,373**		920,815
TOTAL ASSETS		**$**	**1,756,666**	$	1,703,875
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**62,525**	$	47,349
Due to related parties	13		**19,201**		17,025
Total current liabilities			**81,726**		64,374
Total liabilities			**81,726**		64,374
Shareholders' equity					
Share capital	10		**8,813,131**		8,314,631
Reserves	10		**219,627**		220,826
Deficit			**(7,357,818)**		(6,895,956)
Total shareholders' equity			**1,674,940**		1,639,501
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**1,756,666**	$	1,703,875

Nature of operations (Note 1)
Subsequent event (Note 17)

Approved and authorised for issue on behalf of the Board on June 13, 2023

"Robert Archer" Director — *"Mary Ellen Thorburn"* Director

Robert Archer — Mary Ellen Thorburn

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

(Expressed in Canadian Dollars)

	Notes	Year ended February 28, 2023	Year ended February 28, 2022
Expenses			
Share-based payments	10	**$ 133,534**	$ -
Management fees	13	**96,000**	96,000
Exploration expenditures		**93,404**	**-**
Accounting and audit fees	13	**61,385**	50,498
Legal fees		**60,746**	4,395
Consulting fees	13	**46,000**	88,220
Transfer agent and filing fees		**18,679**	14,662
Rent		**12,000**	11,000
Insurance		**10,086**	9,154
Shareholder information		**6,615**	-
Office, telephone and miscellaneous		**2,169**	5,127
Investor relations and promotion		**-**	13,240
Loss before other income (expenses)		**(540,618)**	(292,296)
Other income (expenses):			
Loss on marketable securities		**(58,100)**	(59,551)
Loss on foreign exchange		**5,525**	(8,473)
Loss on impairment of exploration and evaluation assets		**-**	(943,724)
Loss on write-off of taxes receivable		**(3,402)**	(13,621)
Net loss and comprehensive loss for the year		**$ (596,595)**	$ (1,317,665)
Weighted average number of common shares Outstanding (basic and diluted)		**72,158,086**	66,537,072
Basic and diluted loss per share		**$ (0.01)**	$ (0.02)

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

MADORO METALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital (Note 10)		Reserves (Note 10)			
	Number of shares issued	**Amount**	**Warrants reserve**	**Share-based payments reserve**	**Deficit**	**Total**
Balance, February 28, 2021	60,869,216	$ 7,623,899	$ 67,455	$ 196,328	$ (5,606,366)	$ 2,281,316
Warrants exercised	6,807,500	658,350	-	-	-	658,350
Fair value of warrants exercised	-	14,882	(14,882)	-	-	-
Shares issued for exploration and evaluation assets	250,000	17,500	-	-	-	17,500
Fair value of stock options expired	-	-	-	(28,075)	28,075	-
Net loss for the year	-	-	-	-	(1,317,665)	(1,317,665)
Balance, February 28, 2022	**67,926,716**	**$ 8,314,631**	**$ 52,573**	**$ 168,253**	**$ (6,895,956)**	**$ 1,639,501**
Shares issued for private placement, net of cost	9,670,000	483,500	-	-	-	483,500
Shares issued for exploration and evaluation assets	300,000	15,000	-	-	-	15,000
Stock options issued as compensation	-	-	-	133,534	-	133,534
Fair value of stock options expired	-	-	-	(134,733)	134,733	-
Net loss for the year	-	-	-	-	(596,595)	(596,595)
Balance, February 28, 2023	**77,896,716**	**$ 8,813,131**	**$ 52,573**	**$ 167,054**	**$ (7,357,818)**	**$ 1,674,940**

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

(Expressed in Canadian Dollars)

	Year ended	
	February 28, 2023	February 28, 2022
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	**$ (596,595)**	$ (1,317,664)
Adjustments to reconcile loss to net cash used in operating activities:		
Share-based payments	**133,534**	-
Unrealized loss on marketable securities	**58,100**	59,551
Loss on write-off of taxes receivable	**3,402**	13,621
Depreciation	**13**	19
Impairment of exploration and evaluation assets	**-**	943,724
Net changes in non-cash working capital accounts:		
Increase in amounts receivable	**(6,522)**	(4,854)
Increase in prepaid expenses and deposits	**(1,290)**	(5,768)
Increase (decrease) in amounts payable and accrued liabilities	**19,607**	(1,039)
Increase (decrease) in due to related parties	**2,176**	(22,745)
Cash used in operating activities	**(387,575)**	(335,156)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation expenditures	**(135,002)**	(282,921)
Proceeds received for disposition of exploration and evaluation assets	**-**	50,000
Cash used in investing activities	**(135,002)**	(232,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issuance costs	**483,500**	-
Warrants exercised	**-**	658,350
Cash provided by financing activities	**483,500**	658,350
Net change in cash and cash equivalents	**(39,077)**	90,273
Balance, beginning of the year	**559,078**	468,804
Balance, closing of the year	**$ 520,001**	$ 559,078

