CEYLON GRAPHITE CORP.

Condensed Consolidated Interim Financial Statements

For the Period Ended

December 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	As at December 31, 2023	As at March 31, 2023
ASSETS		
Current		
Cash	$ 229,283	$ 207,936
Amounts receivable	64,332	92,966
Prepaid expenses and advances	88,448	119,832
	382,063	420,734
Property and equipment	310,883	328,014
Exploration and evaluation assets (Note 6)	4,099,675	3,913,305
Right-of-use asset (Note 4)	91,767	110,761
	$ 4,884,388	$ 4,772,814
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 985,587	$ 413,839
Amounts payable (Notes 6 & 9)	1,049,896	875,836
Derivative liability (Notes 6 & 9)	399,994	788,310
Loans payable (Note 10)	46,041	41,541
Current portion of capital lease obligations	26,724	23,375
Convertible debentures (Note 7)	2,356,891	1,992,976
	4,865,133	4,135,877
Capital lease obligations (Note 4)	95,267	113,782
	4,960,400	4,249,659
EQUITY		
Share capital (Note 8)	15,737,998	15,340,737
Share subscriptions received in advance	50,000	50,000
Equity component of convertible debentures (Note 7)	415,672	394,711
Contributed surplus	6,185,439	6,031,014
Deficit	(21,698,729)	(20,532,907)
Accumulated other comprehensive loss	(766,392)	(760,400)
	(76,012)	523,155
	$ 4,884,388	$ 4,772,814

CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (Note 1)
COMMMITMENTS AND CONTINGENCIES (Note 4)
SUBSEQUENT EVENT (Note 13)
Approved by the Board of Directors on February 28, 2024

"Sasha Jacob"
Sasha Jacob, Director

"Kevin Aylward"
Kevin Aylward, Director

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

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CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended		Nine Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Expenses				
Advertising and promotion	$ (2,079)	$ 66,678	$ 25,177	$ 192,799
Amortization	15,518	6,465	45,383	17,251
Consulting (Note 9)	6,026	92,711	47,127	292,450
Director fees (Note 9)	9,000	9,000	27,000	27,000
Gain on amendment of convertible debt	(6,984)	-	(6,984)	-
Gain on settlement of debt	(13,909)	-	(13,909)	-
Interest, finance and bank charges (Notes 6 & 7)	279,277	45,753	804,499	151,716
Office and administrative	35,958	44,573	103,796	159,015
Other income (Note 6)	(292,636)	-	(388,316)	-
Professional fees (Note 9)	169,140	185,981	445,242	390,852
Rent	-	10,231	9,188	41,133
Share-based payments (Notes 8 & 9)	48,025	115,167	52,503	431,054
Transfer agents and filings	17,093	11,399	43,688	39,594
Travel	12,117	27,676	17,269	71,218
Wages and benefits	5,906	6,648	23,719	41,909
Net loss	(282,452)	(622,282)	(1,235,382)	(1,855,991)
Other comprehensive gain (loss)				
Item that may be reclassified subsequently to gain (loss):				
Unrealized foreign exchange translation	33,302	(114,914)	69,560	(483,892)
Comprehensive loss	$ (249,150)	$ (737,196)	$ (1,165,822)	$ (2,339,883)
Loss per share – basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	165,795,683	154,321,475	161,348,894	151,316,475

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Net loss	$ (1,235,382)	$ (1,855,991)
Items not involving cash:		
Accretion and interest for convertible debentures	735,921	146,331
Amortization	45,383	17,251
Gain on amendment of convertible debt	(13,909)	-
Gain on settlement of debt	(6,984)	-
Other income	(388,316)	-
Share-based payments	52,503	431,054
	(810,784)	(1,261,355)
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	613,421	(290,906)
Amounts receivable	28,634	(58,125)
Prepaid and deposit	31,384	(199,555)
Cash used in operating activities	(137,345)	(1,809,941)
INVESTING ACTIVITIES		
Purchase of property and equipment	(8,450)	(80,660)
Expenditures on exploration and evaluation assets	(192,362)	(187,829)
Cash used in investing activities	(200,812)	(268,489)
FINANCING ACTIVITIES		
Advance from related parties	4,500	-
Convertible debentures	365,000	-
Private placement, net	-	3,195,318
Payments on capital lease obligation	(9,996)	(441)
Option exercised	-	40,000
Repayment of convertible debentures	-	(160,623)
Cash provided by financing activities	359,504	3,074,254
CHANGE IN CASH DURING THE PERIOD	21,347	995,824
CASH, BEGINNING OF PERIOD	207,936	68,353
EFFECT OF TRANSLATING FOREIGN CURRENCY	-	(387)
CASH, END OF PERIOD	$ 229,283	$ 1,063,790
SUPPLEMENTAL CASH DISCLOSURES		
Interest and income taxes paid	$ -	$ 160,623

