

**E-Tech Resources Inc.**

**Consolidated Financial Statements**

**March 31, 2023 and 2022**

July 27, 2023

## **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of E-Tech Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS").

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "*Todd Burlingame*"  
Chief Executive Officer  
Halifax, Nova Scotia

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

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders and Directors of E-Tech Resources Inc.

### Opinion

We have audited the consolidated financial statements of E-Tech Resources Inc. and its subsidiaries (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 equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying 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 as issued by the International Accounting Standards Board.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

### Other Information

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

Our opinion on the 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 Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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 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 financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' 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 auditors' report is Artem Valeev.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

July 27, 2023

## **E-Tech Resources Inc.**

### **Consolidated Statements of Financial Position**

**As at March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

	<b>March 31, 2023</b>	March 31, 2022
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	<b>321,159</b>	1,797,690
Value added taxes recoverable	<b>182,577</b>	355,443
Prepaid expenses and deposits	<b>9,385</b>	62,109
	<b>513,121</b>	2,215,242
Equipment (note 5)	<b>78,469</b>	33,333
Resource properties (note 6)	<b>4,391,208</b>	3,563,821
<b>Total assets</b>	<b>4,982,798</b>	5,812,396
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	<b>365,414</b>	400,356
<b>Equity</b>		
Shareholders' equity	<b>4,617,384</b>	5,412,040
<b>Total liabilities and equity</b>	<b>4,982,798</b>	5,812,396

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.****Consolidated Statements of Loss and Comprehensive Loss****For the years ended March 31, 2023 and 2022*****(Expressed in Canadian dollars unless otherwise indicated)***

	<b>Year ended March 31, 2023</b>	<b>Year ended March 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Professional and consulting fees (note 9)	<b>278,160</b>	211,992
Salaries and benefits (note 9)	<b>178,997</b>	125,269
Regulatory and filing fees	<b>32,397</b>	50,693
Share-based compensation (notes 8 and 9)	<b>386,056</b>	603,845
Travel	<b>20,728</b>	11,623
Office and administration (note 9)	<b>95,627</b>	92,050
Marketing, promotion and advertising	<b>130,448</b>	108,376
Community social expenses	<b>20,410</b>	-
Finance costs (note 9)	-	107,126
Foreign exchange loss (gain)	<b>37,889</b>	(10,989)
Listing expense (note 3)	-	6,370,752
	<hr/>	<hr/>
<b>Net loss and comprehensive loss for the year</b>	<b>(1,180,712)</b>	<b>(7,670,737)</b>
	<hr/>	<hr/>
<b>Weighted-average number of shares outstanding during the year</b>	<b>82,971,530</b>	38,189,636
	<hr/>	<hr/>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>(0.20)</b>
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*The accompanying notes form an integral part of these consolidated financial statements.*

## E-Tech Resources Inc.

### Consolidated Statements of Changes in Equity (Deficiency)

For the years ended March 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Common Shares	Share Capital	Warrants	Warrants	Contributed Surplus	Deficit	Total Equity (Deficiency)
	#	\$	#	\$	\$	\$	\$
<b>Balance – April 1, 2021</b>	200	34,544	-	-	-	(266,467)	(231,923)
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 8)	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)	-	-	-	-	603,845	-	603,845
Loss and comprehensive loss for the year	-	-	-	-	-	(7,670,737)	(7,670,737)
<b>Balance – March 31, 2022</b>	<b>82,971,530</b>	<b>12,507,046</b>	<b>1,400,000</b>	<b>238,353</b>	<b>603,845</b>	<b>(7,937,204)</b>	<b>5,412,040</b>
Share-based compensation (note 8)	-	-	-	-	386,056	-	386,056
Loss and comprehensive loss for the year	-	-	-	-	-	(1,180,712)	(1,180,712)
<b>Balance – March 31, 2023</b>	<b>82,971,530</b>	<b>12,507,046</b>	<b>1,400,000</b>	<b>238,353</b>	<b>989,901</b>	<b>(9,117,916)</b>	<b>4,617,384</b>