Supplemental cash flow information (Note 14)

1. NATURE OF OPERATIONS

Madoro Metals Corp. (the "Company") incorporated in British Columbia on September 24, 1984, is an exploration stage public company listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The Company is assessing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

On August 24, 2018, the Company incorporated a subsidiary, Minera Mazateca, S.A. de C.V. ("Minera Mazateca" or "Subsidiary"), under the laws of the United Mexican States.

The Company is listed as a Tier 2 mining exploration issuer. These consolidated financial statements (the "Financial Statements") present the consolidated operations of the Company and its Subsidiary. The Company is primarily engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada and in the state of Oaxaca, Mexico (via its Subsidiary). As at February 28, 2023, the Company had no revenue producing operations, therefore, it is dependent on external financing to fund its operations. The Company expects to raise funds either through equity or external debt. Raising more equity will result in a dilution of interest of the existing shareholders. During the year ended February 28, 2023, the Company closed a private placement (Note 10) for net proceeds of $483,500.

The Company has incurred losses since inception and expects to incur further losses in the development of its business. As at February 28, 2023, the Company had an accumulated deficit of $7,357,818 and had a working capital of $608,567 with exploration and evaluation obligations of $262,500.

The Company's ability to continue as going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. 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. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These Financial Statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of the financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

During and after the year ended February 28, 2023, the COVID-19 pandemic has relatively stabilized in Mexico, access to vaccines has become more widespread, but the impact on the national and local economies remains significant, negative, and widespread. The Company continues to monitor and assess the impact on its business activities. Most communities in the Company's project areas have re-opened to outsider access, at least on a limited basis under each community's specific protocols, and we are re-engaging with communities to gain access for exploration work. However, the full impact remains uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.

The head office, and principal address of the Company is Suite 1450, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records address is at the corporate solicitor's office, Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

2. BASIS OF PRESENTATION

Basis of consolidation and preparation

These Financial Statements include the accounts of the Company and its Subsidiary, Minera Mazateca S.A. de C.V. Details of the controlled entity are as follows:

	Country of incorporation	Percentage owned
Minera Mazateca, S.A. de C.V.	Mexico	100%

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These Financial Statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at fair value through profit or loss and cash flow information.

Unless otherwise noted, these Financial Statements are presented in Canadian dollars, which is also the functional currency of the Company and its Subsidiary.

Approval of the Financial Statements

The Financial Statements of the Company for the year ended February 28, 2023, were authorized for issue on June 6, 2023 by the Board of Directors of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The loss effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the Financial Statements within the next financial year are discussed below:

i) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income taxes

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and term deposits with maturities of three months or less.

Property and equipment

Recognition and measurement

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

Depreciation

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at 30% per annum for office equipment. Half of the normal depreciation is taken in the year of acquisition.

Depreciation is recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies

The functional currency of the Company and its Subsidiary is measured using the currency of the primary economic environment in which it operates. Management has determined that the functional currency of the Company and its Subsidiary is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Gains and losses are included in net earnings.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

The financial results and position of foreign operations whose functional currency is different from the reporting currency are translated as follows:

i. assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
ii. income and expenses are translated at average exchange rates for the period.

Exchange gains and losses arising on translation are recognized in accumulated other comprehensive loss.

Income/loss per share

Basic Income (loss) per share is computed by dividing the net loss or income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted Income (loss) per share is determined by adjusting the net loss or income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The stock option plan (Note 10) allows Company employees and consultants to acquire shares of the Company. Share-based payments to employees are measured using the fair value method at the date of grant of stock options. An individual is classified as an employee when the individual is considered an employee for legal or tax purposes or provides similar services to those performed by an employee. Share-based payments to non-employees are measured at the fair value of goods and services received or, if it is determined that the fair value of the goods or services received cannot be reliably measured, the fair value method will be used to determine the value at the date the options are granted.

