

E-Tech Resources Inc.

**Unaudited Condensed Interim
Consolidated Financial Statements**

December 31, 2022

February 28, 2023

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of **E-Tech Resources Inc.** are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*James Megann*"
Interim Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Robert Randall*"
Chief Financial Officer
Halifax, Nova Scotia

E-Tech Resources Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2022 and March 31, 2022

(Expressed in Canadian dollars unless otherwise indicated)

	December 31, 2022	March 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	525,637	1,797,690
Amounts recoverable (note 4)	190,786	355,443
Prepaid expenses and deposits	10,904	62,109
	<u>727,327</u>	<u>2,215,242</u>
Equipment (note 5)	83,611	33,333
Resource property expenditures (note 6)	4,243,655	3,563,821
	<u>5,054,593</u>	<u>5,812,396</u>
Total assets		
	<u>5,054,593</u>	<u>5,812,396</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	270,785	400,356
	<u>270,785</u>	<u>400,356</u>
Equity		
Shareholders' equity	4,783,808	5,412,040
	<u>4,783,808</u>	<u>5,412,040</u>
Total liabilities and equity	<u>5,054,593</u>	<u>5,812,396</u>

Nature of operations and going concern (note 1)

Commitments (note 12)

Approved on behalf of the Board of Directors

(signed) "John Philpott", Director

(signed) "James Megann", Director

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

E-Tech Resources Inc.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine-month periods ended December 31, 2022 and 2021
(Expressed in Canadian dollars unless otherwise indicated)

	Three-months ended December 31, 2022	Three-months ended December 31, 2021	Nine-months ended December 31, 2022	Nine-months ended December 31, 2021
	\$	\$	\$	\$
Expenses				
Professional and consulting fees (note 9)	50,642	70,110	223,145	140,981
Salaries and benefits (note 9)	22,055	39,799	164,409	82,615
Regulatory and filing fees	11,469	19,713	25,364	19,713
Share-based compensation (note 8)	93,740	201,282	297,494	201,282
Travel	1,621	10,266	15,142	10,266
Office and administration (note 9)	21,925	34,539	70,258	70,015
Marketing, promotion and advertising (note 9)	27,137	43,223	101,161	43,223
Finance costs (note 9)	-	8,837	-	107,440
Foreign exchange loss / (gain)	1,164	(80,182)	28,753	(20,844)
Listing expense (note 3)	-	6,370,752	-	6,370,752
Net loss and comprehensive loss for the period	(229,753)	(6,718,339)	(925,726)	(7,025,443)
Weighted-average number of shares outstanding during the period	82,971,530	70,345,628	82,971,530	23,533,743
Basic and diluted loss per share	(0.00)	(0.10)	(0.01)	(0.30)

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

E-Tech Resources Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)
For the periods ended December 31, 2022 and 2021 and March 31, 2022
(Expressed in Canadian dollars unless otherwise indicated)

	Common Shares	Share Capital	Warrants	Warrants	Contributed Surplus	Deficit	Total Equity (Deficiency)
	#	\$	#	\$	\$	\$	\$
Balance – April 1, 2021	200	34,544	-	-	-	(266,467)	(266,467)
Shares issued on conversion of convertible debentures (note 3)	133	1,596,000	-	-	-	-	1,596,000
Shares of E-Tech Kalapuse Mining (Pty) Limited exchanged for shares of the Company (note 3)	(333) 37,000,030	- -	- -	- -	- -	- -	- -
Shares of the Company deemed to be issued, post two for one split (note 3)	25,971,500	6,492,875	-	-	-	-	6,492,875
Shares issued pursuant to private placement financing (notes 3 and 9)	20,000,000	5,000,000	-	-	-	-	5,000,000
Share issuance costs (note 8)	-	(378,020)	-	-	-	-	(378,020)
Broker warrants issued on private placement financing (note 8)	-	(238,353)	1,400,000	238,353	-	-	-
Share-based compensation (note 8)	-	-	-	-	201,282	-	201,282
Loss and comprehensive loss for the period	-	-	-	-	-	(7,025,443)	(7,025,443)
Balance – December 31, 2021	82,971,530	12,507,046	1,400,000	238,353	201,282	(7,291,910)	5,654,771
Share-based compensation (note 8)	-	-	-	-	402,563	-	402,563
Loss and comprehensive loss for the period	-	-	-	-	-	(645,294)	(645,294)
Balance – March 31, 2022	82,971,530	12,507,046	1,400,000	238,353	603,845	(7,937,204)	5,412,040
Share-based compensation (note 8)	-	-	-	-	297,494	-	297,494
Loss and comprehensive loss for the period	-	-	-	-	-	(925,726)	(925,726)
Balance –December 31, 2022	82,971,530	12,507,046	1,400,000	238,353	901,339	(8,862,930)	4,783,808

