

**USHA RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**MARCH 31, 2023**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
USHA Resources Ltd.

### *Opinion*

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

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

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that while the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available in the future or on favourable terms. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$3,699,534 as of March 31, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.



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

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

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***Other Information***

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

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

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

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

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

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

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

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

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

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

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

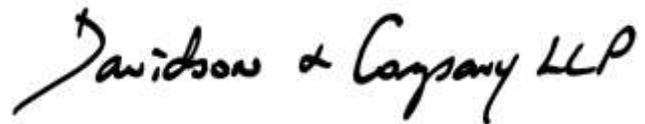
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 31, 2023



**USHA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>EXPENSES</b>		
Consulting fees	\$ 954,629	\$ 646,849
Insurance	13,300	11,905
Management fees (Note 6)	180,000	-
Office and miscellaneous	286,995	21,615
Professional fees (Note 6)	152,595	71,569
Property investigation	-	625
Regulatory and filing fees	38,115	31,686
Rent and administration charges (Note 6)	66,000	45,000
Share-based payments (Note 5c)	348,876	161,854
Shareholder communications	896,213	-
Transfer agent fees	3,092	5,864
Travel and entertainment	20,220	11,495
	<u>2,960,035</u>	<u>1,008,462</u>
Foreign exchange loss	34,178	1,031
Interest income	(16,592)	(703)
Recovery of flow through share premium liability (Note 5)	-	(66,350)
	<u>-</u>	<u>(66,350)</u>
<b>Loss and comprehensive loss for the year</b>	<b>\$ 2,977,621</b>	<b>\$ 942,440</b>
<b>Basic and diluted loss per common share</b>	<b>\$ 0.09</b>	<b>\$ 0.05</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>33,843,274</b>	<b>17,266,905</b>

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

**USHA RESOURCES LTD.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

	Share Capital (Note 5)			Share		Total
	Shares	Amount	Reserves	Subscriptions	Deficit	Shareholders' Equity
Balance, March 31, 2021	15,079,270	\$ 1,727,455	\$ 120,799	\$ -	\$ (748,057)	\$ 1,100,197
Shares issued for stock options exercised (Note 5c)	120,000	19,000	-	-	-	19,000
Reserve transferred for exercised of shares options (Note 5c)	-	14,069	(14,069)	-	-	-
Private placement (Note 5b)	3,414,335	1,024,300	-	-	-	1,024,300
Share-based payments (Note 5c)	-	-	161,854	-	-	161,854
Share issue costs (Note 5b)	-	(71,809)	25,798	-	-	(46,011)
Share subscriptions (Note 5b)	-	-	-	34,000	-	34,000
Warrants exercised (Note 5d)	4,532,000	945,630	-	-	-	945,630
Loss and comprehensive loss for the year	-	-	-	-	(942,440)	(942,440)
Balance, March 31, 2022	23,145,605	\$ 3,658,645	\$ 294,382	\$ 34,000	\$ (1,690,497)	\$ 2,296,530
Shares issued for stock options exercised (Note 5c)	1,007,700	\$ 237,040	\$ -	\$ -	\$ -	\$ 237,040
Reserve transferred for exercised of shares options (Note 5c)	-	135,747	(135,747)	-	-	-
Shares issued for mineral claims (Note 5b)	3,927,165	1,291,884	-	-	-	1,291,884
Private placement (Note 5b)	18,882,107	5,895,401	-	(34,000)	-	5,861,401
Share-based payments (Note 5c)	-	-	348,876	-	-	348,876
Share issue costs (Note 5b)	-	(353,453)	100,448	-	-	(253,005)
Stock options cancelled (Note 5c)	-	-	(77,789)	-	77,789	-
Warrants exercised (Note 5d)	124,817	37,445	-	-	-	37,445
Loss and comprehensive loss for the year	-	-	-	-	(2,977,621)	(2,977,621)
Balance, March 31, 2023	47,087,394	\$ 10,902,709	\$ 530,170	\$ -	\$ (4,590,329)	\$ 6,842,550

