

**CEYLON GRAPHITE CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2022 AND 2021**

**(Expressed in Canadian dollars)**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Ceylon Graphite Corp.

**Opinion**

We have audited the consolidated financial statements of Ceylon Graphite Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

If, based on the work we have performed on this other information, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

**Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Waseem Javed.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
July 27, 2022

**CEYLON GRAPHITE CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

	Note	2022	2021
		\$	\$
<b>ASSETS</b>			
Current			
Cash		68,353	2,073,452
Amounts receivable		22,615	9,702
Prepaid expenses and advances		330,365	67,304
Prepayment of license		-	34,326
		421,333	2,184,784
Property and equipment	5	167,435	286,191
Exploration and evaluation assets	6	3,385,270	3,225,283
Right-of-use asset		13,716	-
		3,987,754	5,696,258
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities		551,489	324,773
Amounts payable	9	1,249,600	1,257,500
Loans payable	10	41,541	41,541
Current portion of capital lease obligations		948	2,203
Convertible debentures	7	1,987,115	1,898,404
		3,830,693	3,524,421
Capital lease obligations		17,053	3,624
		3,847,746	3,528,045
<b>EQUITY</b>			
Share capital	8	12,308,524	11,171,927
Share subscriptions	8	50,000	50,000
Equity component of convertible debenture	7	394,711	394,711
Contributed surplus		5,227,176	4,032,686
Deficit		(17,108,501)	(13,110,869)
Accumulated other comprehensive income		(731,902)	(370,242)
		140,008	2,168,213
		3,987,754	5,696,258

CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (Note 1)  
COMMMITMENTS (Note 4)  
SUBSEQUENT EVENTS (Note 14)

Approved by the Board of Directors on July 27, 2022

"Donald Baxter"  
Donald Baxter, Director

"Kevin Aylward"  
Kevin Aylward, Director

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

**CEYLON GRAPHITE CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Advertising and promotion		462,971	663,593
Consulting		491,804	400,000
Depreciation		49,996	60,522
Director fees	9	19,000	-
Interest, finance and bank charge	7	433,089	407,230
Office and administrative		202,858	268,758
Professional fees		962,430	1,173,118
Share-based payments	9	1,279,684	1,005,468
Transfer agents		41,242	60,584
Travel		58,232	-
Vehicle expenses		-	4,620
<b>Loss before other items</b>		<b>(4,001,306)</b>	<b>(4,043,893)</b>
<b>Other items</b>			
Other income (expense)		(24,281)	6,478
Foreign exchange gain (loss)		27,886	51,063
		3,674	57,541
<b>Net loss</b>		<b>(3,997,632)</b>	<b>(3,986,352)</b>
<b>Other comprehensive income (loss)</b>			
Item that may be reclassified subsequently to gain (loss):			
Unrealized foreign exchange translation		(361,660)	(594,292)
<b>Comprehensive loss</b>		<b>(4,359,292)</b>	<b>(4,580,644)</b>
<b>Loss per share – basic and diluted</b>		<b>(0.03)</b>	<b>(0.03)</b>
<b>Weighted average number of common shares outstanding</b>		<b>130,530,021</b>	<b>121,524,228</b>

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

**CEYLON GRAPHITE CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

	Note	2022	2021
		\$	\$
Net loss		(3,997,632)	(3,986,352)
Items not involving cash:			
Accretion and interest for convertible debentures	7	413,864	112,760
Accretion for capital lease obligations		7,826	-
Share issued for services		200,000	-
Amortization		49,996	60,522
Share-based payments		1,279,684	1,005,468
		(2,046,262)	(2,807,602)
Changes in non-cash working capital balances:			
Accounts payable and accrued liabilities		387,358	64,406
Amounts receivable		(13,017)	47,043
Prepaid and deposit		(10,324)	329,068
Cash used in operating activities		(1,682,245)	(2,367,085)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	5	(9,114)	(33,174)
Expenditures on exploration and evaluation assets	6	(579,347)	(359,433)
Cash used in investing activities		(588,461)	(392,607)
<b>FINANCING ACTIVITIES</b>			
Private placement, net		-	4,500,000
Payments on capital lease obligation		(4,281)	(4,838)
Loan advances		-	195,000
Options exercised		100,000	60,000
Loan repayments		-	(314,938)
Warrants exercised		176,250	512,750
Cash provided by financing activities		271,969	4,947,975
CHANGE IN CASH DURING THE YEAR		(1,998,737)	2,188,283
CASH, BEGINNING OF YEAR		2,073,452	1,047
EFFECT OF TRANSLATING FOREIGN CURRENCY		(6,362)	(115,878)
<b>CASH, END OF YEAR</b>		<b>68,353</b>	<b>2,073,452</b>
<b>SUPPLEMENTAL CASH DISCLOSURES</b>			
Interest and income taxes paid		1,142	-
<b>NON-CASH TRANSACTION</b>			
Shares issued to finders'		-	315,000
Shares issued for services		200,000	-
Shares issued for debenture interest		325,153	150,000
Shares issued for services		200,000	-
Shares issued for debt		250,000	-
Shares issued for loan modification		-	273,168