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

E-Tech Resources Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the nine-month periods ended December 31, 2022 and 2021

(Expressed in Canadian dollars unless otherwise indicated)

	Nine-months ended December 31, 2022	Nine-months ended December 31, 2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(925,726)	(7,025,443)
<i>Non-cash items</i>		
Share-based compensation	297,494	201,282
Listing expense (note 3)	-	6,370,752
	<u>(628,232)</u>	<u>(453,409)</u>
Net changes in non-cash working capital balances related to operations:		
Decrease (increase) in amounts recoverable	164,657	(44,852)
Decrease (increase) in prepaid expenses	51,205	(7,714)
Increase (decrease) in accounts payable and accrued liabilities	50,512	(117,030)
	<u>(361,858)</u>	<u>(623,005)</u>
Investing activities		
Purchases of equipment	(60,026)	(34,347)
Resource property expenditures	(850,169)	(1,930,641)
	<u>(910,195)</u>	<u>(1,964,988)</u>
Financing activities		
Proceeds from financing, net of issuance costs (note 8)	-	4,621,980
Cash acquired upon transaction (note 3)	-	276,571
Repayment of loans (note 9)	-	(218,673)
Convertible debenture contributions (note 9)	-	835,989
	<u>-</u>	<u>5,515,867</u>
Net change in cash during the period	(1,272,053)	2,927,874
Cash – beginning of period	1,797,690	55,380
Cash – end of period	525,637	2,983,254

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

E-Tech Resources Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021

(Expressed in Canadian dollars unless otherwise indicated)

1. Nature of operations and going concern

Nature of operations

E-Tech Resources Inc. (formerly Battery Road Capital Corp.) (“E-Tech” or the “Company”) was incorporated under the Canada Business Corporations Act on April 20, 2018. The Company was classified as a Capital Pool Company as defined in the TSX Venture Exchange (the “TSXV”) Policy 2.4. The principal business of the Company was the identification and evaluation of a Qualifying Transaction (“QT”) and once identified and evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company and E-Tech Kalapuse Mining (Proprietary) Limited (“E-Tech Namibia”), a private company involved in the business of rare earths exploration, entered a definitive share exchange agreement (the “Agreement”) dated October 10, 2020 under which the transaction described in note 3 was completed (the “Transaction”). The Boards of Directors of the Company and E-Tech Namibia each unanimously approved the terms of the Transaction. As a result of the Transaction, the Company changed its name to E-Tech Resources Inc. and adopted a financial year end of March 31st effective on the closing of the Transaction on October 15, 2021. On October 21, 2021, the Company commenced trading on the TSXV under the symbol REE and co-listed on the Frankfurt Stock Exchange (“FSE”) under the symbol K2I on January 5, 2022.

The principal business of the Company is the exploration and development of resource properties. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain resources that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company’s corporate office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, and the registered office of the Company is located at 1741 Upper Water Street, Suite 600, Halifax, Nova Scotia. The Company’s technical office is located at 18 Liliencron Street, Windhoek, Namibia.