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

**USHA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for the year	\$ (2,977,621)	\$ (942,440)
Adjustment for item not involving cash:		
Share-based payments	348,876	161,854
Recovery of flow through share premium liability	-	(66,350)
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	9,660	(540)
(Increase) decrease in due from related parties	2,006	-
(Increase) decrease in prepaid expenses	(487,754)	(186,952)
Increase in accounts payable and accruals	9,106	55,569
Net cash used in operating activities	<u>(3,095,727)</u>	<u>(978,859)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	<u>(1,419,004)</u>	<u>(49,023)</u>
Net cash used in investing activities	<u>(1,419,004)</u>	<u>(49,023)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issue costs	(253,006)	(46,011)
Share subscriptions	-	34,000
Proceeds from the issuance of share capital	<u>6,135,886</u>	<u>1,988,930</u>
Net cash provided in financing activities	<u>5,882,880</u>	<u>1,976,919</u>
<b>Increase in cash for the year</b>	1,368,149	949,037
<b>Cash and cash equivalents, beginning of year</b>	<u>1,170,795</u>	<u>221,758</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,538,944</u>	<u>\$ 1,170,795</u>
<b>Cash paid during the year for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the year for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental information:**

During the year ended March 31, 2023, the Company issued warrants valued at \$100,448 as finders' fees on private placements and 3,927,165 common shares valued at \$1,291,884 pursuant to agreement to acquire exploration and evaluation assets (Note 5).

During the year ended March 31, 2022, the Company issued warrants valued at \$25,798 as finders' fees on a private placement (Note 5).

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

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

Usha Resources Ltd. (the "Company" or "USHA") was incorporated under the *Business Corporations Act* (British Columbia) on February 26, 2018.

The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol USHA.V, the OTCQB Exchange under the symbol USHAF and the Frankfurt Stock Exchange under the symbol JO0. The Company's head office address is 1575 Kamloops Street, Vancouver BC, V5K 3W1, Canada. The registered and records office address is Bentall 5, 1008 – 550 Burrard Street, Vancouver, BC, V6C 2B5, Canada.

The Company's business is to acquire and explore interests in mineral properties located in North America. Its portfolio includes Jackpot Lake, a lithium project in Nevada; White Willow, a lithium project in Ontario, Lost Basin, a gold-copper project in Arizona, and Nicobat, a nickel-copper-cobalt project in Ontario.

On March 10, 2022, the Company entered into an Arrangement Agreement (the "Arrangement") with Formation Metals Inc. ("FMI") to transfer the Nicobat property to FMI whereby USHA shareholders were to be issued one (1) share of FMI with respect to every five (5) shares of USHA owned on April 12, 2023. Pursuant to the Arrangement and on the payable date of April 20, 2023, USHA completed the transfer of the Nicobat property and distributed 9,480,476 common shares of FMI to the USHA shareholders on a pro rata basis (Note 4).

The Company's exploration and evaluation properties are at the exploration stage. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2023, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's ability to continue as a going concern is dependent upon successful results from its exploration activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include but are not limited to the COVID-19 global pandemic from March 2020 and political conflicts in other regions. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

## **2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting

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Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Critical accounting estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of judgment considered by management in preparing the financial statements is as follows:

- i) The carrying value and the recoverability of exploration and evaluation assets included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in shareholders’ equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company’s common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iv) Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Usha Resources (USA) Corp which was incorporated on June 1, 2020 and Formation Metals Corporation which was incorporated on March 1, 2022. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

**Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates and has

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been determined for the Company and its subsidiaries to be the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations in the period in which they arise.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on deposit with banks and highly liquid short-term interest-bearing investments that may be redeemed at any time or with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

#### **Exploration and evaluation assets**

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets after an impairment test and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

#### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

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The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The Company had no provisions for environmental rehabilitation as at March 31, 2023.

### **Loss per share**

The Company presents basic loss per share 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.

### **Share-based payments**

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### **Flow-through common shares**

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being incurred, the Company derecognizes the flow-through premium liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used for only Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized

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in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Financial instruments**

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. The basis for classification depends on the entity’s business model and the contractual cash flow characteristics of the instrument.

#### *Classification*

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss (“FVTPL”), or fair value through other comprehensive income (loss) (“FVOCI”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified and measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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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 elected to measure them at FVTPL.

The Company classifies its financial instruments as follows:

<b>Asset or Liability</b>	<b>IFRS 9 Classification</b>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

*Measurement*

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

*Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

*Impairment of financial assets at amortized cost:* The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

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**Leases**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For new leases, a right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment.