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

**CEYLON GRAPHITE CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

	Common Shares		Share subscriptions	Equity portion of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	Number	Amount						
Balances as at March 31, 2020	67,266,181	6,200,542	50,000	394,711	3,025,999	(9,657,850)	224,050	237,452
Issuance of common shares for cash	51,428,566	4,500,000	-	-	-	-	-	4,500,000
Share issued to finders	3,600,000	315,000	-	-	-	-	-	315,000
Share issuance costs	-	(657,365)	-	-	342,365	-	-	(315,000)
Reversal of conversion inducement (Note 7)	-	-	-	-	(533,333)	533,333	-	-
Convertible debenture exercised	600,000	150,000	-	-	-	-	-	150,000
Warrants issued (Note 7)	-	-	-	-	273,168	-	-	273,168
Warrants exercised	3,210,000	512,750	-	-	-	-	-	512,750
Options exercised	300,000	151,000	-	-	(91,000)	-	-	60,000
Issuance of warrants for loan interest (Note 10(a))	-	-	-	-	10,019	-	-	10,019
Share-based payments	-	-	-	-	1,005,468	-	-	1,005,468
Net loss and comprehensive loss	-	-	-	-	-	(3,986,352)	(594,292)	(4,580,644)
Balances as at March 31, 2021	126,404,747	11,171,927	50,000	394,711	4,032,686	(13,110,869)	(370,242)	2,168,213
Balances as at March 31, 2021	126,404,747	11,171,927	50,000	394,711	4,032,686	(13,110,869)	(370,242)	2,168,213
Warrants exercised	1,175,000	176,250	-	-	-	-	-	176,250
Shares issued for service	1,000,000	200,000	-	-	-	-	-	200,000
Shares issued for debenture interest	1,970,624	325,153	-	-	-	-	-	325,153
Shares issued for debt	1,181,818	250,000	-	-	-	-	-	250,000
Stock options exercised	714,286	185,194	-	-	(85,194)	-	-	100,000
Share-based payments	-	-	-	-	1,279,684	-	-	1,279,684
Net loss and comprehensive loss	-	-	-	-	-	(3,997,632)	(361,660)	(4,359,292)
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

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

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**CEYLON GRAPHITE CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

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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 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 year ended March 31, 2022, the Company incurred a net loss of \$3,997,632 and had a deficit of \$17,108,501 which has been funded by the issuance of equity. 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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity throughout the world. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the COVID-19 pandemic has affected the Company’s day-to-day operations, such as delays with the issuance of the Company’s mining and exploration license renewals. The extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company’s control; however, it is possible that COVID-19 may have a material adverse effect on the Company’s business, results of operations and financial condition.

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 consolidated 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.

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**CEYLON GRAPHITE CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRIC”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 27, 2022.

b) Basis of presentation

These consolidated financial statements include the assets and operations of the Company and entities it controls, Plumbago and Sarcon Development (PVT) Limited (“Sarcon”), C Y L Lanka (Private) Limited (“Lanka”) and JADS Enterprise (Private) Limited (“JADS”), BPA and CGT. Sarcon was incorporated in Sri Lanka under the Companies Act, No. 07 of 2007. Lanka was incorporated in Sri Lanka having a registration number PV 129449 with the local registration office No.47. JADS was incorporated in Sri Lanka having a registration number PV99839 with the local registration office No.165/2. BPA was incorporated in Sri Lanka having a registration number PV00214055 with the local registration office No.47. All significant inter-company balances and transactions have been eliminated upon consolidation.

The consolidated 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.

c) 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 March 31, 2022, and 2021, the Company held cash only.

d) 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.

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**CEYLON GRAPHITE CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency

The Company's 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 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 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 statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

f) 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.

g) 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.

h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the 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.

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**CEYLON GRAPHITE CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) Equipment

Equipment is recorded at cost less accumulated depreciation, less any accumulated impairment losses. Depreciation 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

j) 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.