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

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Common Shares							
	Number	Amount	Share subscriptions	Equity portion of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
Balances as at March 31, 2022	132,446,475	$ 12,308,524	$ 50,000	$ 394,711	$ 5,227,176	$ (17,108,501)	$ (731,902)	$ 140,008
Issuance of common shares for cash	21,875,000	3,500,000	-	-	-	-	-	3,500,000
Share issuance costs	-	(463,103)	-	-	158,421	-	-	(304,682)
Stock options exercised	250,000	82,907	-	-	(42,907)	-	-	40,000
Share-based payments	-	-	-	-	431,054	-	-	431,054
Net loss and comprehensive loss	-	-	-	-	-	(1,855,991)	(483,893)	(2,339,884)
Balances as at December 31, 2022	154,571,475	$ 15,428,328	$ 50,000	$ 394,711	$ 5,773,744	$ (18,964,492)	$ (1,215,795)	$ 1,466,496
Balances as at March 31, 2023	159,113,350	$ 15,340,737	$ 50,000	$ 394,711	$ 6,031,014	$ (20,532,907)	$ (760,400)	$ 523,155
Issuance of common shares for settlement of amount payable	6,795,500	339,695	-	-	-	-	-	339,695
Convertible debenture	-	-	-	20,961	6,240	-	-	27,201
Share issued for debenture finder's fee	455,000	20,475	-	-	-	-	-	20,475
Share issued for debt	927,273	37,091	-	-	-	-	-	37,091
Share-based payments	-	-	-	-	52,503	-	-	52,503
Warrant issued for convertible debenture amendment	-	-	-	-	95,682	-	-	95,682
Net loss and comprehensive loss	-	-	-	-	-	(1,165,822)	(5,992)	(1,171,814)
Balances as at December 31, 2023	167,291,123	$ 15,737,998	$ 50,000	$ 415,672	$ 6,185,439	$ (21,698,729)	$ (766,392)	$ (76,012)

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Ceylon Graphite Corp. (the "Company or Ceylon") was incorporated on April 3, 1986 under the Canada Business Corporations Act. On December 30, 2016 the Company acquired Plumbago Refining Corp. B.V. ("Plumbago") through a reverse acquisition transaction. Plumbago was a private limited liability company organized under the laws of Curacao.

The address of the Company's corporate office is 1100-1111 Melville Street Vancouver, BC V6E 3V6, Canada and its principal place of business is Landhuis Joonchi, Kaya Richard J. Beaujon z/n Willemstad, Curacao.

On July 13, 2019, the Company incorporated a subsidiary BPA Lanka (Private) Limited ("BPA") in Sri Lanka and retained 49% interest. As at March 31, 2023, the shareholder of the remaining 51% interest has relinquished their interest in favor of Plumbago and management is in the process of reassigning the 51% interest. As Plumbago is the sole decision maker in the operations of BPA, for accounting purposes, Plumbago has control over BPA and thus the operating results of BPA have been consolidated.

On July 19, 2021, the Company incorporated a subsidiary Ceylon Graphite Technologies Ltd. ("CGT"), in the United Kingdom. This subsidiary is inactive as of the date of these consolidated financial statements.

During the period ended December 31, 2023, the Company incurred a net loss of $1,165,822 and as at December 31, 2023 had a deficit of $21,698,729 which has been funded by the issuance of equity and a working capital deficiency of $4,483,070. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating sufficient revenues to cover its operating costs. The Company has not yet determined whether its property contains graphite reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. The continued uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on February 28, 2024.

Basis of presentation

These condensed consolidated interim financial statements include the assets and operations of the Company and entities it controls, Plumbago, Sarcon Development (PVT) Limited ("Sarcon"), C Y L Lanka (Private) Limited ("Lanka"), JADS Enterprise (Private) Limited ("JADS"), Mine Street (Private) Limited ("Mine Street"), BPA and CGT.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

Cash and cash equivalents

Cash in the consolidated statements of financial position is comprised of cash in banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of December 31, 2023, and 2022, the Company held cash only.

Exploration and evaluation assets

Exploration expenditures and direct costs of exploration and evaluation assets, such as property acquisition costs and leases, are capitalized. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development costs incurred on a mineral property are deferred once management has determined, based on a feasibility study, that, a property is capable of economical commercial production as a result of having established proven and probable reserves. Development costs are carried at cost less accumulated depletion and accumulated impairment charges. Exploration expenditures incurred prior to determining that a property has economically recoverable resources are expensed as incurred.

The Company reviews the carrying values of mineral properties and development costs regularly with a view to assessing whether there has been any impairment in value, or whenever events or changes in circumstances that indicate the carrying value may not be recoverable. In the event the estimated discounted cash flows expected from its use or eventual disposition is determined to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount. Once a mine has achieved commercial production, mineral properties and development costs are depleted on a units-of-production basis over the life of the mine.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

The Company's condensed consolidated financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, Plumbago's functional currency is the US dollar and the functional currency for Sarcon, Lanka, JADS, Mine Street and BPA is the Sri Lankan Rupee.