**4. EXPLORATION AND EVALUATION ASSETS**

The Company incurred expenditures on the properties as follows:

<b>Acquisition Costs</b>	<b>Nicobat, Ontario</b>	<b>Lost Basin, Arizona</b>	<b>Jackpot Lake, Nevada</b>	<b>White Willow, Ontario</b>	<b>Total</b>
Balance, March 31, 2021	\$ 245,000	\$ 234,592	\$ -	\$ -	\$ 479,592
Lease payment	-	31,988	-	-	31,988
Balance, March 31, 2022	245,000	266,580	-	-	511,580
Issuance of common shares	-	-	1,011,384	280,500	1,291,884
Cash consideration	-	-	75,000	70,525	145,525
Lease payment	-	32,582	-	-	32,582
Balance, March 31, 2023	245,000	299,162	1,086,384	351,025	1,981,571
<b>Exploration Expenditures:</b>					
Total costs, March 31, 2021	275,890	183,515	-	-	459,405
Consulting fees	-	5,289	-	-	5,289
Geological consulting and reports	-	1,105	-	-	1,105
Field expenses	728	9,632	-	-	10,360
Assay sampling	-	94	-	-	94
Titles claims fees	812	-	-	-	812
Balance, March 31, 2022	277,430	199,635	-	-	477,065
Consulting fees	3,744	-	45,557	-	49,301
Geological consulting and reports	1,800	-	-	-	1,800
Exploration advance	-	-	60,667	-	60,667
Drilling expenses	-	-	1,078,785	-	1,078,785
Field expenses	305	47	8,237	-	8,589
Travel and lodging	-	-	1,599	-	1,599
Assay sampling	-	2,869	-	-	2,869
Staking	-	-	37,095	-	37,095
Titles claims fees	193	-	-	-	193
Balance, March 31, 2023	283,472	202,550	1,231,941	-	1,717,963
<b>Total costs</b>	<b>\$ 528,472</b>	<b>\$ 501,712</b>	<b>\$ 2,318,325</b>	<b>\$ 351,025</b>	<b>\$ 3,699,534</b>

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Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The Company has four exploration assets as at March 31, 2023:

Nicobat property, Ontario, Canada

The Company's first project is the Nicobat property in Ontario, Canada. The Company acquired an initial 51% interest during fiscal 2020 in consideration for 1,500,000 common shares valued at \$150,000. During fiscal 2021 the Company increased its interest by 34% through the issuance of an additional 500,000 common shares of the Company valued at \$95,000, bringing its total interest to 85%. The property is subject to a 2% net smelter returns royalty of which 1.5% can be repurchased for USD\$2,000,000 until the end of the five-year period commencing from the date the property is put into commercial production.

On March 10, 2022, the Company entered into an Arrangement with Formation Metals Inc. to transfer the Nicobat property to FMI whereby USHA shareholders were to be issued one (1) share of FMI with respect to every five (5) shares of USHA owned on April 12, 2023. Pursuant to the Arrangement and on the payable date of April 20, 2023, USHA completed the transfer of the Nicobat property and distributed 9,480,476 common shares of FMI to the USHA shareholders on a pro rata basis.

Lost Basin property, Arizona, USA

The Company's second project is the Lost Basin Project in Arizona, USA. The Company entered into a binding Letter of Intent with AJA Mining LLC and Gold Basin Mining EXP LLC (collectively, the "Optionors") on June 3, 2020, whereby the Optionors granted the Company the option to acquire a 100% interest in certain mineral claims located in Arizona. Pursuant to the agreement, the Company issued 1,000,000 common shares valued at \$200,000 in fiscal 2021. The Company is required to make annual lease payments of US\$25,000, and within three years make a final payment of US\$3,000,000 in cash or common shares.

Jackpot Lake, Nevada, USA

The Company's third project is the Jackpot Lake Lithium Brine Property located within Clark County, 35 kilometres northeast of Las Vegas, Nevada, and is comprised of 140 mineral claims.

On May 2, 2022, the Company received approval from the TSX-V for its mineral property option agreement with Ares Strategic Mining Inc. (the "Vendor") to acquire a 100% interest in 140 mineral claims located in Jackpot Lake, Clark County, Nevada for total consideration of \$75,000 cash and \$950,000 in shares over a 12-month period. The Company completed its first payment of \$75,000 cash and issued 1,678,062 common shares valued at \$570,541 to the Vendor on May 2, 2022.