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**CEYLON GRAPHITE CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**  
(Expressed in Canadian Dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 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 net 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 net loss. The Company has classified cash 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 twelve months expected credit losses. The Company shall recognize in the consolidated statements of net 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.

k) 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 warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to the shares. The Company does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as reserves.

l) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payment transactions (continued)

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 value 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.

m) 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. 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. 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 component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

n) Recent and future accounting standards

As at March 31, 2022, 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 consolidated 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 consolidated 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.

Significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax assets, valuation of share-based payments and assessment of impairment of exploration and evaluation assets.

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

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting estimates (continued)

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.

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.

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 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.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting judgments (continued)

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 March 31, 2022, 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 convertible debt

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

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 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.

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5. PROPERTY AND EQUIPMENT

	Machinery	Furniture and Fixtures	Tools and Equipment	Motor Vehicles	Land	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
At March 31, 2020	247,349	19,971	129,485	46,001	93,741	536,547
Additions	15,616	-	560	-	-	16,176
Disposals	(16,147)	-	-	-	-	(16,147)
Exchange rate movements	(14,147)	(2,111)	(7,996)	(3,989)	(14,939)	(43,182)
At March 31, 2021	249,088	17,860	122,049	42,012	78,802	509,811
Additions	941	156	8,017	-	-	9,114
Disposals	-	-	-	-	-	-
Exchange rate movements	(91,917)	(7,234)	(53,370)	(12,970)	(25,660)	(191,151)
<b>At March 31, 2022</b>	<b>158,112</b>	<b>10,782</b>	<b>76,696</b>	<b>29,042</b>	<b>53,142</b>	<b>327,774</b>
<b>Accumulated Amortization</b>						
At March 31, 2020	51,244	6,683	80,079	29,333	-	167,339
Additions	23,506	2,887	21,622	8,266	-	56,281
At March 31, 2021	74,750	9,570	101,701	37,599	-	223,620
Additions	(17,202)	(1,974)	(34,095)	(10,010)	-	(63,281)
<b>At March 31, 2022</b>	<b>57,548</b>	<b>7,596</b>	<b>67,606</b>	<b>27,589</b>	<b>-</b>	<b>160,339</b>
<b>Net book value</b>						
At March 31, 2021	174,338	8,290	20,348	4,413	78,802	286,191
At March 31, 2022	100,564	3,186	9,090	1,453	53,142	167,435

For the year ended March 31, 2022, the Company acquired equipment in the amount of \$9,114 (2021 - \$16,176). Amortization of assets for the year ended March 31, 2022 was \$48,091 (2021 - \$60,522). Net book value of property and equipment as of March 31, 2022 was \$167,435 (2021 - \$286,191). Any change on property and equipment balance other than amortization was due to foreign exchange adjustments

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6. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition, exploration and evaluation costs for the years ended March 31, 2022 and March 31, 2021:

	\$
<b>Balance, April 1, 2020</b>	<b>3,290,417</b>
Costs incurred during fiscal year 2021:	359,281
Effect of foreign exchange	(424,415)
<b>Balance, March 31, 2021</b>	<b>3,225,283</b>
Costs incurred during fiscal year 2022:	
License fees	40,354
Drilling and exploration	56,922
Sample Analysis	6,605
Mine and camp costs	475,467
	579,347
Effect of foreign exchange	(419,361)
<b>Balance, March 31, 2022</b>	<b>3,385,270</b>

**Sri Lanka**

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. Sarcon has interests in approximately 100 zones on 1km by 1km grids to develop, construct and operate graphite mines located in Sri Lanka. 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. The payment table below reflects all the amendments to the Agreement.

The Company will be required to make the following cash payments:

	US \$
14 days after Sarcon’s Board of Investment approval – paid;	250,000
Within 7 days of confirming that Sarcon’s shares have been transferred to the Company and the applicable stamp duty has been paid by the Company (“Confirmation Letter”) – paid;	300,000
Within 45 days of issuance of the Confirmation Letter – paid;	75,000
On or before December 31, 2016 - paid;	375,000
Within 14 days of receipt of proceeds from the sale of a minimum 350 tonnes of graphite from the Sarcon grids;	650,000
On or before July 1, 2017, or in the event that the third payment (US\$650,000 noted above) was not made for reason other than breach of this Agreement, then the date of the fourth instalment (US\$350,000) shall be adjusted to a date acceptable to both parties.	350,000
	<u>2,000,000</u>

In 2013, and amended in 2014, the Company entered into an escrow agreement with the vendor of Sarcon and an escrow agent. Under the terms of the escrow agreement, the Company deposited its share certificates for 875,000 shares of Sarcon with the escrow agent. The escrow agent will release the remaining share certificates once the Company has fulfilled its payment commitments outlined above.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

As of March 31, 2022 and 2021 the Company has made total payments of US\$1,000,000.