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the consolidated statement of financial position date are recognized in the consolidated statement of comprehensive loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Property and equipment

Property and equipment is recorded at cost less accumulated amortization, less any accumulated impairment losses. Amortization is taken on a straight line basis at the following rates:

Machinery	8 years
Furniture and fixtures	5 years
Tools and equipment	4 years
Motor vehicles	5 years
Building	15 years

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9 “Financial Instruments: Classification and Measurement”. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another equity.

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. 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 the Company has opted to measure them at FVTPL.

Measurement
Financial assets at FVTOCI - Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss. The Company has no financial assets designated as FVTOCI.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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. The Company’s financial assets and liabilities at amortized cost include accounts payable, amounts payable, loans payable, capital lease obligations and convertible debentures.

Financial assets and liabilities at FVTPL - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains or 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 loss. The Company has classified cash and derivative liability as FVTPL.

Impairment of financial assets at amortized cost
The Company recognized 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 at an amount equal to the 12 months expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company may enter into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on the fair value of goods or services rendered.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to the shares issued, according to their fair value on the issuance date, and the residual value being allocated to the warrants. The Company does not measure the impact of modification to the terms of warrants previously issued as part of financing arrangements. Any fair value attributed to the warrants is recorded as reserves.

Share-based payment transactions

The fair value of options is measured on the grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on the grant date at fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair vale of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital. The related share-based payments originally recorded as reserves on either exercise or expiry of the underlying options.

Compound financial instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The Company then assesses whether the equity component qualifies as equity or is considered a derivative liability. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument, and the fair value of the derivative liability component is estimated using the Black-Scholes option pricing model. The liability component is initially recognized at the difference between the fair value of the compound instrument as a whole and the fair value of the derivative liability component. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability and derivative liability components from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement. The derivative liability component is re-measured at fair value at each reporting period with fair value gains or losses recognized in profit or loss.

Recent and future accounting standards

As at December 31, 2023, there have been no other recent or future accounting pronouncements by the IASB that would materially affect the Company’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Critical accounting estimates

i) Convertible debentures

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest method.

ii) Share-based payments

The Company uses the fair-value method of accounting for share-based payments (related to incentive stock options and compensation warrants granted, modified or settled). Under this method compensation costs attributable to option awards granted are measured at fair value at the issue or grant date and are expensed over the vesting period. In determining the fair value for share-based payments, the Company uses option pricing models and makes estimates of the expected volatility of the stock, the expected life and risk-free rate. The expected volatility is based on historical volatility of the Company’s stock over a period commensurate with the expected life of the option. Changes to these estimates could result in the fair value of share-based payments expense being less than or greater than the amount recorded.

iii) Derivative liabilities

Management uses option pricing models to determine the fair value of the derivate liabilities. In determining the fair value of derivative liabilities, the Company uses option pricing models and makes estimates of the expected volatility of the stock, the expected life and risk-free rate. The expected volatility is based on historical volatility of the Company’s stock over a period commensurate with the expected life of the derivative. Changes to these estimates could result in the fair value of derivative liabilities being less than or greater than the amount recorded.

Critical accounting judgments

i. Financial instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

ii. Deferred income taxes

Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the probable timing and level of future taxable income realized, including the usage of tax planning strategies.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting judgments (continued)

iii. Exploration and evaluation assets

The Company is required to review the carrying value of its exploration and evaluation properties at each reporting date for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is charged to the consolidated statements of comprehensive loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices on potential reserves.

iv. Technical feasibility and commercial viability

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment. As at December 31, 2023, management determined that the technical feasibility and commercial viability has not yet been established for its mineral properties and as such they are considered to be at the exploration and evaluation stage.

v. Mineral property title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims and licenses. Although the Company has taken steps to verify title and licenses 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. To the best of the Company's knowledge, title and licenses related to all of its properties are in good standing.

vi. Modification of debt instruments

Management judgment is required to determine if a change in the terms and conditions of a debt instrument is a modification or extinguishment of debt.

vii. Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern. Factors considered by management are disclosed in Note 1.

(Expressed in Canadian Dollars)

4. COMMITMENTS AND CONTINGENCIES

a) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

b) In March 2018, Plumbago acquired a 40% interest in Lanka by paying 2,849,925 Rupees. Subsequent to the acquisition of Lanka, Lanka entered into an acquisition agreement with the sole shareholder ("transferor") of JADS whereby Lanka acquired all issued and outstanding shares of JADS by paying 2,296,536 Rupees. Pursuant to the terms and conditions of the acquisition agreement, the transferor is entitled to 5% of net profits, which will be paid out in the form of the shares of Lanka or its nominee, for the first 5 years and 3% for the next 5 years. To date, no profit has been earned and as a result no shares have been issued.

c) The Company has entered into a lease agreement for an office and research facility in the United Kingdom expiring January 31, 2027. Annual lease payments amount to GBP 23,100. The Company's commitment under the lease agreement are as follows:

Within one year	GBP 23,100
One to five years	GBP 65,451
Total commitment	GBP 88,551

In connection with this lease, the Company recognized a right-of-use asset and lease liability on April 1, 2022 of GBP 74,220. During the year ended March 31, 2023, the Company recorded amortization expense of $24,913 (GBP 15,625) and accretion expense of $19,353 (GBP 12,138). As at March 31, 2023, the remaining balance of the right-of-use asset is $98,005 (GBP 58,595) and the remaining lease liability is $105,805 (GBP 62,253).