On September 14, 2022, the Company issued 745,033 common shares valued at \$225,000 pursuant to the Jackpot Lake agreement with Ares Strategic Mining Inc. as the second payment under the option agreement. On March 9, 2023, the Company issued 654,070 common shares valued at \$215,843 pursuant to the Jackpot Lake agreement with Ares Strategic Mining Inc. as the final payment under the option agreement and has, therefore, executed its option in full.

The Company is the legal and beneficial owner of the 100% interest in the 140 mineral claims pursuant to the final payment issued under the option agreement. These claims are subject to a 1% Gross Overriding Royalty, which can be repurchased by the Company for \$1,000,000.

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White Willow Property, Ontario, Canada

The Company's fourth project is the White Willow Lithium Pegmatite Property is located within the Thunder Bay Mining Division near Atikokan, Ontario and is comprised of 712 unpatented mining claims.

On March 28, 2023, the Company received approval from the TSX-V for its Option Agreement and Assignment Agreement with 2758145 Ontario Ltd. ("Vendor") and Grid Metals Corp. ("Assignor"), respectively, whereby it may acquire a 100% interest for total consideration of \$220,000 cash and 3,600,000 common shares of the Company as indicated in the table below:

Payment	Vendor		Assignor		Total	
	Cash	Shares	Cash	Shares	Cash	Shares
<b>Signing</b>	\$50,000 <sup>1</sup>	500,000	\$20,000 <sup>1</sup>	350,000	\$70,000	850,000
<b>1st Anniversary</b>	\$50,000	500,000 <sup>2</sup>	-	500,000 <sup>2</sup>	\$50,000	1,000,000
<b>2nd Anniversary</b>	\$50,000	500,000 <sup>2</sup>	-	750,000 <sup>2</sup>	\$50,000	1,250,000
<b>3rd Anniversary</b>	\$50,000	500,000 <sup>2</sup>	-	-	\$50,000	500,000
<b>Total</b>	\$200,000	2,000,000	\$20,000	1,600,000	\$220,000	3,600,000
<b>Notes</b>	1. Payable within five (5) days from receipt of approval to the Agreements from the Exchange (the "Approval"). 2. Shares of the Company are to be issued at a deemed value based on the Discounted Market Price at the time of issuance.					

The Company completed its first payment of \$70,000 cash and issued 850,000 common shares valued at \$280,500 to the Vendor and Assignor on March 28, 2023.

**5. SHARE CAPITAL**

a) Authorized:

Unlimited common shares with no par value and unlimited preferred shares with no par value.

b) Issued:

During the year ended March 31, 2023, the Company issued 20,014,624 common shares pursuant to the private placement, exercise of warrants and stock option as stated below:

- i) 9,651,338 shares were issued in a non-brokered private placement at a price of \$0.30 per share.
- ii) 9,230,769 shares were issued in a non-brokered private placement at a price of \$0.325 per share.
- iii) 124,817 warrants were exercised at a price of \$0.30 per share.
- iv) 532,700 stock options were exercised at a price of \$0.20 per share.
- v) 75,000 stock options were exercised at a price of \$0.10 per share.
- vi) 200,000 stock options were exercised at a price of \$0.29 per share.
- vii) 200,000 stock options were exercised at a price of \$0.33 per share.

On April 4, 2022, the Company closed the first tranche of the non-brokered private placement, issuing an aggregate of 769,333 non-flow through units at \$0.30 per unit raising gross proceeds of \$230,800, of which \$34,000 was received in the year ended March 31, 2022. On May 16, 2022, the Company closed the second tranche of the non-brokered private placement, issuing an aggregate of 2,934,998 non-flow through units at \$0.30 per unit raising gross proceeds of \$880,499. On May 18, 2022, the Company closed the third tranche of the non-brokered private placement, issuing an aggregate of 1,435,000 non-flow through units at \$0.30 per unit raising gross proceeds of \$430,500. On June 15, 2022, the Company closed the fourth and final tranche of the non-brokered private placement, issuing an aggregate of 4,512,007 non-flow through units at \$0.30 per unit raising gross proceeds of \$1,353,602. In total, Usha has raised gross proceeds of \$2,895,401 in all four tranches. Each unit consisted of one common share in the capital of the Company and one-half of one transferable share purchase warrant exercisable at \$0.45 per share for a period of

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two (2) years from the closing date of the private placement. No value was attributed to the warrant component of the units.