The fair value of options is determined using the Black-Scholes option pricing model and is expensed to earnings over the vesting period on a graded basis with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. When options expire, the fair value of the options is transferred from share-based payment reserve with an offset to deficit.

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 most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value will be recorded as warrant reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Exploration and evaluation assets

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

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property-by-property basis assuming these costs meet the definition of an asset. Costs that do not meet the definition of an asset are expensed in the period incurred. These direct expenditures include such costs as surveying costs, drilling costs, labour and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in other income for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to other expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Currently, all mineral properties of the Company are in the exploration stage.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties when facts and circumstances suggest that the carrying amount of an asset may be impaired. If the recorded amount is higher than the asset’s fair value less cost to sell, management will recognize impairment in value based upon current exploration results and upon management’s assessment of the future probability of profitable revenues from the property or sale of the property.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty, and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded as incurred.

Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect of exploration costs incurred in Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized in the statement of operations and comprehensive loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVOCI.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive 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 operations and comprehensive loss in the period in which they arise. The Company’s marketable securities being equity securities of other listed entities, are classified as FVTPL.

Financial assets at FVOCI
Investments in equity instruments at FVOCI 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 loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company’s financial assets are classified as FVOCI.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company’s financial assets at amortized cost comprise cash and cash equivalents and taxes recoverable.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of operations and comprehensive loss. Gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

(EXPRESSED IN CANADIAN DOLLARS)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities

The Company classified its financial liabilities as subsequently measured at amortized cost which include amounts payable and accrued liabilities and due to related parties. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(iii) 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 loss allowance for the financial asset is measured 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For amounts receivable the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decreases can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company’s amounts receivables, the Company has no material loss allowance as at February 28, 2023 and 2022.

New accounting pronouncements

During the year ended February 28, 2023, the Company adopted certain new accounting standards and pronouncements, none of which had a material impact on the Company’s financial statements.

There are no other standards or IFRIC interpretations that are yet effective that would be expected to have a material impact on the Company.

4. CASH AND CASH EQUIVALENTS

	February 28, 2023	February 28, 2022
Cash in bank	**$ 508,953**	$ 548,073
Term deposit	**11,048**	11,005
Cash and cash equivalents	**$ 520,001**	$ 559,078

5. AMOUNTS RECEIVABLE

As at February 28, 2023, the Company has following amounts as receivable:

	February 28, 2023	February 28, 2022
Taxes recoverable	**$ 4,617**	$ 2,425
Accounts receivable	**928**	-
Amounts receivable	**$ 5,545**	$ 2,425

(EXPRESSED IN CANADIAN DOLLARS)

6. MARKETABLE SECURITIES

	February 28, 2023				February 28, 2022			
		Fair Value		**Cost**		Fair Value		Cost
Zincx Resources Corp.	**$**	**6,800**	**$**	**104,975**	$	9,775	$	104,975
Eloro Resources Ltd.		**89,925**		**98,660**		105,050		98,660
DeepRock Minerals Inc.		**50,000**		**81,500**		90,000		81,500
	$	**146,725**	**$**	**285,135**	$	204,825	$	285,135

On April 23, 2021, the Company received 800,000 DeepRock Minerals Inc. common shares valued at $12,000 as per the option agreement for DeepRock Minerals Inc. to acquire a 50% interest in the Ralleau Project (Note 8).

7. EQUIPMENT

		Equipment
Cost:		
At February 28, 2022	$	3,439
At February 28, 2023	**$**	**3,439**
Depreciation:		
At February 28, 2022	$	3,396
Charges for the year		13
At February 28, 2023	**$**	**3,409**
Net book value:		
At February 28, 2022	$	43
At February 28, 2023	**$**	**30**

		Equipment
Cost:		
At February 29, 2021	$	3,439
At February 28, 2022	$	3,439
Depreciation:		
At February 29, 2021	$	3,377
Charges for the year		19
At February 28, 2022	$	3,396
Net book value:		
At February 29, 2021	$	62
At February 28, 2022	$	43

(EXPRESSED IN CANADIAN DOLLARS)

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties.