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



# E-Tech Resources Inc.

## Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash provided by (used in)</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	<b>(1,180,712)</b>	(7,670,737)
<i>Non-cash items</i>		
Share-based compensation	<b>386,056</b>	603,845
Listing expense (note 3)	-	6,370,752
	<b>(794,656)</b>	(696,140)
Net changes in non-cash working capital balances related to operations:		
Decrease (increase) in amounts recoverable	<b>172,866</b>	(355,443)
Decrease (increase) in prepaid expenses	<b>52,724</b>	(43,863)
Increase (decrease) in accounts payable and accrued liabilities	<b>118,047</b>	(158,393)
	<b>(451,019)</b>	(1,253,839)
<b>Investing activities</b>		
Purchases of equipment	<b>(60,027)</b>	(30,718)
Cash acquired upon transaction (note 3)	-	276,571
Resource property expenditures	<b>(965,485)</b>	(2,489,000)
	<b>(1,025,512)</b>	(2,243,147)
<b>Financing activities</b>		
Proceeds from financing, net of issuance costs (note 8)	-	4,621,980
Repayment of loans (note 9)	-	(218,673)
Convertible debenture contributions (note 9)	-	835,989
	-	5,239,296
<b>Net change in cash during the year</b>	<b>(1,476,531)</b>	1,742,310
<b>Cash – beginning of year</b>	<b>1,797,690</b>	55,380
<b>Cash – end of year</b>	<b>321,159</b>	1,797,690
<b>Non-cash transactions:</b>		
Shares issued on conversion of convertible debenture	-	1,596,000

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

# **E-Tech Resources Inc.**

## **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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### **1. Nature of operations and going concern**

#### **Nature of operations**

E-Tech Resources Inc. ("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 31<sup>st</sup> 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 year ended March 31, 2023 of \$1,180,712 (2022 – \$7,670,737) 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.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities the reported revenues and expenses, and the statement of financial position classifications used.

# **E-Tech Resources Inc.**

## **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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### **2. Significant accounting policies**

#### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 27, 2023.

#### **Basis of presentation**

These 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 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 consolidated financial statements are presented in Canadian dollars.

##### **a) 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.

##### **b) Resource properties and related exploration costs:**

Pre-exploration expenditures are expensed as incurred. All direct costs related to the acquisition of resource property interests are capitalized by property. Exploration and evaluation costs are capitalized.

Resource properties are initially measured at cost and include expenditures on acquisition of rights to explore, studies, exploratory drilling, trenching, sampling, metallurgical studies, and other direct costs related to exploration or evaluation of a project. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to supporting exploration activities in a particular area of interest.

Where a project is determined to be technically and commercially feasible and a decision has been made to proceed with development with respect to a particular area of interest, the relevant resource property asset is tested for impairment and the balance is reclassified as a resource property in property and equipment.

Resource properties are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. Such circumstances would include expiration of rights to explore with no right or expectation of renewal, substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the entity has decided to discontinue such activities in the specific area, no commercially viable quantities are discovered and exploration and evaluation activities will be discontinued, or sufficient data exists to indicate that the carrying amount of the resource properties are unlikely to be recovered in full from successful development or by sale. An impairment loss is recognized for the amount by which the resource asset's carrying amount exceeds its recoverable amount. Where the assets are not associated with a specific cash generating unit, the recoverable amount is assessed using fair value less costs to sell for the specific assets.

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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#### **c) Equipment**

Equipment is carried at acquisition cost, less subsequent depreciation and impairment losses. Depreciation is recognized on a straight-line basis to write down the cost or valuation, less estimated residual value of equipment. The periods generally applicable are:

- Exploration equipment      5-10 years

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets are recognized in profit or loss within “other income”.

#### **d) Share-based compensation**

The Company has a share-based compensation plan that is described in note 8. Awards of options to employees and others providing similar services under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders’ equity. Fair value is measured using the Black-Scholes pricing model. If the options are subject to a vesting period, the compensation cost is recognized over this period, based on the Company’s estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration paid by employees on the exercise of stock options is credited to share capital together with the amounts originally recorded as share-based compensation in contributed surplus related to the exercised options.