During the period ended December 31, 2023, the Company recorded amortization expense of $19,802 (GBP 11,719) and accretion expense of $13,041 (GBP 7,718). As at December 31, 2023, the remaining balance of the right-of-use asset is $79,048 (GBP 46,876) and the remaining lease liability is $90,473 (GBP 53,650).

5. PROPERTY AND EQUIPMENT

For the period ended December 31, 2023, the Company did not acquire or dispose any property and equipment. Amortization of assets for the period ended December 31, 2023 was $45,383 (2022 - $17,251). Net book value of property and equipment as at December 31, 2023 was $310,883 (March 31, 2023 - $328,014). During the period ended December 31, 2023, the change in the property and equipment balance, other than amortization, was due to foreign exchange adjustments.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition, exploration and evaluation costs for the period ended December 31, 2023:

	$
Balance, March 31, 2023	**3,913,305**
Costs incurred during the period:	
Geological and Other Consultancy Services	82,883
Labour and Operating Costs	45,359
Drilling and Exploration	2,036
Mine and Camp Costs	3,661
Site preparation expenses	17,739
Land Rent Charges	4,115
	4,069,098
Effect of foreign exchange	30,577
Balance, December 31, 2023	**4,099,675**

Sri Lanka

The Company's capitalized exploration and evaluation assets consist of the Company's current exploration properties located in Malsiripura and Karasnagala, Sri Lanka (namely M1 and K1, properties, respectively) where the Company is currently conducting its exploration activities.

The Company holds its M1 property under 20 and 10 year leases, expiring in 2037 and 2031 respectively. Annual lease payments are capitalized to exploration and evaluation assets. As at March 31, 2023, the Company holds a Category B industrial mining license at the M1 property.

The Company's K1 property comprises of two land parcels owned by the Company and two land parcels leased from the underlying owners of the properties expiring in 2024. The land purchased is included within property and equipment on the Company's consolidated statement of financial position, and annual lease payments are capitalized to exploration and evaluation assets. As at March 31, 2023, the Company holds a Category A industrial mining license at the K1 property.

During the period ended December 31, 2023, the Company's M1 and K1 mining licenses expired, and the Company is awaiting changes in the Sri Lanka Geological Survey and Mines Bureau's license renewal process to be completed in order to apply for renewal of the mining licenses.

In connection with the K1 property, on September 12, 2012, the Company entered into an agreement ("Agreement") to purchase 100% of the shares outstanding of Sarcon Development (PVT) Ltd. ("Sarcon"). At the time of the transaction, Sarcon had 1,000,000 shares outstanding. In exchange for the shares of Sarcon, the Company agreed to pay US $2 million. The terms and conditions of the Agreement were amended in 2013 and 2014, pursuant to which the Company had transferred to the vendor consideration totaling $1,000,000 USD in cash and common shares of the Company. $1,000,000 USD remained payable pursuant to the occurrence of certain milestones, which had been recorded as amounts payable on the consolidated statement of financial position as at March 31, 2022.

On February 4, 2023, the Company entered into a further agreement (the "Restated Sarcon Agreement") with the vendor to amend the remaining consideration payable to the vendor in order to complete the Company's commitments required for release of the final 500,000 shares of Sarcon from escrow.

6. EXPLORATION AND EVALUATION ASSETS (continued)

The amended consideration payable consists of the following:

a. Cash payment of $250,000 USD (paid) within 10 business days of TSX-V approval of the Restated Agreement;

b. Share issuance by the Company of shares equal to $250,000 USD (shares issued on March 20, 2023) within 10 business days of TSX-V approval of the Restated Agreement (the "First Issuance) valued pursuant to a valuation formula in the Restated Sarcon Agreement ("the Valuation Formula").

c. Within 14 business days of receipt of proceeds from the earlier of (a) the sale of 100 cumulative metric tonnes of graphite received by Sarcon, or (b) the six-month anniversary of the First Issuance (September 20, 2023), common shares to be issued by the Company equal to $250,000 USD (the "Second Issuance") valued using the Valuation Formula (shares issued on October 11, 2023).

d. Issuance of common shares of the Company equal to $250,000 USD on the three-month (December 20, 2023, 6,718,000 shares issued subsequently), six-month (March 20, 2024), nine-month (June 20, 2024) and twelve-month (September 20, 2024) anniversaries of the Second Issuance valued using the Valuation Formula.

e. Issuance of common shares of the Company equal to $125,000 USD on the fifteen-month anniversary (December 20, 2024) of the Second Issuance valued using the Valuation Formula, with such amount to be reduced by monthly payment amounts of $5,000 USD per month due and payable to vendor subsequent to the execution of the Restated Sarcon Agreement.