	Ralleau Project Quebec, Canada	Rama de Oro Project Oaxaca, Mexico	Magdalena Project Oaxaca, Mexico	Yautepec Project Oaxaca, Mexico	First Green Lithium Quebec, Canada	Total
Balance, February 28, 2021	**$ 84,357**	**$ 453,091**	**$ 427,150**	**$ 649,477**	**$ -**	**$1,614,075**
Acquisition costs:						
Cash	-	-	-	37,718	-	37,718
Shares	-	-	-	17,500	-	17,500
Total acquisition costs	-	-	-	55,218	-	55,218
Exploration costs:						
Consulting fees	-	3,646	6,566	119,385	-	129,597
Staking fees	-	39,298	8,546	25,049	-	72,893
Assays and testing	-	2,871	1,032	15,956	-	19,859
Tools and supplies	-	-	1,111	13,425	-	14,536
Travel	-	415	-	5,467	-	5,882
Rent	-	-	-	2,342	-	2,342
License and taxes	-	-	-	94	-	94
Deferred exploration costs	-	46,230	17,255	181,718	-	245,203
Proceeds received from optionees	(50,000)	-	-	-	-	(50,000)
Impairment charge	-	(499,320)	(444,404)	-	-	(943,724)
Balance of costs:						
Total acquisition costs	96,543	325,319	193,901	304,221	-	919,984
Total proceeds received from optionees	(75,000)	-	-	-	-	(75,000)
Total shares received from optionees	(81,500)	-	-	-	-	(81,500)
Total cost recovery	(129,507)	-	-	-	-	(129,507)
Total deferred exploration costs	660,765	174,002	250,504	582,192	-	1,667,463
Total cumulative impairment charge	(436,944)	(499,320)	(444,404)	-	-	(1,380,668)
Balance, February 28, 2022	**$ 34,357**	**$ 1**	**$ 1**	**$ 886,413**	**$ -**	**$ 920,772**

(EXPRESSED IN CANADIAN DOLLARS)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Ralleau Project Quebec, Canada	Rama de Oro Project Oaxaca, Mexico	Magdalena Project Oaxaca, Mexico	Yautepec Project Oaxaca, Mexico	First Green Lithium Quebec, Canada	Total
Balance, February 28, 2022	**$ 34,357**	**$ 1**	**$ 1**	**$ 886,413**	**$ -**	**$ 920,772**
Acquisition costs:						
Cash	-	-	-	56,665	21,000	56,665
Shares	-	-	-	15,000	-	15,000
Total acquisition costs	-	-	-	71,665	21,000	71,665
Exploration costs:						
Consulting fees	-	-	-	12,708	-	12,708
Staking fees	927	-	-	27,957	-	28,884
Rent	-	-	-	11,314	-	11,314
Deferred exploration costs	927	-	-	51,979	-	52,906
Balance of costs:	-					
Total acquisition costs	96,543	325,319	193,901	375,886	21,000	1,012,649
Total proceeds received from optionees	(75,000)	-	-	-	-	(75,000)
Total shares received from optionees	(81,500)	-	-	-	-	(81,500)
Total cost recovery	(129,507)	-	-	-	-	(129,507)
Total deferred exploration costs	661,692	174,002	250,504	634,171	-	1,720,369
Total cumulative impairment charge	(436,944)	(499,320)	(444,404)	-	-	(1,380,668)
Balance, February 28, 2023	**$ 35,284**	**$ 1**	**$ 1**	**$ 1,010,057**	**$ 21,000**	**$ 1,066,343**

8. EXPLORATION AND EVALUATION ASSETS (continued)

1) Rama de Oro Project, Oaxaca, Mexico

On May 9, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Rama de Oro Project, located in the state of Oaxaca, Mexico.

To earn a 100% interest, the Company is required to make total cash payments of US$35,000 (paid), issue a total of 2,900,000 common shares of the Company (issued), and incur total work expenditures of US$350,000.

A 2% net smelter return royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US$1,650,000.

On August 12, 2020, an additional US$7,500 ($10,116) was paid in consideration of the amendment to the option agreement whereby the due date on the work expenditures was extended to May 9, 2022. As at February 28, 2022, the Company had capitalized US$151,953 ($197,077) of work expenditures.