Going concern

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a net loss for the nine-month period ended December 31, 2022 of \$925,726 (net loss of \$7,670,737 for the year ended March 31, 2022) and has no operations at this time which will generate revenue. Management estimates current working capital may not be sufficient to fund all of the Company’s planned exploration expenditures. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on securing additional financing. There is no certainty that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital. These matters indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

2. Significant Accounting Policies

Statement of compliance

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 (“CPA Canada Handbook”), which incorporates IFRS as

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issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended March 31, 2022.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of February 28, 2023, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ended March 31, 2023 could result in the restatement of these unaudited condensed interim consolidated financial statements.

Basis of presentation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, E-Tech Namibia (see note 3). All intercompany transactions and balances have been eliminated on consolidation of the accounts. These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for any financial assets and liabilities classified as fair value through profit and loss. The Company’s functional currency is the Canadian dollar, and these unaudited condensed interim consolidated financial statements are presented in Canadian dollars.

Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company and its subsidiaries, as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the consolidated statements of financial position dates; and (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using rates of exchange at the transaction dates.

Significant accounting policies

These financial statements have been prepared using the same policies and methods of computation as the annual financial statements of the Company for the year ended March 31, 2022. Refer to note 2, *Significant Accounting Policies*, and note 4, *Capital Management*, of the Company’s annual financial statements for the year ended March 31, 2022 for information on the accounting policies as well as new accounting standards adopted.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as "COVID-19". The pandemic spread across the globe and has impacted worldwide economic activity. Conditions surrounding the coronavirus continue to evolve. The Company incurred delays in its planned exploration activities in 2020 and 2021 due to COVID-19 restrictions. If future delays are realized due to government-imposed restrictions, this may impact the Company’s ability to meet obligations under current regulations or its agreements and may reduce its ability to source financing for future activities. However,

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it is not possible to reliably estimate the length and severity of these possible developments and the impact on the financial results and conditions of the Company in future periods at this time.

3. Qualifying Transaction with E-Tech Namibia

Prior to the Transaction, E-Tech Namibia had 200 outstanding common shares. Under the terms of the Definitive Agreement, E-Tech Namibia converted advances received (and applicable interest) of \$1,596,000 at a value \$12,000 per share to issue an additional 133 common shares. Under the terms of the Agreement, the Company completed a forward split of two common shares for each common share of the Company, and the Company acquired all of the issued and outstanding common shares of E-Tech Namibia based on 111,111.2 shares of the Company for each of the 333 common shares of E-Tech Namibia after the conversion (the “Transaction”). As a result, the Company issued a total of 37,000,030 common shares to the shareholders of E-Tech Namibia. Upon closing, E-Tech Namibia shareholders held approximately 58.8% of the outstanding shares of the Company. Upon completion of the Transaction, the Company has 62,971,530 issued and outstanding common shares. After the completion of the non-brokered private placement, issuing 20,000,000 common shares at an issue price of \$0.25 per share to raise aggregate gross proceeds of \$5,000,000 (the “Financing”), the Company has 82,971,530 issued and outstanding common shares.

In substance, the Transaction involves E-Tech Namibia shareholders obtaining control of the Company. As the Company does not meet the definition of a business prior to the Transaction, the Transaction is outside the scope of IFRS 3 – Business Combinations. The Transaction has therefore been accounted for under IFRS 2 – Share-based payment. Under this basis of accounting, the consolidated financial statements of the combined entity represent the continuation of E-Tech Namibia by which E-Tech Namibia acquired the net assets and listing status of the Company as of October 15, 2021. Accordingly, the Transaction is considered a reverse takeover transaction (“RTO”) with E-Tech Namibia acquiring the Company.

The excess of the estimated fair value of the equity instruments that E-Tech Namibia is deemed to have issued to acquire the Company, plus the transaction costs less the estimated fair value of the Company’s net assets (collectively the “Consideration”), are recorded as a listing expense as a cost of obtaining Reporting Issuer status.

The accounting for this Transaction resulted in the following:

- The consolidated financial statements are issued under the legal parent, E-Tech Resources Inc., but are considered a continuation of the financial statements of the legal subsidiary, E-Tech Namibia.
- Since E-Tech Namibia is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- There has been an elimination of the Company’s pre-acquisition net share capital of \$780,745, contributed surplus of \$757, and the accumulated deficit of \$659,379.