The Company also agreed that it shall use 10% of the net proceeds of any equity based financing completed by the Company to satisfy, or partially satisfy, any further payments required to be made to the vendor as noted above, and such payments shall be made in US dollars in lieu of common shares within five business days of the final approval of the TSX-V of such financing.

The modification of the consideration on February 4, 2023, was accounted for as a debt extinguishment and the recognition of a new liability. The fair value of the new liability was determined based on the net present value of the amended consideration payable.

The amended liability was also determined to include an embedded derivative due to the variable number of shares that will eventually be issued, due to the Valuation formula and the USD basis for the issuance, which differs from the Company's functional currency. On initial recognition at the modification date, the embedded derivative was measured at a fair value of $781,051 using the Black-Scholes option pricing model with the following weighted-average assumptions: Expected life of 0.97 years, volatility of 108.13%, dividend yield of 0%, and risk-free rate of 3.93%.

The extinguishment of the original liability of $1,341,050 ($1,000,000 USD), and the fair value of the new liability of $1,381,492 ($1,030,157 USD) and the derivative liability of $781,051 resulted in a loss on extinguishment of $821,493.

The fair value of the new liability will be accreted over the term of the amended consideration payable using the effective interest method. During the nine months ended December 31, 2023, the Company recognized accretion expense of $639,475 ($473,685 USD). As at December 31, 2023, the carrying value of the liability is $1,049,896 ($777,700 USD) (March 31, 2023 - $875,836 ($648,655 USD)) which is included as amounts payable in the consolidated statement of financial position.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

The following table summarizes the changes in derivative liability during the year ended March 31, 2023 and period ended December 31, 2023:

	Derivative Liability $
Balance, March 31, 2022	-
Initial fair value of new derivative liability	781,051
Change in fair value of derivative liability	7,259
Balance, March 31, 2023	788,310
Change in fair value of derivative liability	(388,575)
Balance, December 31, 2023	399,735

At December 31, 2023, the embedded derivative was measured at a fair value of $399,735 (March 31, 2023 - $788,310) using the Black-Scholes option pricing model with the following weighted-average assumptions: Expected life of 0.48 years, volatility of 147.91%, dividend yield of 0%, and risk-free rate of 4.85%. During the nine months ended December 31, 2023, the Company recognized a gain on change in fair value of the derivative liability of $95,680, which has been recorded in other income on the condensed consolidated interim statement of comprehensive loss.

7. CONVERTIBLE DEBENTURES

On May 23, 2018, the Company closed a non-brokered private placement offering of units, at a purchase price $1.00 per unit for aggregate gross proceeds of $2,000,000. Each unit is comprised of $1.00 in principal amount of convertible debentures and two common share purchase warrants. The principal amount of the convertible debentures will be convertible at the holder’s option into fully-paid common shares in the capital of the Company at any time prior to maturity in three years, at a conversion price of $0.25 per share. Each whole warrant will be exercisable into one common share on or before maturity at an exercise price of $0.25 per share. Interest on the debentures shall be paid upon maturity, at an annual rate of interest of 6% per annum. The Company paid $67,500 in finders’ fees related to the convertible debentures.

On February 5, 2021, the Company modified the maturity date of the convertible debentures from May 23, 2021 to November 23, 2021. In addition, the interest rate increased from 6% to 8%. In connection with the modification, the Company issued 1,000,000 warrants exercisable at $0.22 per warrant, expiring in one year, as compensation to the debenture holders. The value of the warrants arising from the debt modification was $273,168, which was recorded as a transaction cost and applied against the carrying value of the debt.

On November 24, 2021, the maturity date of the convertible debentures was extended to November 23, 2022 and the expiry date of the original 4,000,000 warrants issued was extended to November 23, 2022.

On November 1, 2022, the maturity date of the convertible debentures was further extended to November 23, 2023 and the expiry date of the original 4,000,000 warrants issued was further extended to November 23, 2023.

On November 23, 2023, the Company amended the conversion price of an aggregate principal amount of $1,750,000 of the 2018 convertible debentures to $0.15 and amended the maturity date to November 23, 2024. In addition, the Company has agreed to issue 5,833,333 warrants, valued at $95,682 to replace the warrants originally issued. Each replacement warrant is exercisable for one common share of the Company at a price of $0.15 until November 23, 2024. A total principal amount of $100,000 of the convertible debentures were not extended and matured on November 23, 2023. All securities issued and issuable in connection with the Replacement Warrants are subject to a four month and one day hold period from the dated of issuance in accordance with Canadian securities laws.