#### **e) Share issuance costs**

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

#### **f) Loss per share**

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing earnings attributable to equity shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are determined by adjusting the weighted-average number of common shares for the dilutive effect of share-based payments, employee incentive share units, and warrants using the treasury stock method (if, and when, applicable). Under this method, stock options, whose exercise price is less than the average market price of the Company’s common shares, are assumed to be exercised and the proceeds used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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#### **g) Income taxes**

The Company uses the liability method of accounting for income taxes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- In respect of taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, or venture and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When results from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

#### **h) Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are classified and measured at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets that do not qualify to be measured at amortized cost or FVOCI or have been elected so at initial adoption are classified at FVTPL. An entity may elect on initial recognition of an equity investment to irrevocably classify it as FVOCI. Financial liabilities are recognized at amortized cost unless the Company elects to classify them as FVTPL on initial recognition.

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss. The Company's financial instruments are classified as follows:

<b>Asset / Liability</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Amounts recoverable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

#### *Impairment of financial assets at amortized cost*

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

#### *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported on the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **i) Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from those estimates.

Critical accounting estimates and judgments:

#### *Asset acquisitions*

The Company applies judgment in determining whether the exploration and evaluation assets it acquires are considered to be asset acquisitions or business combinations. Key factors in this determination are whether reserves have been established, whether the project is capable of being managed as a business by a market participant, and the nature of the additional work to convert resources into reserves.

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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#### *Estimate of recovery for non-financial assets*

Events or changes in circumstances may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Company's accounting policy, each non-financial asset unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is made and an impairment loss is recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

Value in use is generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is determined based on the present value of estimated future cash flows from each long-lived asset or cash generating unit. The assumptions used in determining the fair value less costs of disposal are typically life of mine plans, long-term commodity prices, discount rates, foreign exchange rates, and net asset value multiples.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs, and future capital expenditures.

#### *Share-based payments*

Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

#### *Taxation*

The Company's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses, and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends, and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

# **E-Tech Resources Inc.**

## **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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### *Functional currency*

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the entity operations. The Company has determined the functional currency of the Company and its Namibian subsidiary to be the Canadian dollar. The Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determine the primary economic environment.

### *Going concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. Please refer to note 1 for additional information.

### **j) Leases**

In accordance with IFRS 16, Leases ("IFRS 16), certain lease obligations are recorded on the consolidated statements of financial position. The Company did not identify any leases requiring assessment under IFRS 16. The Company will monitor any leases for appropriate recognition in future periods.

### **k) Warrants**

From time to time, the Company issues warrants in conjunction with share capital. Proceeds are allocated between share capital and warrants based on the relative fair value of each instrument. The fair value of the warrants is estimated using an appropriate option price model. Warrants issued not in conjunction with share capital are valued based on the fair value of the service or goods received.

### *New accounting standards not yet adopted*

The IASB issued the following standards that have not been applied in preparing these consolidated financial statements, as their effective date falls within annual periods beginning after the year ended March 31, 2023.

#### **i) IAS 1, Presentation of Financial Statements**

On January 23, 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements, providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.



## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

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***(Expressed in Canadian dollars unless otherwise indicated)***

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#### **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”), was recorded as a listing expense during the year ended March 31, 2022 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.

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.

The listing expense in the amount of \$6,370,752 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:

# E-Tech Resources Inc.

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

<b><u>Net assets acquired:</u></b>	\$
Cash	276,571
Other current assets	8,246
Less: accounts payable and accrued liabilities	<u>(162,694)</u>
Net assets acquired	122,123
<b><u>Equities instruments deemed to be issued:</u></b>	
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. Capital management

E-Tech manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to continue as a going concern. The Company considers capital to be shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There are no external restrictions on the Company's capital. No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2023.