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Since the share and share-based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, the value in excess of the net identifiable assets and obligations of the Company acquired on closing is expensed in the consolidated statement of loss and comprehensive loss as listing expense.

During the year ended March 31, 2022, the Company recognized a listing expense on the transaction in the amount of \$6,370,752. The listing expense is comprised of the fair value of the common shares of the Company retained by the former shareholders of the Company and the transaction costs less the net assets of the Company at October 15, 2021. The listing fee expense is summarized as follows:

<u>Net assets acquired:</u>	\$
Cash	276,571
Other current assets	8,246
Less: accounts payable and accrued liabilities	<u>(162,694)</u>
Net assets acquired	122,123
<u>Equities instruments deemed to be issued:</u>	
Common shares (see below)	<u>6,492,875</u>
	<u>6,370,752</u>

The Company has estimated the fair value of the equity instruments deemed to be issued as a result of the Transaction. The fair value of the 25,971,500 post-split common shares amounted to \$6,492,875, based on the non-brokered private placement financing at \$0.25 per share.

4. Amounts recoverable

	December 31, 2022	March 31, 2022
	\$	\$
Sales taxes recoverable	<u>190,786</u>	<u>355,443</u>

All sales taxes recoverable are with the government of Canada and the government of Namibia.

5. Equipment

Cost	Exploration Equipment
	\$
As at April 1, 2021	16,561
Additions	<u>30,718</u>
As at March 31, 2022	47,279
Additions	<u>60,026</u>
As at December 31, 2022	<u>107,305</u>

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Accumulated depreciation

As at April 1, 2021	4,140
Depreciation	<u>9,806</u>
As at March 31, 2022	13,946
Depreciation	<u>9,748</u>
As at December 31, 2022	<u>23,694</u>
Carrying amount	
Balance, March 31, 2022	<u>33,333</u>
Balance, December 31, 2022	<u>83,611</u>

Depreciation of exploration equipment is recorded as an addition to resource exploration expenditures.

6. Resource properties

	Nine-months ended December 31, 2022	Year ended March 31, 2022
	\$	\$
<i>Acquisition Costs</i>		
Opening balance	29,815	29,560
Acquisition costs	-	255
Ending balance	<u>29,815</u>	<u>29,815</u>
<i>Exploration Expenditures</i>		
Opening balance	3,534,006	759,106
Additions incurred	679,835	2,774,900
Ending balance	<u>4,213,841</u>	<u>3,534,006</u>
<i>Total Resource Properties</i>	<u>4,243,655</u>	<u>3,563,821</u>

The Company's interest in resource properties consists of the Eureka deposit in Namibia. The Company holds Exclusive Prospecting Licence ("EPL") 6762, which was held for the period of three years from February 12, 2018 to February 11, 2021 and renewed for a further period of two years from July 20, 2021 to July 19, 2023.

The Company obtained EPL 6762 by entering into an agreement with Kalapuse General Dealers (Pty) Ltd ("KGD"), who agreed to extract the Eureka licence area EPL 6762 from its EPL 5469 licence area with the consent of Namibia's Ministry of Mines and Energy in a letter received on June 15, 2017. Pursuant to the agreement with KGD, E-Tech Namibia agreed to:

- pay an initial non-refundable payment of £7,500 to KGD (the "Initial KGD Payment"), which has been paid in full;
- pay a second non-refundable payment to KGD of £7,500 for the successful completion of phase 1 and excision of the area of interest into a new exclusive prospecting licence (the "Second KGD Payment"), of which £3,250 has been paid;

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- pay a third non-refundable payment to KGD of £50,000 (exclusive of VAT) upon successful completion of phase 2 and commencement of a pre-feasibility study (the “Third KGD Payment”);
- pay KGD a royalty of 1.5% of the gross value of products sold from mining the deposit until production is terminated (the “KGD Royalty”).