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES (continued)

The following table summarizes accounting for the convertible debentures and the amounts recognized in the liability and equity during the period:

Principal	
Issued during the year ended March 31, 2019	$ 2,000,000
Balance at March 31, 2022	$ 1,987,115
Accretion and interest expense	166,484
Interest payments	(160,623)
Balance at March 31, 2023	1,992,976
Modification of convertible debt	(6,984)
Accretion and interest expense	134,736
Insurance cost	(95,682)
Balance at December 31, 2023	$ 2,025,046
Equity Component of Debentures	
Equity component initially recognized	$ 540,700
Deferred income tax liabilities recognized	(145,989)
Balance at March 31, 2023 and December 31, 2023	$ 394,711

On October 26, 2023, the Company closed a non-brokered private placement offering of 365 debenture units, at a purchase price $1,000 per unit for aggregate gross proceeds of $365,000. Each unit is comprised of $1,000 in principal amount of convertible debentures and 20,000 common share purchase warrants. The principal amount of the convertible debentures will be convertible at the holder's option into total of 7,300,000 common shares in the capital of the Company at any time prior to maturity in one year, at a conversion price of $0.05 per share. Each whole warrant will be exercisable into one common share on or before maturity at an exercise price of $0.06 per share. Interest on the debentures shall be paid upon maturity, at an annual rate of interest of 9% per annum. The Company paid 455,000 finder's units and 455,000 finder's warrants related to the convertible debentures. Finder's warrants entitling the holder to acquire one unit of the corporation at an exercise price of five cents at any time up to one year from the date of issuance, with each finder unit comprising one common share and one warrant, with each such warrant exercisable for one warrant share at a price of six cents per warrant share for a period of one year from the date of issuance.

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES (continued)

Principal	
Issued during the period ended December 31, 2023	$ 365,000
Liability	
Gross proceeds received	365,000
Issuance cost	(26,715)
Equity component less issue costs allocated	(20,961)
Liability component initially recognized	(317,324)
Accretion and interest expense	14,521
Balance at December 31, 2023	$ 331,845
Equity Component of Debentures	
Equity component initially recognized	$ 20,961
Balance at December 31, 2023	$ 20,961

8. SHARE CAPITAL

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

b) As at December 31, 2023, there were 167,291,123 (March 31, 2023 – 159,113,350) common shares issued and outstanding.

During the period ended December 31, 2023, the Company the following common shares:

- closed a non-brokered private placement of $365,000 of 9% senior secured convertible debenture units of the Company.

  Each debenture unit consists of: (i) C$1,000 principal amount of 9% senior secured convertible debenture; and (ii) 20,000 common share purchase warrants exercisable for one common share at an exercise price of $0.06 for a period of one year. A total of 7,300,000 warrants were issued and are exercisable for 7,300,000 shares. An aggregate of C$365,000 principal amount of Debentures was subscribed for and are convertible for up to 7,300,000 common shares of the Company (each, a "Debenture Share") at the option of the holder thereof at any time prior to the date that is one year from the date of issuance at a conversion price of C$0.05 per Debenture Share.

  The debentures bear interest at an annual rate of 9%, payable in cash semi-annually in arrears. Interest on the debentures may alternatively be paid in common shares of the Company at the Company's option. An entity controlled by the Company's CEO has pledged publicly traded shares of a third party to secure the Company's obligations under the debentures. In addition, the debentures are secured against all of the present and after acquired personal property of the Company.

  In connection with the financing, the Company has issued to eligible finders 455,000 finders warrants exercisable at $0.05 for one year. Each finder warrant is exercisable into a unit which is comprised of one common share and one warrant, with each such warrant exercisable at $0.06 for a period of one year into a share of the Company.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

In connection with the financing, the Company has issued to eligible finders 455,000 finders warrants exercisable at $0.05 for one year. Each finder warrant is exercisable into a unit which is comprised of one common share and one warrant, with each such warrant exercisable at $0.06 for a period of one year into a share of the Company.

- issued 6,795,500 common shares pursuant to the Restated Sarcon Agreement in the amount of $250,000 USD (Note 6).
- issued 927,273 common shares valued at $37,091 to settle $51,000 debt to certain parties and recognized gain of $13,909 in profit and loss.

During the year ended March 31, 2023, the Company issued the following common shares:

- issued 4,291,875 common shares pursuant to the Restated Sarcon Agreement in the amount of $250,000 USD (Note 6).
- issued 500,000 common shares pursuant to the exercise of options for total proceeds of $80,000. Contributed surplus in the amount of $30,925 was reversed upon exercise of these options.
- completed a brokered private placement and issued 21,875,000 units at a price of $0.16 per unit for aggregate gross proceeds of $3,500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until May 10, 2025. In connection with the private placement, a 7.5% cash finder’s fee was paid together with the issuance of finder warrants equal to 7.5% of the total number of units placed, each exercisable for the purchase of one additional unit at a price of $0.16 at any time until May 10, 2025. Total cash paid for finders’ fees and other share issuance costs was $304,682 and fair value of the agents’ warrants was calculated to be $158,421.

c) Stock options

The Company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiary are eligible to receive stock options. The total number of shares which are at any one time reserved and set aside for issuance under the stock option plan, and under all other management options outstanding, shall not exceed 10% of the shares issued and outstanding. The maximum number of common shares reserved for issuance to any one person pursuant to stock options shall not exceed 5% of the common shares outstanding at the time of the grant, or such greater amount as may be permitted pursuant to the rules of any regulatory authority having jurisdiction. The option price of a stock option granted shall be fixed by the Board of Directors but shall not be less than the market price of the shares at the time the option is granted, or such lesser price as may be permitted by the rules of the regulatory authority having jurisdiction. Stock options may be granted for a period not exceeding five years. Unless the Board determines otherwise, a stock option shall vest immediately upon being granted.