In February 2022, the Company provided formal written notice to the optionor that it is declaring force majeure, as provided under the agreement, as access to the property has been unavailable to the Company since almost the onset of the agreement. During the year ended February 28, 2022, the management impaired the carrying value of the property to $1. During the year ended February 28, 2023, the Company incurred $79,048 which has been directly recognized as exploration expenditures in the statement of loss and comprehensive loss.

During the year ended February 28, 2023, the Company received written notice from the optionor (i) rejecting the Company's force majeure claim and (ii) purporting to terminate the option agreement on the basis that the Company failed to make the required work expenditures within the option period specified in the agreement. The Company considers itself to be in compliance with the terms of the option agreement, as amended, and intends to vigorously contest this termination notice.

The Company has filed a Notice of Civil Claim in the Supreme Court of British Columbia against the optionor for specific performance of option agreements, damages, costs, and other relief. The claim is based on the Company's belief that it is in compliance with the terms of the agreements, despite receiving written notices of termination due to lack of work expenditure within the specified option periods. The Company intends to prove its allegations and dispute the termination notices in court.

2) Yautepec Project, Oaxaca, Mexico

On June 1, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Yautepec Project, located in the state of Oaxaca, Mexico.

To earn a 100% interest, the Company is required to make total cash payments of US$5,000 (paid), issue a total of 1,550,000 common shares of the Company (issued), and incur total work expenditures of US$310,000 (incurred). An additional US$2,500 ($3,372) was paid in consideration of the amendment to the option agreement whereby the due date on the work expenditures was extended to December 1, 2021.

On June 24, 2022, the Company announced that it met all its commitments under the agreement and has exercised its option to acquire a 100% interest in the Yautepec project. During the year ended February 28, 2023, the Company filed the application for transfer of titles in the name of the Company. Pursuant to the delay by the Mexican authorities in transferring the title of the claims, the Company has filed a litigation suite against the Mexican authorities.

A 2% net smelter return royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US$1,650,000.

8. EXPLORATION AND EVALUATION ASSETS (continued)

2) Yautepec Project, Oaxaca, Mexico (continued)

Cerro Minas

On October 16, 2019, the Company entered into an Option Agreement with Gunpoint Exploration Ltd. (“Gunpoint”) and Gunpoint’s subsidiary, Minera CJ Gold S.A. de C.V. (“CJ Gold”), whereas the Company, through its subsidiary, Minera Mazateca, may acquire a 100% interest in the Cerro Minas mineral concession (title # 234333) having a surface area of 899 hectares, located in the state of Oaxaca, Mexico (the “Property”). Under the terms of the Agreement, the Company may earn the interest in the Property by paying Gunpoint US$100,000 and issuing 800,000 common shares as follows:

i. US$10,000 (paid) and 100,000 shares (issued) on the effective date (October 23, 2019);
ii. US$20,000 (paid) and 150,000 shares (issued) on the first anniversary of the effective date;
iii. US$30,000 (paid) and 250,000 shares (issued) on the second anniversary of the effective date; and
iv. US$40,000 (paid on September 29, 2022) and 300,000 shares (issued on September 29, 2022) by the third anniversary of the effective date.

Gunpoint shall retain a 1.5% Net Smelter Returns Royalty on the Property, of which the Company may purchase, at any time, 0.5% for US$1,000,000.

During the year ended February 28, 2023, the Company fully exercised its option to purchase a 100% interest in the Cerro Minas mineral concession through final cash payment of $40,000 and issuance of 300,000 shares.

3) Magdalena Project, Oaxaca, Mexico

On June 1, 2018, and as amended on August 10, 2020, the Company entered into an option agreement to acquire a 100% interest in the Magdalena Project, located in the state of Oaxaca, Mexico.

To earn a100% interest, the Company is required to make total cash payments of US$5,000 (paid), issue a total of 1,550,000 common shares of the Company (issued), and incur total work expenditures of US$230,000.

A 2% net smelter returns royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US$1,650,000.

The Company shall also pay, for and on behalf of Minera Zalamera, all cash payments to be made to the Concession holder for a total amount of $50,000 (paid) over an 18-month period and the granting of a 1% net smelter returns royalty.

On August 12, 2020, an additional US$2,500 ($3,372) was paid in consideration of the amendment to the option agreement whereby the due date on the work expenditures was extended to December 1, 2022. As at February 28, 2022, the Company had capitalized US$194,200 ($257,916) of work expenditures.