The Company granted 286,227 warrants as finders fees exercisable at \$0.45 for a period of two years. The warrants were valued at \$30,142 using the Black Scholes option pricing model assuming a life expectancy of 2 years, a risk-free interest rate of 2.6%, a forfeiture and dividend rate of nil, and volatility of 76%.

On March 22, 2023, the Company closed the non-brokered private placement, issuing an aggregate of 9,230,769 non-flow through units at \$0.325 per unit raising gross proceeds of \$3,000,000. Each unit consisted of one common share of the Company and one transferable common share purchase warrant exercisable at \$0.50 per share for a period of three (3) years from the closing date of the private placement.

The Company granted 510,302 warrants as finders fees exercisable at \$0.50 for a period of three years. The warrants were valued at \$70,306 using the Black Scholes option pricing model assuming a life expectancy of 3 years, a risk-free interest rate of 3.2%, a forfeiture and dividend rate of nil, and volatility of 70%.

During the year ended March 31, 2023, 3,077,165 common shares valued at \$1,011,384 were issued pursuant to the Jackpot Lake agreement with Ares Strategic Mining Inc, 500,000 common shares valued at \$165,000 were issued to 2758145 Ontario Ltd. and 350,000 common shares valued at \$115,500 were issued to Grid Metals Corp. pursuant to the White Willow Property agreements (Note 4).

During the year ended March 31, 2022, the Company issued 8,066,335 common shares pursuant to the private placement, exercise of warrants and stock option as stated below:

- i) 3,414,335 shares were issued in a non-brokered private placement at a price of \$0.30 per share.
- ii) 320,000 warrants were exercised at a price of \$0.19 per share.
- iii) 3,007,000 warrants were exercised at a price of \$0.19 per share.
- iv) 1,200,000 warrants were exercised at a price of \$0.26 per share.
- v) 5,000 warrants were exercised at a price of \$0.30 per share.
- vi) 50,000 stock options were exercised at a price of \$0.10 per share.
- vii) 70,000 stock options were exercised at a price of \$0.20 per share.

On November 12, 2021, the Company closed the first tranche of the non-brokered private placement, issuing an aggregate of 2,967,668 non-flow through units at \$0.30 per unit raising gross proceeds of \$890,300. On December 21, 2021, the Company closed the final tranche of the non-brokered private placement, issuing an aggregate of 446,667 non-flow through units at \$0.30 per unit raising gross proceeds of \$134,000.

Each unit consisted of one common share and one-half of one transferable share purchase warrant with each whole warrant exercisable at \$0.45 per share for a period of two (2) years from the date of closing, provided that in the event that the closing price of the Company's Shares is \$0.75 or greater per share during any thirty (30) consecutive trading day period, the warrants will expire 30 days after written notice. No value was attributed to the warrant component of the units.

As at March 31, 2023, there were nil (2022: 660,000) shares in escrow.

c) Stock options

The Company maintains a Stock Option Plan (the "Plan") under which it is authorized to grant stock options to executive officers, directors, employees, and consultants. Under the Plan, the number of options that may be issued is limited to no more than 10% of the Company's issued and outstanding shares immediately prior to the grant.

The exercise price of each stock option shall equal the market price of the Company's shares, less any applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

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During the year ended March 31, 2023, the Company granted 3,023,547 stock options (2022 – 885,227) having a total fair value of \$358,566 (2022 - \$161,839) and a weighted average grant-date value of \$0.28 (2022 – \$0.26) per option. During the year ended March 31, 2023, the Company recognized share-based compensation of \$348,876 (2022 – \$161,854) relating to options vested during the year.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

	March 31, 2023	March 31, 2022
Risk-free interest rate	3.31%	1.25%
Expected dividend yield	Nil	Nil
Expected stock price volatility	74.36%	101%
Expected life	1.9 years	4.4 years
Expected forfeiture rate	Nil	Nil

During the year ended March 31, 2023, 421,000 of the outstanding stock options were cancelled or expired. The corresponding amount of \$77,788 was transferred from reserves to deficit.