The outstanding amount due to the vendor has been included within amounts payable on the consolidated statements of financial position. The amount is non-interest bearing and unsecured.

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 further extended to November 23, 2022.

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

	\$
<b>Principal</b>	
Issued during the year ended March 31, 2019	2,000,000
<b>Balance at March 31, 2020</b>	<b>1,935,644</b>
Accretion and interest expense	385,928
Issue costs	(273,168)
Convertible debt exercised	(150,000)
<b>Balance at March 31, 2021</b>	<b>1,898,404</b>
Accretion and interest expense	413,864
Shares issued for payment of interest	(325,153)
<b>Balance at March 31, 2022</b>	<b>1,987,115</b>

During the year ended March 31, 2022, interest on convertible debentures in the amount of \$325,153 (2021 - \$150,000) was converted to 1,970,624 (2021 - 681,818) common shares.

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8. SHARE CAPITAL

a) Authorized:

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

b) As at March 31, 2022, there were 132,446,475 (March 31, 2021 – 126,404,747) common shares issued and outstanding.

During the year ended March 31, 2022, the Company issued the following common shares:

The Company issued 1,175,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$176,250.

The Company issued 681,818 common shares pursuant to an agreement to settle liability in the amount of \$150,000.

The Company issued 1,970,624 common shares pursuant to the convertible debenture interest payments of \$325,153.

The Company issued 714,286 common shares pursuant to the exercise of options for total proceeds of \$100,000.

The Company issued 1,500,000 common shares to the former CEO in the amount of \$300,000, in which \$100,000 was to settle outstanding liabilities and \$200,000 for consulting fees.

During the year ended March 31, 2021, the Company issued the following common shares:

During the year ended March 31, 2021, the Company completed a brokered private placement and issued 51,428,566 units at a price of \$0.0875 per unit for aggregate gross proceeds of \$4,500,000. Each unit is comprised of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.15 and an expiry date of three years. In connection with the financing, the Company issued 3,600,000 private placement units and 3,600,000 agents' warrants to the broker for commission. The agents' warrants have the same terms as private placement warrants. Fair value of the units is \$315,000 and agents' warrants is \$342,365.

The Company issued 3,210,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$512,750.

The Company issued 300,000 common shares pursuant to the exercise of options for total proceeds of \$60,000.

The Company issued 600,000 common shares pursuant to the exercise of convertible debenture for total proceeds of \$150,000 (Note 7).

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8. SHARE CAPITAL (continued)

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 February 7, 2022, the Company granted an aggregate of 4,000,000 stock options to the officers and directors of the Company. Each option is exercisable at \$0.20 per common share, expire in 5 years. 50% of the options were vested immediately and 50% will be vested on January 23, 2023. During the year ended March 31, 2022, the total fair value of the options recognized was \$382,854, which was estimated using the Black-Scholes calculator and the following assumptions:

Share price	\$0.20
Risk free interest rate	1.66%
Weighted expected life	5 years
Weighted average expected volatility	122%
Weighted expected dividends	Nil
Forfeiture rate	Nil

On September 2, 2021, the Company granted an aggregate of 800,000 stock options to a consulting company. Each option is exercisable at \$0.14 per common share, expire in 5 years and vested immediately. The total fair value of the options was \$95,417. On September 14, 2021, 714,286 options were exercised and \$85,194 was reversed from contributed surplus accordingly.

The fair value of these options was determined using the Black-Scholes option pricing model with the following assumptions:

Share price	\$0.14
Risk free interest rate	0.80%
Weighted expected life	5 years
Weighted average expected volatility	227%
Weighted expected dividends	Nil
Forfeiture rate	Nil

On November 19, 2020, the Company granted an aggregate of 5,000,000 stock options to its directors, officers and consultants. Each option is exercisable at \$0.215 per common share and expire in 5 years. 2,800,000 options vest after six months. 3,424,000 options vest every six months in equal tranches. The total fair value of the options of \$924,653 was determined using the Black-Scholes option pricing model with the following assumptions:

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8. SHARE CAPITAL (continued)

c) Stock options (continued)

Share price	\$0.30
Risk free interest rate	0.44%
Weighted expected life	5 years
Weighted average expected volatility	125%
Weighted expected dividends	Nil
Forfeiture rate	Nil

On January 19, 2021, the Company granted an aggregate of 1,000,000 stock options to its directors, officers and consultants. Each option is exercisable at \$0.355 per common share and expire in 5 years. The options vest every six months in equal tranches. The total fair value of the options was \$74,131.