EPL 6762 is located in the magisterial District “G” (Karibib) and has been duly issued by the Minister to E-Tech Namibia and is validly existing under the applicable Namibian Laws. The Company has full and exclusive right, including receipt of all required permits, licences and other applicable government approvals in respect of EPL 6762, enabling E-Tech to carry out its exploration activities as per the most recent work program filed with the Ministry.

7. Accounts payable and accrued liabilities

	December 31, 2022	March 31, 2022
	\$	\$
Trade accounts payable and accrued liabilities	176,323	322,245
Amounts payable to related parties	94,462	78,111
	<u>270,785</u>	<u>400,356</u>

8. Shareholders' equity

a) Capital stock

Authorized: Unlimited number of common shares, without nominal or par value

Share split

On October 15, 2021, the Company completed its QT with E-Tech Namibia (note 3), which included the approval of a stock split of the common shares of the Company on the basis of two post-split shares issued for every one pre-split share outstanding. As of the date of the split, the Company had 12,985,750 common shares outstanding. The share split resulted in a further 12,985,750 common shares issued to existing shareholders of the Company.

E-Tech Namibia share conversion

As a result of the Transaction, the Company acquired each of the issued and outstanding shares of E-Tech Namibia pursuant to the terms of the Definitive Agreement, in exchange for 111,111.2 common shares of the Company (the “Exchange Ratio”). Existing shareholders of E-Tech Namibia’s 200 issued and outstanding E-Tech Namibia Shares at the time of the Transactions received 22,222,240 common shares of the Company in aggregate at closing of the Transactions. Holders of the E-Tech Namibia convertible debentures, in the amount of \$1,596,000, received 133 shares of E-Tech Namibia upon conversion, which were exchanged for 14,777,790 common shares of the Company.

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Concurrent financing

During the year ended March 31, 2022, the Company announced and completed an Offering of subscription receipts at a price of \$0.25, each convertible into one post-split Company common share. 20,000,000 subscription receipts were issued for aggregate gross proceeds of \$5,000,000. Insiders of the Company at the time of the Offering subscribed for 880,000 subscription receipts for proceeds of \$220,000. The gross proceeds raised in connection with the Offering, including fees owing to the Agent, were held in escrow on behalf of the subscribers by Computershare Trust Company of Canada (the “Escrow Agent”).

Upon completion of the Transaction on October 15, 2021, the escrowed funds resulting from the Offering were released to the Company upon receipt by the Escrow Agent of a written joint notice of the Company and E-Tech Namibia stating that the share exchange contemplated in the Definitive Agreement had closed, at which time each subscription receipt was automatically exchanged for a total of 20,000,000 post-split common shares of the Company.

In connection with the Offering, Numus Capital Corp., a related party (the “Agent”), received (a) a cash commission equal to \$350,000, representing 7% of the aggregate gross proceeds raised by the Company from the sale of subscription receipts in connection with the Offering; and (b) 1,400,000 broker warrants entitling the Agent to purchase that number of post-split common shares in the Company equal to seven percent (7%) of the subscription receipts in the Offering. The warrants are exercisable into 1,400,000 common shares of the Company at a price of \$0.25 per share and expire on October 15, 2023. The value attributed to the warrants was \$238,353 (see note 8(c)).

In addition to the Agent fee and the warrants issued, the Company incurred other costs of \$28,020, primarily related to legal and regulatory fees associated with the financing.

Escrowed shares

As at December 31, 2022, 14,284,402 common shares of the Company are subject to escrow arrangements pursuant to the terms of the Transaction. 9,984,402 of the escrowed shares are subject to an escrow agreement which states 10% of the escrowed shares were released from escrow upon completion of the Transaction, and an additional 15% will be released every six months thereafter. 4,300,000 of the escrowed shares are subject to an escrow agreement which states 25% of the escrowed shares were released from escrow upon completion of the Transaction, and an additional 25% will be released every six months thereafter.

b) Stock options

The Company has a stock option plan (the “Plan”) for directors, officers, employees and consultants. The Board of Directors have the authority to issue up to 10% of the issued and outstanding common shares of the Company. The options can have up to a ten-year life, and the vesting period is set by the Board. Options are granted at a price no lower than the market price of the common shares.