	Number	Weighted Average Exercise Price
Outstanding, March 31, 2021	1,072,700	\$ 0.17
Granted	885,227	0.26
Exercised	<u>(120,000)</u>	<u>0.16</u>
Outstanding, March 31, 2022	1,837,927	0.21
Granted	3,023,547	0.28
Exercised	(1,007,700)	0.24
Expired/Cancelled	<u>(421,000)</u>	<u>0.29</u>
Outstanding, March 31, 2023	<u>3,432,774</u>	<u>\$ 0.26</u>

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

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
295,000	295,000	\$ 0.10	October 12, 2023	0.53
150,000	150,000	\$ 0.20	September 17, 2025	2.47
185,227	185,227	\$ 0.20	July 5, 2026	3.27
25,000	25,000	\$ 0.335	October 7, 2026	3.52
50,000	50,000	\$ 0.355	November 11, 2026	3.62
75,000	75,000	\$0.29	January 7, 2024	0.77
100,000	100,000	\$0.31	February 9, 2024	0.86
250,000	187,500	\$0.375	April 4, 2024	1.01
100,000	100,000	\$0.30	April 5, 2024	1.02
50,000	50,000	\$0.30	April 19, 2024	1.05
400,000	400,000	\$0.285	May 10, 2024	1.11
237,000	237,000	\$0.29	May 27, 2024	1.16
30,000	30,000	\$0.30	September 16, 2024	1.47
50,000	50,000	\$0.25	September 27, 2024	1.50
1,150,000	1,150,000	\$0.25	December 30, 2024	1.75

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	235,547	235,547	\$0.30	February 7, 2025	1.86
	50,000	50,000	\$0.32	March 7, 2025	1.94

## d) Warrants

As at March 31, 2023, the Company had 18,163,790 warrants outstanding.

A summary of changes in outstanding warrants is as follows:

	Warrants outstanding	Weighted Average Exercise Price
Outstanding and exercisable at March 31, 2021	6,115,735	\$ 0.23
Warrants issued	1,851,904	0.45
Warrants exercised	(4,532,000)	0.21
Outstanding and exercisable at March 31, 2022	3,435,639	\$ 0.38
Warrants issued	14,852,968	0.48
Warrants exercised	(124,817)	0.30
Outstanding and exercisable at March 31, 2023	18,163,790	\$ 0.47

The following warrants were outstanding at March 31, 2023:

	Number of Shares	Exercise Price	Expiry Date
Warrants:			
Agent's warrants	5,250	\$ 0.30	October 21, 2023
Agent's warrants	2,100	\$ 0.30	December 2, 2023
Agent's warrants	5,250	\$ 0.35	December 2, 2023
Agent's warrants	134,237	\$ 0.45	November 12, 2023
Agent's warrants	10,500	\$ 0.45	December 17, 2023
Agent's warrants	49,200	\$ 0.45	April 1, 2024
Agent's warrants	75,800	\$ 0.45	May 13, 2024
Agent's warrants	114,800	\$ 0.45	May 17, 2024
Agent's warrants	46,427	\$ 0.45	June 14, 2024
Agent's warrants	510,302	\$ 0.50	March 22, 2026
Flow-through warrants	243,500	\$ 0.35	December 2, 2023
Non-flow through warrants	1,032,915	\$ 0.30	October 21, 2023
Non-flow through warrants	50,000	\$ 0.30	November 23, 2023
Non-flow through warrants	119,903	\$ 0.30	December 2, 2023
Non-flow through warrants	1,483,834	\$ 0.45	November 12, 2023
Non-flow through warrants	223,333	\$ 0.45	December 17, 2023
Non-flow through warrants	384,667	\$ 0.45	April 1, 2024
Non-flow through warrants	1,467,499	\$ 0.45	May 13, 2024
Non-flow through warrants	717,500	\$ 0.45	May 17, 2024
Non-flow through warrants	2,256,004	\$ 0.45	June 14, 2024
Non-flow through warrants	9,230,769	\$ 0.50	March 22, 2026

**6. RELATED PARTY TRANSACTIONS**

The aggregate amount of expenses paid or payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

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Name of the Key management personnel	Company's Name	Nature of Transaction	Year ended March 31, 2023	Year ended March 31, 2022
Deepak Varshney, CEO	Castello Q Development Corporation	Management fees	\$ 180,000	\$ 99,000
Navin Varshney, Director	N.K.V. Engineering & Consulting Ltd	Rent and administration charges	66,000	45,000
Khalid Naeem, CFO	Aterna Advisors Inc.	Accounting fees	30,000	18,500

Accounts payable included \$1,811 (2022: \$19,563) owed to directors and officers of the Company for operating expenses paid on behalf of the Company during the year ended March 31, 2023.