In February 2022, the Company provided formal written notice to the optionor that it is declaring force majeure, as provided under the agreement, as access to the property has been unavailable to the Company for more than two years. During the year ended February 28, 2022, the management impaired the carrying value of the property to $1. During the year ended February 28, 2023, the Company incurred $14,357 which has been directly recognized as exploration expenditures in the statement of comprehensive income.

8. EXPLORATION AND EVALUATION ASSETS (continued)

3) Magdalena Project, Oaxaca, Mexico (continued)

During the year ended February 28, 2023, the Company received written notices from the optionor (i) rejecting the Company's force majeure claim and (ii) purporting to terminate the option agreement on the basis that the Company failed to make the required work expenditures within the option period specified in the agreement. The Company considers itself to be in compliance with the terms of the option agreement, as amended, and intends to vigorously contest this termination notice.

The Company has filed a Notice of Civil Claim in the Supreme Court of British Columbia against the optionor for specific performance of option agreements, damages, costs, and other relief. The claim is based on the Company's belief that it is in compliance with the terms of the agreements, despite receiving written notices of termination due to lack of work expenditure within the specified option periods. The Company intends to prove its allegations and dispute the termination notices in court.

4) Ralleau Project, Quebec, Canada

On April 5, 2017, the Company entered into an option agreement with DeepRock Minerals Inc. (the "optionee") on the Company's wholly owned Ralleau Property. Under the terms of the option agreement and as amended on March 15, 2018 (1st Amending Agreement), on June 30, 2018 (2nd Amending Agreement), on April 20, 2020 (3rd Amending Agreement) and on March 12, 2021 (4th Amending Agreement), the optionee will be deemed to have exercised its option to acquire a 50% interest in the property by payment of $75,000 in cash, issuance of 1,400,000 in common shares of the Company, and incurring $250,000 in exploration expenditures in the period of four (4) years. During the year 2022, the optionee has fulfilled the above-mentioned obligations and the 50% interest in the Ralleau property has been transferred. As at February 28, 2023, the Company has a receivable balance of $928 (February 28, 2022 - $Nil) from the optionee (Note 5).

5) First Green Lithium, Quebec, Canada

On January 31, 2023, the Company entered into an option agreement with South Shore Partnership Inc. ("South Shore") to acquire an undivided 100% right, title and interest in and to the property. The South Shore will receive a total of $165,000 in cash payments, which will be made in four installments disbursed over the course of three years, and a total of 5,400,000 Shares will be allotted, issued, and delivered to them in four installments as well, based on the following schedule:

(i) $21,000 cash payment (paid) and 750,000 shares (subsequently issued on March 6, 2023) on or before (February 5, 2023).
(ii) $36,000 cash payment and 1,050,000 Shares on or before January 31, 2024.
(iii) $48,000 cash payment and 1,500,000 Shares on or before January 31, 2025.
(iv) $60,000 cash payment and 2,100,000 Shares on or before January 31, 2026.

The Company would need to complete aggregate expenditures of $1,000,000 as follows:

(i) $200,000 on or before January 31, 2024.
(ii) $300,000 on or before January 31, 2025.
(iv) $500,000 on or before January 31, 2026.

Pursuant to the agreement, upon exercise of the option, the Company will assign 2% Net Smelter Returns ("NSR") to South Shore.

(EXPRESSED IN CANADIAN DOLLARS)

9. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		February 28, 2023		February 28, 2022
Accounts payable	**$**	**19,155**	$	11,249
Accrued liabilities		**43,370**		36,100
	$	**62,525**	$	47,349

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issuance of share capital

During the year ended February 28, 2023

On September 26, 2022, the Company closed a non-brokered private placement financing and issued 9,670,000 units at a price of $0.05 per unit for proceeds of $483,500. Each unit comprises of one common share and one-half of transferable share purchase warrant. Each whole warrant will allow the holder to purchase an additional common share of the Company at a price of $0.08 for a period of 24 months.

On September 29, 2022, pursuant to the option agreement for Cerro Minas dated October 16, 2019, the Company issued 300,000 common shares valued at $15,000.

During the year ended February 28, 2022

On October 21, 2021, pursuant to the option agreement with respect to the Cerro Minas project, the Company issued 250,000 common shares valued at $17,500.

During the year ended February 28, 2022, 6,247,500 of the outstanding warrants were exercised at a price of $0.10 per share and 560,000 of the outstanding warrants were exercised at a price of $0.06 per share. The aggregate value of proceeds received was $658,350.