On November 22, 2023, The Company granted 2,500,000 stock options to its directors, officers and employees. Each option is exercisable at $0.05 per common share at any time until November 22, 2028. The options were vested 50% on grant and remaining 50% will be fully vested on November 22, 2024. The total fair value of the options recognized was $86,800, which was estimated using the Black-Scholes calculator and the following assumptions:

Share price	$0.045
Risk-free interest rate	3.76%
Weighted average expected life	5.00 years
Weighted average expected volatility	105.62%
Weighted expected dividends	Nil
Forfeiture rate	Nil

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Stock options (continued)

As at December 31, 2023, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding	Weighted-Average Exercise Price
Outstanding, March 31, 2022	**11,043,584**	$0.16
Options granted	1,000,000	$0.16
Options cancelled	(2,757,870)	$0.24
Options expired	(300,000)	$0.30
Options exercised	(500,000)	$0.16
Outstanding, March 31, 2023	**8,485,714**	**$0.22**
Options granted	2,500,000	$0.05
Outstanding, December 31, 2023	**10,985,714**	**$0.18**

Details of stock options outstanding and exercisable at December 31, 2023 are as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
50,000	50,000	$0.20	0.37	15-May-24
2,750,000	2,750,000	$0.22	1.89	19-Nov-25
1,000,000	1,000,000	$0.36	2.06	20-Jan-26
100,000	100,000	$0.22	2.17	1-Mar-26
85,714	85,714	$0.14	2.67	2-Sep-26
4,000,000	4,000,000	$0.20	3.07	26-Jan-27
500,000	500,000	$0.16	3.39	20-May-27
2,500,000	1,250,000	$0.05	4.90	22-Nov-28
10,985,714	**9,735,714**	$0.18	3.09	

During the period ended December 31, 2023, the Company recorded $52,503 of share-based payments related to options granted and vested (2022 - $431,054).

d) Warrants

During the period ended December 31, 2023, 5,833,333 replacement warrants were issued pursuant to convertible debenture amendment (Note 7). The fair value of the 5,833,333 replacement warrants was determined to be $95,682, using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.05
Risk-free interest rate	4.41%
Weighted average expected life	1.01 years
Weighted average expected volatility	154.41%
Weighted expected dividends	Nil
Forfeiture rate	Nil

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Warrants

During the period ended December 31, 2023, 7,755,000 warrants were issued, of which 7,300,000 warrants were issued in connection with the convertible debenture private placement (Note 8(a)), and 455,000 warrants were issued as part of finder's units. The fair value of the 7,300,000 warrants was determined to be $5,000, using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.045
Risk-free interest rate	4.68%
Weighted average expected life	1 year
Weighted average expected volatility	21.41%
Weighted expected dividends	Nil
Forfeiture rate	Nil

During the year ended March 31, 2023, 23,515,625 warrants were issued, of which 21,875,000 warrants were issued in connection with the private placement (Note 8(b)), and 1,640,625 warrants were issued as finders' fees in the private placement. The fair value of the 1,640,625 finders' warrants was determined to be $158,421, using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.14
Risk-free interest rate	1.35%
Weighted average expected life	3 years
Weighted average expected volatility	121%
Weighted expected dividends	Nil
Forfeiture rate	Nil

A summary of the status of the Company's outstanding and exercisable warrants as at December 31, 2023 and the changes during the period then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, March 31, 2022	67,393,566	$0.16
Private placement	21,875,000	$0.25
Finders' warrants	1,640,625	$0.16
Expired	(9,165,000)	$0.15
Balance, March 31, 2023	81,744,191	$0.18
Warrants issued for convertible debentures	7,755,000	$0.06
Replacement warrants issued for convertible debentures	5,833,333	$0.15
Expired	(7,300,000)	$0.20
Balance, December 31, 2023	88,032,524	$0.19

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Details of warrants outstanding at December 31, 2023 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (in years)	Expiry Date
29,663,566	$0.15	0.81	October 22, 2024*
7,300,000	$0.06	0.82	October 26, 2024
455,000	$0.06	0.82	October 26, 2024
21,265,000	$0.15	0.83	October 28, 2024**
5,833,333	$0.15	0.90	November 23, 2024
21,875,000	$0.25	1.36	May 10, 2025
1,640,625	$0.16	1.36	May 10, 2025
88,032,524	$0.19	0.97	

* expiry date extended from October 22, 2023 to October 22, 2024 during the period ended December 31, 2023
**expiry date extended from October 28, 2023 to October 28, 2024 during the period ended December 31, 2023

e) Warrants converted into units

During the period ended December 31, 2023, 455,000 finder's warrants were issued in connection with the convertible debenture private placement (Note 7). Finder's warrants entitling the holder to acquire one unit of the corporation at an exercise price of five cents at any time up to one year from the date of issuance, with each finder unit comprising one common share and one warrant, with each such warrant exercisable for one warrant share at a price of six cents per warrant share for a period of one year from the date of issuance. The fair value of the 455,000 finders' warrants was determined to be $1,000, using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.045
Risk-free interest rate	4.68%
Weighted average expected life	1 year
Weighted average expected volatility	21.41%
Weighted expected dividends	Nil
Forfeiture rate	Nil