Share price	\$0.37
Risk free interest rate	0.41%
Weighted expected life	5 years
Weighted average expected volatility	125%
Weighted expected dividends	Nil
Forfeiture rate	Nil

On February 9, 2021, the Company granted an aggregate of 100,000 stock options to its directors, officers and consultants. Each option is exercisable at \$0.51 per common share and expire in 5 years. The options vest every six months in equal tranches. The total fair value of the options was \$7,044.

The value of these options was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price	\$0.50
Risk free interest rate	0.49%
Weighted expected life	5 years
Weighted average expected volatility	126%
Weighted expected dividends	Nil
Forfeiture rate	Nil

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8. SHARE CAPITAL (continued)

c) Stock options (continued)

As at March 31, 2022, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding	Weighted- Average Exercise Price
<b>Outstanding, March 31, 2020</b>	<b>3,007,870</b>	<b>\$0.30</b>
Options granted	5,000,000	\$0.22
Options granted	1,100,000	\$0.36
Options cancelled	(125,000)	\$0.23
Options exercised	(300,000)	\$0.14
<b>Outstanding, March 31, 2021</b>	<b>8,682,870</b>	<b>\$0.25</b>
Options granted	4,800,000	\$0.19
Options cancelled	(1,375,000)	\$0.23
Options expired	(350,000)	\$0.20
Options exercised	(714,286)	\$0.14
<b>Outstanding, March 31, 2022</b>	<b>11,043,584</b>	<b>\$0.16</b>

Details of stock options outstanding and exercisable at March 31, 2022 are as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
1,300,000	1,300,000	\$0.30	0.88	15-Feb-23
507,870	507,870	\$0.20	1.42	31-Aug-23
50,000	50,000	\$0.20	2.13	15-May-24
4,000,000	2,850,000	\$0.22	3.64	19-Nov-25
4,000,000	3,000,000	\$0.20	4.83	26-Jan-27
1,000,000	666,666	\$0.36	3.81	20-Jan-26
100,000	66,667	\$0.51	3.87	9-Feb-26
85,714	85,714	\$0.14	4.43	2-Sep-26
<b>11,043,584</b>	<b>8,576,917</b>	<b>\$0.23</b>	<b>3.66</b>	

During the year ended March 31, 2022, the Company recorded \$1,279,684 of share-based payments related to options vested during the year (2021 - \$1,005,468).

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8. SHARE CAPITAL (continued)

c) Warrants

A summary of the status of the Company's outstanding and exercisable warrants as at March 31, 2022 and the changes during the year then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price
<b>Balance, March 31, 2020</b>	<b>16,500,000</b>	<b>\$0.17</b>
Granted – private placement	51,428,566	\$0.15
Agents' warrants	3,600,000	\$0.15
Granted for loan interest payment	250,000	\$0.155
Issued for loan modification	1,000,000	\$0.22
Exercised	(3,210,000)	\$0.15
<b>Balance, March 31, 2021</b>	<b>69,568,566</b>	<b>\$0.16</b>
Expired	(1,000,000)	\$0.22
Exercised	(1,175,000)	\$0.15
<b>Balance, March 31, 2022</b>	<b>67,393,566</b>	<b>\$0.16</b>

Details of warrants outstanding at March 31, 2022 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (in years)	Expiry Date
3,700,000	\$0.25	0.65	November 23, 2022
7,540,000	\$0.15	0.55	October 16, 2022
1,625,000	\$0.15	0.68	December 6, 2022
2,111,450	\$0.15	1.56	October 22, 2023
1,488,550	\$0.15	1.58	October 28, 2023
29,663,566	\$0.15	1.56	October 22, 2023
21,265,000	\$0.15	1.56	October 28, 2023
<b>67,393,566</b>	<b>\$0.15</b>	<b>1.38</b>	

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:

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9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	March 31, 2022	March 31, 2021
	\$	\$
Consulting fees – CEO	110,000	-
Consulting fees – CFO	88,000	84,000
Consulting fees – Director	173,167	-
Consulting fees – former CEO	220,000	193,000
Directors' fees	19,000	-
Share-based payments	689,168	613,857
	<b>1,299,335</b>	<b>890,857</b>

The Company has an amount payable of \$1,249,600 (US\$1,000,000) (2021 - \$ 1,257,500 or US\$1,000,000) due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amount is unsecured and non-interest bearing. In addition, the Company has amounts payable of \$21,699 (2021 - \$100,000) due to from officers and directors and has also obtained advances from shareholders, officers and directors of \$78,770 (2021 – 1,541).