Share options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, or consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE CAPITAL (continued)

Share options (continued)

A summary of share options outstanding as at February 28, 2023 and 2022 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Balance, February 28, 2021	2,893,000	0.11	1.28
Expired	(425,000)	0.10	-
Balance, February 28, 2022	2,468,000	0.11	0.28
Expired	(2,024,000)	0.11	-
Granted	3,150,000	0.11	-
Balance, February 28, 2023	3,594,000	0.11	2.48
Exercisable	3,594,000	0.11	2.48

During the year ended February 28, 2023

The Company issued 3,150,000 incentive stock options to the members of its board and the management team as share-based compensation during the year ended February 28, 2023. The options are exercisable for a period of three years from the date of grant at a price of $0.08 per share and vest immediately. At the date of grant the incentive stock options were valued at $133,534 which was calculated using the Black Scholes option pricing model with the following inputs.

Input variables		
Number of options		3,150,000
Stock price	$	0.060
Exercise price	$	0.08
Term (years)		3.00
Volatility		127.7%
Discount rate - bond equivalent yield		3.640%
Fair Value of Call Options	**$**	**133,534**

During the year ended February 28, 2023, 2,024,000 of the outstanding stock options expired unexercised. The corresponding value of $134,733 was transferred from share-based payments reserve to deficit.

During the year ended February 28, 2022

Total share-based payment expense as a result of options granted and vested during the year ended February 28, 2022, was $Nil. As at February 28, 2022, there was $Nil unrecognized share-based payment expense related to unvested stock options.

During the year ended February 28, 2022, 425,000 of the outstanding stock options expired unexercised. The corresponding value of $28,075 was transferred from share-based payment reserve to deficit.

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE CAPITAL (continued)

Warrants

A summary of changes in warrants outstanding as at February 28, 2023 and 2022 is as follows:

	Warrants outstanding		Weighted average exercise price	Weighted average number of years to expiry
Balance, February 28, 2021	**15,560,000**	**$**	**0.11**	**0.60**
Warrants expired	(2,960,000)		0.10	-
Warrants exercised	(6,807,500)		0.08	1.58
Balance, February 28, 2022	**5,792,500**	**$**	**0.12**	**0.30**
Warrants expired	(5,792,500)		0.12	-
Warrants issued	4,835,000		0.08	1.58
Balance, February 28, 2023	**4,835,000**	**$**	**0.08**	**1.58**

During the year ended February 28, 2023

Pursuant to the private placement closed on September 26, 2022, the Company issued 4,835,000 share purchase warrants at an exercise price of $0.08 for a period of 24 months.

During the year ended February 28, 2023, the 5,792,500 warrants expired unexercised.

During the year ended February 28, 2022

During the year ended February 28, 2022, 6,807,500 of the outstanding warrants were exercised for an aggregate value of $658,350, and 2,960,000 of the outstanding warrants expired unexercised.

11. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital comprises the Company's shareholders' equity and any issued debt. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term.

The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital was mostly from proceeds from the issuance of common shares.

The Company is not subject to externally imposed capital restrictions nor were there any changes to the Company's capital management provisions during the period.

12. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value measurements is required. The three levels of the fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

12. FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial instrument risks

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

		As at February 28, 2023		As at February 28, 2022
Cash and cash equivalents	**$**	**520,001**	$	559,078
Marketable securities		**146,725**		204,825
Financial instruments	**$**	**666,726**	$	763,903

The Company's cash and cash equivalents, and marketable securities are valued using quoted market prices in active markets for identical assets, and therefore are classified as Level 1.

The fair value of amounts receivable, accounts payable and accrued liabilities and due to related parties approximates their carrying values due to their short term to maturity, and therefore are classified as Level 2.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at February 28, 2023, the Company has a working capital of $608,567 (February 28, 2022 - $718,686). The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

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. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk. As of February 28, 2023, the Company had a cash and cash equivalents balance of $520,001 of which $11,048 was in a term deposit, earning interest at a rate of 0.50% per annum. The Company had no interest-bearing debt.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to amounts payable and Mexican property expenditures that are denominated in US dollars and Mexican pesos. A 10% fluctuation in the Mexican peso against the Canadian dollar would affect comprehensive loss for the year by approximately $1,952.