A summary of the status of the Company's outstanding and exercisable warrants as at December 31, 2023 and the changes during the period then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, March 31, 2023	-	-
Finders' warrants issued	455,000	$0.05
Balance, December 31, 2023	455,000	$0.05

Details of warrants outstanding at December 31, 2023 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (in years)	Expiry Date
455,000	$0.05	0.82	October 26, 2024
455,000	$0.05	0.82	

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

	December 31, 2023	**December 31, 2022**
	$	$
Consulting fees – CEO	90,000	12,500
Consulting fees – CFO	20,000	85,500
Consulting fees – Former CFO	52,250	114,300
Consulting fees – Director	-	116,199
Directors' fees	27,000	27,000
Share-based payments	52,080	286,742
	241,330	642,241

The Company has an amount payable of $1,049,896 (US$1,125,000) (March 31, 2023 - $875,836 or US$1,375,000) and a derivative liability of $399,735 (US$301,535) (March 31, 2023 - $788,310 (US$582,703)) related to amounts due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amount is unsecured and non-interest bearing.

As at December 31, 2023, the Company has amounts payable of $144,401 (March 31, 2023 - $56,750) due to certain directors and officers of the Company. The amounts payable are unsecured and non-interest bearing.

10. LOANS PAYABLE

During the year ended March 31, 2021, the Company received a $40,000 loan from the Canada Emergency Business Account (CEBA). The loan has 0% interest until January 18, 2024, thereafter interest is at 5% per annum starting on January 19, 2024. No principal repayments are required before January 18, 2024, and if the loan remains outstanding after January 18, 2024, only interest payments are required until full principal is due on December 31, 2025. Payment of the loan balance on or before January 18, 2024 will result in loan forgiveness of up to $10,000.

As at December 31, 2023, the Company had a loan payable of $6,041 (March 31, 2023 - $1,541) due to the CEO of the Company. The loan is unsecured, non-interest bearing with no fixed term for repayment.

(Expressed in Canadian Dollars)

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of its share capital, contributed surplus and deficit 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations. The Company expects its current capital resources will be sufficient to carry its acquisition plans and operations through its current operating period.

There has been no change to the Company's approach to the management of capital during the nine month period ended December 31, 2023.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash, amounts receivable, accounts payable, amounts payable, derivative liability, loans payable, capital lease obligations and convertible debentures.

Financial instruments measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2023:				
Cash	$ 229,283	$ -	$ -	$ 229,283
Derivative liability	$ -	$ -	$ 399,994	$ 399,994
March 31, 2023:				
Cash	$ 207,936	$ -	$ -	$ 207,936
Derivative liability	$ -	$ -	$ 788,310	$ 788,310

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at December 31, 2023 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, amounts receivable, accounts payable and amounts payable that are denominated in the United States dollar and Rupees. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure to foreign currency as at each of the reporting periods is at below:

	December 31, 2023	**December 31, 2023**	**March 31, 2023**	**March 31, 2023**
	Rupees	**US$**	**Rupees**	**US$**
Cash	11,144,887	-	1,970,529	1,438
Accounts payable	(11,566,774)	-	(6,213,856)	-
Amounts payable	-	(1,139,535)	-	(1,375,000)
Total in foreign currency	(421,887)	(1,139,535)	(4,243,327)	(1,373,562)
Canadian dollar equivalents	(1,717)	(1,509,110)	(3,663)	(1,858,841)

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2023, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings for the period ended December 31, 2023 by $151,000 (March 31, 2023 - $186,000). A 10% fluctuation in the Canadian/Rupee exchange rates would impact the Company's earnings for the period ended December 31, 2023 by $172 (March 31, 2023 - $400). The Company has not entered into any foreign currency contracts to mitigate this risk.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The credit risk on cash is limited because the cash are composed of financial instruments issued by Canadian banks and companies with high credit ratings as assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk.

(iv) *Liquidity risk*

In managing of liquidity risk, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at December 31, 2023, the Company had a working capital deficit of $4,775,708. As at December 31, 2023, the Company had cash of $229,283 to settle accounts payable, capital lease obligation, convertible debentures, amounts payable and loans payable of $5,497,465 which fall due for payment within 12 months of the consolidated financial position date.

	Carrying value $	Principal amount $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $
Accounts payable	985,588	985,588	985,588	-	-
Amounts payable	1,049,896	1,860,788	1,019,996	29,900	-
Capital lease obligations	121,991	181,829	26,724	122,632	12,270
Loans payable	46,541	46,541	46,541	-	-
Convertible loans	2,356,891	2,356,891	2,356,891	-	-

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company issued 6,718,000 common shares pursuant to the Restated Sarcon Agreement in the amount of $250,000 USD (Note 6).