## 7. FINANCIAL INSTRUMENTS

### Fair value

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

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

The recorded values of cash and cash equivalents, receivables and accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short term to maturity.

### Financial risk management

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

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by placing its cash and cash equivalents with a major financial institution. Management feels that the Company's credit risk with respect to cash and cash equivalents is remote.

#### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash and cash equivalents is not considered significant.

#### *Liquidity risk*

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company intends to settle these with funds from its positive working capital position. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. The risk to the going concern assumption is outlined in Note 1.

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*Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at March 31, 2023, the Company did not have any financial instruments denominated in foreign currencies and considers foreign currency risk to be insignificant.

*Price risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**8. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2023	2022
Loss before income taxes	\$ (2,977,621)	\$ (942,440)
Combined Canadian federal and provincial statutory rate	27%	27%
Expected income tax recovery	\$ (804,000)	\$ (254,000)
Change in statutory, foreign tax, foreign exchange rates and other	5,000	(169,000)
Adjustment to prior years provision	118,000	-
Permanent difference	95,000	1,000
Share issue cost	(68,000)	(1,000)
Change in unrecognized deductible temporary differences	<u>654,000</u>	<u>423,000</u>
Net income tax recovery	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	March 31, 2023	March 31, 2022
Deferred tax assets (liabilities):		
Exploration and evaluation assets	\$ -	\$ 118,000
Share issue costs	63,000	22,000
Non-capital losses available for future period	<u>1,117,000</u>	<u>456,000</u>
Total unrecognized deferred tax assets	\$ 1,180,000	\$ 596,000

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The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	\$ -	No expiry date	\$ 435,000	No expiry date
Share issue costs	233,000	2044 to 2047	50,000	2043 to 2046
Non-capital losses available for future period	4,137,000	2028 to 2043	1,465,000	2027 to 2042

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**9. CAPITAL MANAGEMENT**

Capital is comprised of all the components of the Company's shareholders' equity as at March 31, 2023, the Company's consolidated shareholders' equity was \$6,842,550 and there was no long-term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. The Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes in the Company's approach to capital management during the year ended March 31, 2023.

**10. SUBSEQUENT EVENTS**

Subsequent to March 31, 2023, the Company:

The Company granted stock options to consultants to acquire 400,000 common shares exercisable at \$0.29 expiring April 12, 2025, of which 300,000 stock options were exercised on April 12, 2023.

On April 14, 2023, 250,000 stock options exercisable at \$0.375 granted to a consultant were expired.

On April 20, 2023, the shareholders of the Company were issued 9,480,476 common shares in Formation Metals Inc. pursuant to the Arrangement and the Company completed the transfer of the Nicobat Property to FMI.

The Company granted stock options to consultants to acquire 600,000 common shares exercisable at \$0.30 expiring May 8, 2025.

The Company entered into an option agreement with 2758145 Ontario Ltd., Peter Gehrels and Allan George Onchulenko of Atikokan, Ont., to acquire a 100% interest in eight unpatented mining claims located in the Thunder Bay mining division of Ontario (the Nym property). The Company can acquire a 100% interest in the property by making payments of cash and common shares of the Company as follows:

	Cash Payment	Common shares
May 23, 2023 (paid)	\$ 15,000	150,000
May 23, 2024	20,000	150,000
May 23, 2025	25,000	150,000
May 23, 2026	40,000	150,000
	\$ 100,000	600,000

**USHA RESOURCES LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

(Expressed in Canadian Dollars)

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The Company entered into an option agreement with 2758145 Ontario Ltd. of Atikokan, Ont., to acquire a 100% interest in five lithium pegmatite projects located in Ontario: the Lee Lake, Mead, Bluett, Gathering Lake and Triangle Lake projects. The Company can acquire a 100% interest in the property by making payments of cash and common shares of the Company as follows:

	Cash Payment	Common shares
June 6, 2023 (paid)	\$ 45,350	275,000
June 6, 2024	70,000	400,000
June 6, 2025	120,000	525,000
June 6, 2026	160,000	900,000
	<hr/>	<hr/>
	\$ 395,350	2,100,000

The Company granted stock options to consultants to acquire 300,000 common shares exercisable at \$0.26 expiring June 8, 2025. These stock options were exercised on June 23, 2023.

The Company granted restricted share units to consultants to acquire 50,000 common shares expiring December 31, 2026.