(EXPRESSED IN CANADIAN DOLLARS)

12. FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial instrument risks (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash, cash equivalents and amounts receivable. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions.

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties are for amounts due to directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment.

As at February 28, 2023, $19,201 (February 28, 2022 - $17,025) was due to directors and officers of the Company.

	As at			
	February 28, 2023		February 28, 2022	
Company controlled by the Chief Executive Officer ('CEO')	**$**	**4,200**	$	4,200
Company controlled by the Chief Financial Officer ('CFO')		**9,200**		10,200
Company controlled by the Corporate secretary		**5,801**		2,625
	$	**19,201**	$	17,025

During the year ended February 28, 2023, and 2022, the Company entered into the following transactions with related parties:

	Year ended			
	February 28, 2023		February 28, 2022	
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors:				
Share-based payments	**$**	**133,534**	$	-
Management fees		**96,000**		96,000
Consulting fees		**30,000**		48,237
Professional fees		**21,268**		19,446
Mineral exploration consulting		**-**		64,234
	$	**280,802**	$	227,917

Management fees were paid or accrued to the following:

	Year ended			
	February 28, 2023		February 28, 2022	
Company controlled by the CEO	**$**	**48,000**	$	48,000
Company controlled by the CFO		**48,000**		48,000
	$	**96,000**	$	96,000

(EXPRESSED IN CANADIAN DOLLARS)

13. RELATED PARTY TRANSACTIONS (continued)

Consulting fees were paid or accrued to the following:

	Year ended	
	February 28, 2023	February 28, 2022
Company controlled by the Corporate secretary	**$ 30,000**	$ 30,000
Company controlled by a director	**-**	18,237
	$ 30,000	$ 48,237

During the year ended February 28, 2023, the Company paid or accrued a total of $21,268 (2022 - $19,446) to a company controlled by the CFO as professional fees.

During the year ended February 28, 2023, the Company paid or accrued a total of $Nil (2022 - $64,234) to a company controlled by a director as mineral exploration consulting fee.

During the year ended February 28, 2022, the Company paid $16,590 to a company controlled by one of the directors to amend the option agreement with respect of Yautepec, Magdalena, and Rama de Oro property. The amount has been reported as part of exploration and evaluation assets in the statement of financial position as at February 28, 2022 (Note 8).

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2023 and 2022, the Company incurred non-cash financing and investing activities as follows:

	Year ended	
	February 28, 2023	February 28, 2022
	$	$
Non-cash financing activities:		
Fair value of options granted	**133,534**	-
Fair value of options expired	**134,733**	28,075
Fair value of warrants exercised	-	14,882
Non-cash investing activities:		
Shares issued for exploration and evaluations assets	**15,000**	17,500

15. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of mineral properties. Geographical information is as follows:

	Canada	Mexico	Total
Balance, as at February 28, 2023			
Exploration and evaluation assets	$ 432,173	$ 634,171	$ 1,066,344
Balance, as at February 28, 2022			
Exploration and evaluation assets	$ 34,357	$ 886,415	$ 920,772

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAX

Deferred Tax Assets and Liabilities

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

	2023	2022
Loss for the year	**$ (596,595)**	$ (1,317,665)
Expected income tax (recovery)	**(161,000)**	(356,000)
Change in statutory, foreign tax, foreign exchange rates and other	**(301,000)**	(32,000)
Permanent differences	**47,000**	13,000
Share issue cost	**-**	-
Adjustment to prior years provision versus statutory tax returns	**(123,000)**	25,000
Change in unrecognized deductible temporary differences	**538,000**	350,000
Total income tax expense (recovery)	**$ -**	**$ -**

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2023	2022
Deferred tax assets (liabilities)		
Exploration and evaluation assets	**$ 790,000**	$ 496,000
Share issue costs	**2,000**	4,000
Marketable securities	**19,000**	11,000
Allowable capital losses	**10,000**	10,000
Non-capital losses available for future period	**793,000**	555,000
	1,614,000	1,076,000
Unrecognized deferred tax assets	**(1,614,000)**	(1,076,000)
Net deferred tax assets	**$ -**	**$ -**

17. SUBSEQUENT EVENT

On March 6, 2023, pursuant to the property purchase agreement for “First Green Lithium”, the Company issued 750,000 common shares at a price of $0.07 per share for a total value of $52,500.