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The changes in the Company's stock options during the period ended December 31, 2022 and the year ended March 31, 2022 are as follows:

	<u>Number of options</u>	<u>Weighted- average exercise price</u>
Balance, April 1, 2021	-	\$ -
Granted	<u>3,175,000</u>	0.55
Balance, March 31, 2022	3,175,000	\$ 0.55
Granted	1,060,000	0.10
Cancelled	<u>(1,375,000)</u>	0.55
Balance, December 31, 2022	<u>2,860,000</u>	\$ 0.38

On November 24, 2022, the Company granted 1,060,000 stock options under the Company's Plan to directors, officers, employees and consultants. Each option is exercisable into one common share of the Company at a price of \$0.10 per share and will vest at the rate of 25% of the total on each of the six-month anniversary dates of the grant. The options expire five years from the date of grant.

On November 12, 2021, the Company granted 3,175,000 stock options under the Company's Plan to directors, officers, employees and consultants. Each option is exercisable into one common share of the Company at a price of \$0.55 per share and will vest at the rate of 25% of the total on each of the six-month anniversary dates of the grant. The options expire five years from the date of grant.

During the nine-month period ended December 31, 2022, 1,350,000 stock with an exercise price of \$0.55 per share were cancelled, and 25,000 stock options with an exercise price of \$0.55 per share expired unexercised.

The fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. Weighted-average assumptions used in the pricing model for the options issued during the nine-month period ended December 31, 2022 and the year ended March 31, 2022 were as follows:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Share price	\$0.10	\$0.55
Risk-free interest rate	3.85%	0.95%
Expected volatility	140%	140%
Expected dividend yield	-	-
Expected life	5 years	5 years
Weighted-average fair value per option	\$0.089	\$0.487

Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the 1,060,000 options granted on November 24, 2022 was \$94,689, and the estimated fair value of the 3,175,000 options granted on November 12, 2021 was \$1,545,843. This amount is amortized over the vesting period. The Company has expensed \$297,494 during the nine-month period ended December 31, 2022 (December 31, 2021 - \$201,282), which is net of a recovery of share-based compensation expense of \$228,288 due to the cancellation of unvested options during the period.

E-Tech Resources Inc.

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The options outstanding as at December 31, 2022 are:

Exercise Price per Share	Number of Options Outstanding	Expiry Date	Remaining Contractual Life (in years)	Number of Options Vested
\$0.55	1,800,000	November 12, 2026	3.9	900,000
\$0.10	1,060,000	November 24, 2027	4.9	nil

As at December 31, 2022, 900,000 options have vested, and the Company has 5,437,153 options available for granting under its Plan.

c) Warrants

Pursuant to the subscription receipt financing completed by the Company during the year ended March 31, 2022, the Company issued 1,400,000 broker warrants to Numus Capital Corp. The broker warrants are exercisable at a price of \$0.25 and expire on October 15, 2023. The value of the warrants, as determined under the Black-Scholes pricing model, is \$238,353 and has been recorded as a share issuance cost.

The assumptions used in the pricing model and fair value results are as follows:

	October 2021 Warrants
Risk-free interest rate	1.00%
Expected volatility	140%
Expected dividend yield	-
Expected life	2 years
Fair value per warrant	\$0.17

The warrants outstanding as at December 31, 2022 are:

Exercise Price	Number of Warrants Outstanding	Expiry Date
\$0.25	1,400,000	October 15, 2023

9. Related party transactions

Accounts payable includes amounts payable to officers, directors and related party companies of \$94,462 at December 31, 2022 (March 31, 2022 – \$78,111). The following related party transactions were in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed to by the related parties.

a) Compensation of key management personnel:

Key management includes all directors, as well as the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”). During the nine-month period ended December 31, 2022, management and consulting fees in the amount of \$235,801 were incurred for the services of the CEO, the interim CEO, the CFO and two directors (year ended March 31, 2022 - \$322,344). Included in the management and consulting fees paid to key management are \$55,838 in fees that were capitalized to resource properties

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during the period (year ended March 31, 2022 - \$161,875) for services of the CEO and two directors, as well as a CEO termination fee of \$58,333 (see note 12). For the year ended March 31, 2022, the amounts paid to key management also includes \$83,207 in consulting fees paid by E-Tech Namibia prior to the Transaction to a related party individual who would become the CEO of the Company as at the date of the Transaction.

During the year ended March 31, 2022, the Company granted 3,175,000 stock options, of which 2,450,000 were granted to officers and directors of the Company (see note 8). During the nine-month period ended December 31, 2022, the Company granted 1,060,000 stock options, of which 800,000 were granted to officers and directors of the Company (see note 8). During the nine-month period ended December 31, 2022, 1,250,000 stock options held by a related party with an exercise price of \$0.55 per share were cancelled (see note 12).

b) Services agreements:

At December 31, 2022, the Company has a services agreement with Numus Financial Inc. (“Numus”), a related party company owned by significant shareholders, one of which is a director of the Company, for the provision of consulting services, controller services, rent and other office costs, at a total fee of \$12,200 per month and continuing until both parties mutually agree to terminate. Service fees are incurred on a cost recovery basis and include general and administration charges such as utilities and accounting services of the Company. During the nine-month period ended December 31, 2022, the Company incurred costs for consulting and controller services in the amount of \$94,500 (year ended March 31, 2022 - \$57,750), and incurred rent and office costs in the amount of \$15,300 (March 31, 2022 - \$9,350).

As outlined in the services agreement effective October 15, 2021, if the services agreement is cancelled by the Company without just cause (as defined in the agreement), a break fee of eighteen (18) months of remuneration, being \$144,000, will be payable to Numus, in addition to the service fees applicable for the 90 day notice period. If the controller services are cancelled by the Company without just cause, a break fee of six (6) months of remuneration, being \$15,000, will be payable to Numus, in addition to the service fees applicable for the 90 day notice period. If the office services are cancelled by the Company without just cause, a break fee of six (6) months of remuneration, being \$10,200, will be payable to Numus, in addition to the service fees applicable for the 90 day notice period. Numus also will have a right of first refusal to act as an advisor on an E-Tech transaction for a fee of 1.25% of the value of the transaction.

Also at December 31, 2022, the Company has an agreement with Numus for the provision of digital media services. The agreement provides for the provision of digital media services in the amount of \$5,000 per month until November 30, 2022, which was extended until November 30, 2023 in the amount of \$5,800 per month, with a further option to extend. During the nine-month period ended December 31, 2022, the Company incurred fees for digital media services in the amount of \$45,800 (year ended March 31, 2022 - \$20,000).

c) Former parent company transactions

Prior to the completion of the Transaction on October 15, 2021, a related party relationship existed between E-Tech Namibia and its parent company, E-Tech Metals Limited (“E-Tech Metals”). During the year ended March 31, 2021, expenses previously incurred by E-Tech Metals were transferred to E-Tech Namibia. These expenses amounted to \$211,211 (NAD\$2,499,241), of which \$152,014 (NAD\$1,798,766) related to resource properties and \$59,197 (NAD\$700,475) to administrative

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expenses. As at March 31, 2021, amounts payable to E-Tech Metals were \$218,673 (NAD\$2,587,540), which was repaid in full during the year ended March 31, 2022.