#### 5. Equipment

<b>Cost</b>	<b><u>Exploration Equipment</u></b>
	\$
As at April 1, 2021	16,561
Additions	<u>30,718</u>
As at March 31, 2022	47,279
Additions	<u>60,027</u>
As at March 31, 2023	<u>107,306</u>
<b>Accumulated depreciation</b>	
As at April 1, 2021	4,140
Depreciation	<u>9,806</u>
As at March 31, 2022	13,946
Depreciation	<u>14,891</u>
As at March 31, 2023	<u>28,837</u>
<b>Carrying amount</b>	
Balance, March 31, 2022	<u>33,333</u>
Balance, March 31, 2023	<u>78,469</u>

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

## E-Tech Resources Inc.

### Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

#### 6. Resource properties

	March 31, 2023	March 31, 2022
	\$	\$
<i>Acquisition Costs</i>		
Opening balance	29,815	29,560
Acquisition costs	34,626	255
Ending balance	64,441	29,815
<i>Exploration Expenditures</i>		
Opening balance	3,534,006	759,106
Additions incurred	792,761	2,774,900
Ending balance	4,326,767	3,534,006
<i>Total Resource Properties</i>	4,391,208	3,563,821

The Company's interest in resource properties consists of the Eureka deposit in Namibia.

#### *EPL 6762*

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, for which the renewal application has been submitted.

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;
- 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.

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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#### *EPL 8748*

During the year ended March 31, 2023, the Company signed an agreement to acquire 85% of EPL 8748, located adjacent to EPL 6762 (“EPL 8748 Agreement”). Pursuant to the EPL 8748 Agreement, the Company will acquire an 85% interest in EPL 8748 for aggregate cash consideration of \$210,000 and the issuance of an aggregate of 1,200,000 common shares of the Company (the “E-Tech Shares”). EPL 8748 will be held through a special purpose vehicle (“Newco”) that will be owned 85% by the Company. The parties to the EPL 8748 Agreement will enter into a shareholders agreement, which will contain terms providing that if any party’s interest is reduced to less than 10%, its interest will automatically be converted into a 5% free carried interest. Annually, on the anniversary of the EPL 8748 Agreement, the Company will have the option to acquire the minority interest from the vendor at fair market value.

The E-Tech Shares will be issued to the vendor once certain conditions set out in the EPL 8748 Agreement have been met, including the granting of EPL 8748 to the vendor and the transfer of EPL 8748 to Newco. Upon issuance, the E-Tech Shares will be subject to escrow or other trading restrictions and will be released from these restrictions in tranches over a period of four years from the closing date of the transaction. Cash consideration of \$30,000 was paid by the Company during the year ended March 31, 2023, with \$80,000 to be paid on completion of certain conditions including submission of the application to transfer EPL 8748. The balance of \$100,000 will be paid on completion of the transfer of EPL 8748 to Newco.

The transaction pursuant to the terms and conditions of the EPL 8748 Agreement is conditional upon TSX Venture Exchange approval.

#### **7. Accounts payable and accrued liabilities**

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	\$	\$
Trade accounts payable and accrued liabilities	235,753	322,245
Amounts payable to related parties (note 9)	129,661	78,111
	<u>365,414</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 Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

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#### *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 Transaction received 22,222,240 common shares of the Company in aggregate at closing of the Transaction. 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.

#### *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 March 31, 2023, 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.

## E-Tech Resources Inc.

### Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

#### 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.

The changes in the Company’s stock options during the years ended March 31, 2023 and 2022 are as follows:

	Number of options	Weighted- average exercise price
Balance, April 1, 2021	-	\$ -
Granted	3,175,000	0.55
Balance, March 31, 2022	3,175,000	\$ 0.55
Granted	1,060,000	0.10
Forfeited	(1,375,000)	0.55
Balance, March 31, 2023	2,860,000	\$ 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 year ended March 31, 2023, 1,375,000 stock options with an exercise price of \$0.55 per share were forfeited.

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 were as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
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

## E-Tech Resources Inc.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise indicated)

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 value of the 3,175,000 options granted on November 12, 2021 was \$1,545,843. This amount is amortized over the vesting period of the options, and \$386,056 has been expensed during the year ended March 31, 2023 (2022 - \$603,845), which is net of a recovery of share-based compensation expense of \$228,288 due to the forfeiture of unvested options during the year. As at March 31, 2023, 900,000 stock options have vested (2022 – nil). As at March 31, 2023, the Company has 5,437,153 options available for granting under its Plan.