During the year ended March 31, 2022, the Company issued 1,500,000 common shares to the former CEO, of which \$100,000 was used to offset the amounts payable to him and \$200,000 was consulting services received in 2022.

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 December 31, 2023, thereafter interest is at 5% per annum starting on January 1, 2024. No principal repayments are required before December 31, 2023, and if the loan remains outstanding after December 31, 2023, only interest payments are required until full principal is due on December 31, 2025. Payment of the loan balance on or before December 31, 2023 will result in loan forgiveness of 25% (up to \$10,000).

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.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 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:

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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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, loans payable, capital lease obligations and convertible debentures.

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

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>March 31, 2022:</b>				
Cash	68,353	\$ -	\$ -	68,353
<b>March 31, 2021:</b>				
Cash	2,073,452	\$ -	\$ -	2,073,452

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at March 31, 2022 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, amount receivable, accounts payable, amounts payable, loans payable and convertible debentures 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:

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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

	March 31, 2022	March 31, 2022	March 31, 2021	March 31, 2021
	Rupee	US\$	Rupee	US\$
Cash	712,765	4,093	3,347,300	94,650
Advances to affiliates	-	-	-	-
Accounts payable	(15,787,698)	(6,173)	(7,703,923)	(6,173)
Amounts payable	-	(1,000,000)	-	(1,000,000)
Total in foreign currency	(15,074,933)	(1,002,080)	(4,356,623)	(911,524)
<b>Canadian dollar equivalents</b>	<b>(64,094)</b>	<b>(1,252,200)</b>	<b>27,446</b>	<b>(1,146,241)</b>

Based on the net Canadian dollar denominated asset and liability exposures as at March 31, 2022, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings for the year ended March 31, 2022 by \$125,000 (2021 - \$115,000). A 10% fluctuation in the Canadian/Rupee exchange rates would impact the Company's earnings for the year ended March 31, 2022 by \$6,000 (2021 - \$3,000). 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.

(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 March 31, 2022, the Company had a working capital deficit of \$3,409,360. As at March 31, 2022, the Company had cash of \$68,353 to settle accounts payable, capital lease obligation, convertible debentures, amounts payable and loans payable of \$3,847,746 which fall due for payment within twelve months of the financial position date.

	Carrying value	Principal amount	Less than 1 year	Between 2 – 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable	551,489	551,489	551,489	-	-
Amounts payable	1,249,600	1,249,600	1,249,600	-	-
Capital lease obligations	18,001	39,540	3,401	13,605	22,534
Loans payable	41,541	41,541	41,541	-	-
Convertible loans	1,987,115	2,021,923	2,021,923	-	-

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13. INCOME TAXES

The Company has non-capital losses carried forward of approximately \$15.2 million available to reduce income taxes in future years which expire between 2026 to 2042.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets. The following table reconciles the amount of income tax recoverable on application of the statutory

Canadian federal and provincial income tax rates: The temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2022 not recognized are presented below:

	<b>2022</b>	<b>2021</b>
Statutory income tax rate	22-28%	22-28%
	\$	\$
Income tax recovery at statutory rate	1,088,000	1,076,000
Effect of income taxes of:		
Non-deductible items for tax purposes and other	(311,000)	(289,000)
Change in deferred tax assets not recognized and other	(777,000)	(787,000)
Deferred income tax recoverable	-	-

The temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2022 and 2021 not recognized are presented below:

	<b>2022</b>	<b>2021</b>
	\$	\$
Non-capital loss carry-forwards	4,125,000	3,661,000
Equipment	(29,000)	51,000
Exploration and valuation assets	(225,000)	960,000
Share issue costs	2,000	6,000
Convertible debenture	37,000	9,000
Deferred tax assets not recognized	(3,910,000)	(4,687,000)
	-	-

14. SUBSEQUENT EVENTS

On May 13, 2022, the Company closed a private placement of 21,875,000 units ("Units") at a price of \$0.16 per Unit for gross proceeds of \$3,500,000. Each Unit consists of one common and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share of the Company at a price of \$0.25 per Warrant Share at any time until May 10, 2025.