As a result of the Transactions, the Company acquired each of the 333 issued and outstanding E-Tech Namibia shares pursuant to the terms of the Definitive Agreement, in exchange for 111,111.2 common shares of the Company (the "Exchange Ratio"). Existing shareholders of E-Tech Namibia's 200 issued and outstanding E-Tech Namibia shares received 22,222,240 common shares of the Company in aggregate at closing of the Transaction.

d) Convertible debenture

During the years ended March 31, 2022 and 2021, the Company received loans from related parties, including a director of the Company and other significant shareholders, in the form of a convertible debenture. The balance of the convertible debenture was, prior to the completion of the Transactions, settled in exchange for E-Tech Namibia shares and further exchanged for shares of the Company based on the Exchange Ratio for the Transactions. As at October 15, 2021, the amount of the convertible debenture was \$1,596,000, including interest. Holders of these E-Tech Namibia convertible debentures received 133 shares of E-Tech Namibia upon conversion, which were exchanged for 14,777,790 common shares of the Company.

e) Financing broker

Numus Capital acted as the Agent for the Company's subscription receipt. Numus Capital is an Exempt Market Dealer and a related party owned by significant shareholders of the Company. As compensation for its services for the Offering, Numus Capital received a 7% cash commission of \$350,000 and received 1,400,000 broker warrants to purchase 1,400,000 common shares of the Company. The warrants have an exercise price of \$0.25 per common share and expire on October 15, 2023.

10. Financial instruments

Credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount of the Company's cash and amounts recoverable. The Company manages credit risk by maintaining its cash with high-credit quality financial institutions or in trust with the Company's lawyer. The sales taxes recoverable are with the Government of Canada and the Namibia Revenue Authority.

Liquidity risk

The Company's approach to managing liquidity risk is to continue to maintain a cash balance to be able to meet the funding of its liabilities when required. As at December 31, 2022, the Company had a cash and cash equivalents balance of \$525,637 and a working capital balance of \$456,542 (March 31, 2022 – cash balance of \$1,797,690 and a working capital balance of \$1,814,886). Working capital is determined by deducting current liabilities of \$270,785 (March 31, 2022 - \$400,356) from current assets of \$727,327 (March 31, 2022 - \$2,215,242). The Company's ability to continue to meet its liabilities, beyond the current cash balance, is dependent on future support of shareholders through public or private equity offerings.

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Foreign currency rate risk

A portion of the Company's transactions occur in United States, South African and Namibian currencies; accordingly, the related financial assets and liabilities are subject to fluctuations in the respective exchange rates. For the period ended December 31, 2022, the sensitivity of the Company's net loss due to changes in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar and the Namibian dollar) would have impacted net loss by \$6,259 for a 5% increase or decrease in the Canadian dollar.

Fair value

During the nine-month period ended December 31, 2022, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Company's cash and cash equivalents, amounts recoverable, and accounts payable and accrued liabilities are considered to approximate the carrying amounts due to their short term to maturity. Investments are recorded at fair value based on the quoted market price which is a level 1 fair value category as the securities exchanged in the quoted market are identical to the interments held by the Company.

11. Income taxes

Deferred income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 29% to operating loss before income taxes. The reasons for the difference are as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Operating loss before income taxes	(925,726)	(7,025,443)
Income tax recovery based on substantively enacted rates	(268,461)	(2,037,378)
Current year loss and deductible temporary differences for which no asset recognized	182,188	131,488
Permanent differences and other	86,273	1,905,890
Income tax recovery	-	-

12. Commitments

The Company had an agreement with the CEO which could be terminated by the Company or the Consultant with three months' notice. If this agreement is terminated by the Company without cause, an amount equal to three months of compensation plus one more per completed year of service to a maximum of twelve months of compensation will be due to the CEO. During the nine-month period ended December 31, 2022, the Company terminated its CEO agreement and funded the termination payment of \$58,333. In addition, 1,250,000 stock options held by the CEO prior to termination were cancelled during the period ended December 31, 2022 in accordance with the Company's stock option plan.

At December 31, 2022, the Company has a services agreement with Numus for the provision of consulting services, controller services, rent and other office costs, at a fee of \$12,200 per month and continuing until both parties mutually agree to terminate. As at December 31, 2022, the Company also has an agreement with Numus for the provision of digital media services at a fee of \$5,800 per month until November 30, 2023, with the option to extend. See note 9 for further details.