The options outstanding as at March 31, 2023 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 21, 2026	3.6	900,000
\$0.10	1,060,000	November 24, 2027	4.7	-

#### 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 March 31, 2023 are:

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

## 9. Related party transactions

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

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

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***(Expressed in Canadian dollars unless otherwise indicated)***

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Accounts payable includes net amounts payable to officers, directors and related party companies of \$129,661 at March 31, 2023 (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”). Compensation of key management is summarized as follows:

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	\$	\$
Management and consulting fees	262,838	322,344
Share-based compensation	198,012	465,959
	<u>460,850</u>	<u>788,303</u>

Key management includes all directors, as well as the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”). During the year ended March 31, 2023, professional and consulting fees and salaries and benefits in the amount of \$262,838 were incurred for the services of the CEO, the interim CEO, the CFO and two directors (2022 - \$322,344). Included in the fees paid to key management are \$62,588 in fees that were capitalized to resource properties during the year (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 year ended March 31, 2023, 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 year ended March 31, 2023, 1,250,000 stock options held by the former CEO with an exercise price of \$0.55 per share were forfeited (see note 12).

#### **b) Services agreements:**

At March 31, 2023 and 2022, the Company has a services agreement with Numus Financial Inc. (“Numus”), a related party company owned by the interim CEO and a significant shareholder 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 year ended March 31, 2023, the Company incurred costs for consulting and controller services in the amount of \$126,000 (2022 - \$57,750), and incurred rent and office costs in the amount of \$20,400 (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



## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

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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 March 31, 2023, the Company has an agreement with Numus for the provision of digital media services. The agreement provided 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 year ended March 31, 2023, the Company incurred fees for digital media services in the amount of \$63,200 (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”). 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 Transaction, 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 Transaction, settled in exchange for E-Tech Namibia shares and further exchanged for shares of the Company based on the Exchange Ratio for the Transaction. 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.

# E-Tech Resources Inc.

## Notes to the Consolidated Financial Statements

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### 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 value added 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 March 31, 2023, the Company had a cash and cash equivalents balance of \$321,159 and a working capital balance of \$147,707 (2022 – cash balance of \$1,797,690 and a working capital balance of \$1,814,886). 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.

#### 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 year ended March 31, 2023, 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 \$4,490 for a 5% increase or decrease in the Canadian dollar.

#### Fair value

During the year ended March 31, 2023, 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% (2022 - 29%) to operating loss before income taxes. The reasons for the difference are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Operating loss before income taxes	(1,180,712)	(7,670,737)
Income tax recovery based on substantively enacted rates	(342,406)	(2,224,514)
Current year loss and deductible temporary differences for which no asset recognized	218,920	293,213
Permanent differences and other	123,486	1,931,301
Income tax recovery	-	-

## **E-Tech Resources Inc.**

### **Notes to the Consolidated Financial Statements**

**For the years ended March 31, 2023 and 2022**

***(Expressed in Canadian dollars unless otherwise indicated)***

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The Company has not recognized deferred tax assets during the years ended March 31, 2023 and 2022. The Company has the following temporary differences for which no deferred tax asset or liability is recognized in the consolidated statement of financial position:

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	\$	\$
Resource properties	62,779	191,421
Eligible capital property and deferred financing	124,298	159,394
Non-capital loss carryforwards	452,768	228,856
	<u>639,845</u>	<u>579,671</u>

No provision for current taxation has been made during the years ended March 31, 2023 and 2022, as no such liability is anticipated. As at March 31, 2023, the Company has unused non-capital losses of approximately \$1.6 million available for carry forward purposes, which expire in 2043 (2022 - \$0.8 million).

#### **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 will be due to the CEO. During the year ended March 31, 2023, the Company terminated its CEO agreement and funded the termination payment of \$58,333. In addition, 1,250,000 stock options held by the former CEO prior to termination were forfeited during the year ended March 31, 2023 in accordance with the Company's stock option plan.

At March 31, 2023, 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 March 31, 2023, 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.

#### **13. Subsequent event**

Subsequent to the year ended March 31, 2023, the Company announced that Mr. Todd Burlingame was appointed E-Tech's Chief Executive Officer ("CEO").